CORPORATE RESTRUCTURING AND FIRM PERFORMANCE IN THE BANKING SECTOR OF KENYA

BY:

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

NOVEMBER 2012

DECLARATION

This research project is my original work and it has not been presented in any university or college for examination

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This work is dedicated to my loving parents, Mr. Andrew Ngige and Mrs Joyce Njoki for the solid foundation you built in me and the sacrifice you endured in seeing me through school. My Fiancé John Muigai, and my siblings for the support, encouragement and prayers which has been the corner stone in my quest for academic excellence. May the Lord, God Almighty bless you abundantly.

ACKNOWLEDGMENT

First I would like to thank the Almighty God for his guidance, protection and providence which enabled me to undertake this project. This research would also have not been successful without the invaluable contributions and support of my family.

My sincere gratitude to my supervisor, Professor Evans Aosa for his continuous guidance in ensuring that the content of this project meet the requirements of academic excellence, and to all the University of Nairobi MBA lecturers for passing the knowledge and making me who I am today.

I am also grateful to all my friends and MBA Colleagues for their tolerance and support throughout the program period. To Nancy Njeri my study partner and close ally the discussions and inspirational talks really helped and may the Lord reward you abundantly.

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ABSTRACT

Corporate restructuring has become a common phenomenon around the world. Unprecedented number of companies across the world have reorganised their divisions, restructured their assets, streamlined their operations and spun-off their divisions in a bid to spur the company performance. It has enabled numerous organisations to respond quickly and more effectively to new opportunities and unexpected pressures so as to re-establish their competitive advantage. In the recent past difficult operating conditions have motivated companies to restructure by retrenching staff and downsizing their scope of operations. Restructuring is considered to be the type of change which may be rapid and could involve a good deal of upheaval in an organization, but which does not fundamentally change the paradigm.

The objective of this study was to establish the implication of restructuring on the performance and long-term competitiveness within the Kenyan banking sector. It also sought to establish the significance of different modes of restructuring adopted by the banks and their role in influencing performance.

The study targeted all the 43 Kenyan banks and thus a cross sectional survey design was adopted. The researcher used a semi structured questionnaire as a primary data collection instrument which targeted the top management in the respective banks. Secondary data was collected from the bank's annual reports and financial statements obtained from the banks supervision department of the Central Bank of Kenya Data .Data collected was both qualitative and qualitative in nature. The qualitative data was content analysed and quantitative data analysed using descriptive statistics.

Findings revealed that generally restructuring resulted to improvement in performance in terms of market share growth, competitiveness, growth in quality of products, geographical spread and customer retention. Further findings revealed that banks used different strategies of restructuring which had different motives in influencing performance. In regards to the role of the different modes used in influencing performance the study found mixed and inconclusive results as performance in some cases improved after financial restructuring whereas in other cases it declined. In the case of organisational and portfolio restructuring the study showed an increase in the year of restructuring and the year after though it was at a greater magnitude in the organisation mode of restructuring.

The study recommends that choice of the mode of restructuring should be well thought depending on the objective that the firm wants to achieve. Secondly it was recommended that policies and procedures be well set while implementing the strategies considering the inherent internal factors in an organisation in order to achieve a successful implementation and the results.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Corporate restructuring has undoubtedly become a major program for many organizations as it paves ways for greater efficiency and cost-effectiveness. Both corporate and business strategies are currently integrated into restructuring program to yield greater financial performance in both short and long run. Corporate restructuring comprises of reorganization of assets through acquisitions and sell-offs, creating new ownership through spin-offs, split-ups and equity carve-outs, reorganizing financial claims through exchange offers, leveraged recapitalization, financial reorganization and liquidation and other strategies like joint ventures and levered buyouts (Weston, Siu and Johnson, 2001).

In recent years, corporate restructuring has attracted much attention from academics not only because it concerns a wide range of aspects but also due to its implications for firms to adjust strategies regarding to the dynamic business environment, and eventually enable firms to create and retain the competitive advantages. The idea of corporate restructuring is to allow the company to continue functioning in some manner. Firms may obtain a core competence of continually acquiring other firms, restructuring, and retaining certain firm assets, while divesting others. Restructuring refers to changes in the composition of a firm's set of businesses and/or financial structure (Hitt, Ireland and Hoskinsson, 1997). Corporate restructuring may take different shapes of strategies, this entail: downsizing, downscoping, delayering, reengineering, verticalization and so forth.

The Kenya business environment has been undergoing drastic changes for some time now. Some of these changes include the accelerated implementation of economic reforms by the government, the liberalization of the economy, discontinuation of price controls, privatization and partial commercialization of the public sector not forgetting increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities and hedge inherent risks expected.

During the past decade, corporate restructuring has increasingly become a staple of management life and a common phenomenon around the world. Unprecedented number of companies across the world have reorganised their divisions, restructured their assets, streamlined their operations and spun-off their divisions in a bid to spur the company performance. It has enabled numerous organisations to respond quickly and more effectively to new opportunities and unexpected pressures so as to re-establish their competitive advantage.

Banking industry in Kenya has registered good performance in the past decade notwithstanding the local and global turbulence. Going forward the sector growth is expected to increase in the backdrop of new opportunities in both domestic and regional markets (CBK, Bank supervision report 2010). In bid to grab these opportunities, players in the banking industry have experienced high competition within the industry as they focus to reduce cost and improve performance not forgetting ensuring customer satisfaction. Kenyan banks have had to develop strategies to respond to the stiff competition, to both safeguard their niches and to enlarge their market share. Different firms have in the past used different competitive strategies to manage their businesses.

The strategies adopted are and not limited to restructurin g by retrenching staff and downsizing their scope of operations, delayering the organizational hierarchy, outsourcing none-core services, changing work processes by assigning employees more tasks and requiring them to learn new skills among others.

1.1.1 Concept of Corporate Restructuring

Restructuring is the process of making major change in an organization's structure. It involves reducing the management levels and possibly changing components of the organization through divestiture and or acquisition, as well as shrinking the size of the work force (Bartol and Martin, 1998). Restructuring a corporate entity is often a necessity when the company has grown to the point that the original structure can no longer efficiently manage the output and general interests of the company.

Corporate restructuring may call for spinning off some departments into subsidiaries as a means of creating a more effective management model, as well as taking advantage of tax breaks that would allow the corporation to divert more revenue to the production process. Restructuring is seen as a positive sign of growth of the company and is often welcomed by those who wish to see the corporation gain a larger market share and competitiveness.

Mintzberg, Lampel, Quinn and Sumantra (1996) pointed out that change in organizations is greatly spoken about, yet all too often done in bits and pieces. There are two major dimensions of change; about strategy- the direction an organization is headed, and about organization- the state it is in. Both have to be considered when changing an organization. The main concern in this study however is on organization, particularly organization structure (reorganizing, revitalizing). An organization can easily change a

single product or an individual, but changing, say a vision or a structure without changing anything else is futile, just an empty gesture. In other words, it makes no sense to change structure without changing systems and people, or to change vision without rethinking strategic positions as well as redesigning programs and products.

According to Pearce and Robinson (2011), restructuring is one of those terms that reflect the critical stage in strategy implementation where managers attempt to rationalize and recast their organizational structure, leadership, culture, and reward systems to ensure a basic level of cost competitiveness, capacity for responsive quality, and the need to shape each one of the terms to accommodate unique requirements of their strategies. The other terms besides restructuring that reflect the critical stages in strategy implementation are: downsizing, reengineering, outsourcing, and empowerment.

A firm needs to reorganize its activities in order to remain competitive as well as retain existing customers and attract new ones. A firm is assured of a competitive advantage only after others' efforts to duplicate its strategy have ceased or failed. Even if a it achieves a competitive advantage, it can sustain it only for a certain period of time (Hitt, Ireland and Hoskinsson, 1997). The speed with which competitors are able to acquire the skills needed to duplicate the benefits of a firm's value-creating strategy determines how long a competitive advantage will last. Understanding how to exploit its competitive advantage is necessary for a firm to earn above-average returns.

1.1.2 Firm Performance

Firm performance comprises of the total economic results undertaken by an organisation. The performance of any organisation is affected by the choice of strategies made by the management. Strategies determine the long-term performance of an organisation and it may take many forms depending on whom and what the measurements are meant for. Different stakeholders require different indicators to enable them make informed decisions. According to Bahaee (1995), best performance measures cover both financial and non-financial measures.

The financial performance is often measured using traditional accounting key performance indicators such as Return on asset, Earnings before interest and tax, Economic value added or Sales growth. The non-financial performance can be measured using operational key performance indicators like the market share, innovation rate or customer and employee satisfaction are prominent

Thompson (2007) notes that using financial measures alone overlooks the fact that what enables a company to achieve and deliver better financial results from its operation is the achievement of strategic objectives that improves its competitiveness and market strength. He thus concludes that performance should be measured by both financial and non-financial measures. The performance measures in a bank include; Profits, the market share and market base, the customer base, increase network in branches, the bank turnover, innovativeness, return on investment, customer and employee satisfaction index and overall competitive position (Bahaee, 1995).

1.1.3 Kenyan Banking Sector

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The financial performances of banks have been increasing and this is attributed to proper management, formulation and implementation of strategies.

According to (CBK Annual Report, 2011) there were 43 commercial banks and 1 Mortgage Company. Over the last few years, the banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region. Automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products.

Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (PWC Report, 2012). The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. Some key challenges for the banking industry in Kenya include; New regulations; for instance, the Finance Act 2008,which took effect on 1 January 2009 requiring banks and mortgage firms to build a minimum core capital of KSh 1 billion by December 2012. This requirement is hoped to

help transform small banks into more stable organizations. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply. Meeting these challenges requires new business and marketing strategies that boost revenues, improve operational efficiency, cut costs, and enhance the overall management of business.

1.2 Research Problem

Turbulent working environment has stressed the businesses resulting to failure of performance. It is evident that most of them are restructuring to turn around this situation. Restructuring enhances the prospects for improved performance for firms (Hoskisson & Turk, 1990) via strategic reorientation, organizational configuration and governance structure adjustment. First it provides an opportunity to transfer assets to higher valued users hence recapturing competitive advantages that have been dissipated from over-diversification. Secondly, a more focused strategy based on core business is likely to produce higher profits. This is supported by Duhaime & Grant (1984) who finds higher gains produced by divestitures under circumstances of a related strategy. Moreover, the new corporate configuration following restructuring provides the potential for enhancing managerial efficiency, which is reflected in the profitability and viability of the firm.

In the past decades we have seen banks in Kenya as any other organisation face environmental challenges that have made them respond by adopting various strategies. Banks have gone through mergers and acquisition geared towards increasing the capacity of the bank to offer its services, downsizing to reduce costs and mergers of directorship hired to drive innovation and boost operational efficiencies that is needed to spur growth. Some of the banks has realised a major turnaround success after restructuring whereas in

others no significant difference has been realised in terms of operational and economic performance. As banks in Kenya are becoming more developed and competitive, increasing market share or margins is becoming difficult. It is therefore becoming more likely that banks will seek to expand and cut costs by way of restructuring.

Studies in Chinese context depicted three different views on the implications of restructuring performance. The first asserts performance improvements (Dong, Putterman, & Unel, 2004), the second found that restructuring might not result in enhanced performance and the last view suggest that the implication of restructuring is inconclusive and depends on the type of strategy adopted. This is supported by inconclusive evidence from Wen (2002) study which shows restructuring results in better profitability. Bowman, Singh, Useem and Badhury (1999) comparative studies showed contradictory results whereby there was positive change in performance for firms that adopted portfolio and financial restructuring and negative results for those that adopted organization restructuring.

Local studies on restructuring are not also an exception. Most of them focused on mergers and acquisition strategy. Kiplangat (2006) found that mergers improved performance of listed companies. This was supported by Ireri (2011) in his study in case of the oil industry. However their findings cannot be generalized and they further recommends studies to be done in other industries to bring out comprehensive empirical answers to the real effect taking to consideration inherent factors in a certain industry. Wanguru (2011) found mixed results whereby the returns in some firms in the deteriorated while others improved. Other studies took different dimensions of restructuring and also gave inconclusive results. Airo (2009) found that restructuring

generally resulted to improved performance but he warned that improvement was not sustainable and recommended more investigation. Rono (2011) focused on outsourcing and this study also gave mixed results. He recommended the study to be done for a longer period to weigh the impact of outsourcing on performance.

Owing to afore mentioned studies , no ne of them considered the implication of the different modes of restructuring strategies adopted by Kenyan organizations. The same applies to the roles played by the different strategies. Most studies focused on one restructuring mode at a time considering that a firm might have undertaken a series of restructuring strategies. Additionally the studies gathered mixed and inconclusive results recommending for further studied to be undertaken. This study seeks to address the inherent gap on what are the implications of corporate restructuring on firm performance? And what roles do the different modes of restructuring play in influencing firm's performance?

1.3 Research Objective

This study has two objectives.

i. Establish the implication of restructuring on the performance and long-term competitiveness within the Kenyan banking sector.

ii. Establish the significance of different modes of restructuring adopted by the banks and their role in influencing performance.

1.4 Value of the Study

This study would therefore be of value to academicians and researchers, commercial banks policy makers, investors and the government. To the researchers and academicians it will provide more insight in to the implication of restructuring on performance and to build their body of knowledge for more expounded research on which they may use as a reference for future studies.

For the commercial banks policy makers, the study will bring light to the implication of the different modes of restructuring strategies on performance of the banks and bring out the long-term and short-term outcomes of the strategies. This will in turn help the banking institution in identifying the best strategy that suits their situation and that which will enhance superior performance and competitiveness. To the investors it will widen their knowledge when faced with restructuring decisions by analysing their effect on performance of the firms they are involved and have invested in. Finally to the government, it will help the anti-trust authorities in controlling restructuring activities like mergers and acquisition.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter aims to establish a theoretical framework of corporate restructuring and will focus on the key thematic areas of the restructuring concept, the modes, implication of corporate restructuring on performance, the motivators, measures and empirical outcomes conclusion on the same.

2.2 Concept of Restructuring

Restructuring, reengineering, transformation and reorientation are used interchangeably to describe a change in how business is conducted. Only the firms which are ready able to realize continuous changes and approach actively to a process of restructuring can be successful in the present world. The process of reorganizing a company may be implemented due to different factors, such as positioning the company to be more competitive, change to match to a strategy, survive a currently adverse economic climate, or poise the corporation to move in an entirely new direction.

According to Bateman and Zeitham (1990), restructuring occurs when there is a change in strategy may be through starting a new division, acquiring or selling businesses. It could also occur due to emergence of a new structure through adoption of a diversification strategy whereby a company acquires a new business. Also due to changes in operations where an organisation decides to continue the same things they are doing, but do them differently or undertake a shift. The last factor that leads to reorganizations is changes in management style, this occur when management adopt new philosophies such as decentralized, participative decision making or an organic style of interaction.

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Hitt, et al. (1997), state that a significant wave of restructuring began in late 1980 and this had the effect of changing the composition of many firms internationally. The authors add that restructuring involved diverse activities such as divesture of underperforming business, spin-offs, mergers and acquisitions, stock repurchases and debt swaps(referred to as one time transactions) and any other structural change in the day to day management of the business.

Rappaport (1986) classified the one time transactions as phase 1 of restructuring and those changes that bring continuous value improvement through day to day management of the business as phase II restructuring. He argues that companies need to move from phase I to phase II restructuring since successful implementation of Phase II restructuring not only ensures that management has met its responsibilities to develop corporate performance evaluation systems consistent with parameters investors use to value the company ,but also minimises phase I concern of management where a hostile takeover is eminent.

Banking in the emerging economies was traditionally a highly protected industry, living off good spreads achieved on regulated deposit and lending rates and pervasive restrictions on domestic and foreign entry. For many years there was little pressure to disturb this cosy world. However, global market and technology developments, macroeconomic pressures and banking crises in the 1990s have forced the banking industry and the regulators to change the old way of doing business and to deregulate the banking industry at the national level and open up financial markets to foreign competition. As a result, borders between financial products, banks and non-bank financial institutions and the geographical locations of financial institutions have started

to break down. These changes have significantly increased competitive pressures on banks in the emerging economies and have led to deep changes in the structure of the banking industry. The changes include the establishment of many new institutions, privatisation of state-owned banks, mergers and consolidation, and a large increase in the presence of foreign banks.

Prior studies found that industry consolidation occurred primarily because of financial and technological innovation that altered the optimal production functions of financial firms. The enabling force was a wave of financial deregulation that was necessary for banks and other financial services to take full advantage of the new production processes and technological advances revolutionized back-office processing, front-office delivery systems, and payments systems. Sergio & Olalla (2008) finds that financial deregulation and technological progress has an important role in the process of restructuring in the banking sector during the period 1995-2001.

DeYoung, Evanoff & Molyneux (2009) have found in their study that the changes in deregulation, allowed commercial banks and other financial services firms to expand through mergers and acquisition into geographic markets and product markets. Calipha, Tarba & Brock (2011) have reviewed M&A motives and success factors in their article such as entering a new market, gaining new scarce resources, achieving synergies and other managerial and organizational factors that are associated with restructuring.

2.3 Restructuring Modes

Corporate restructuring is one of the most complex and fundamental phenomena that management confronts. Companies can choose to diversify or to refocus on its core business. While diversification represents the expansion of corporate activities, refocusing characterises a concentration on its core business from this perspective, corporate restructuring is reduction in diversification (Markides, 1995).

Firms in performance decline may choose a variety of restructuring strategies for recovery with conflicting welfare implications for different stakeholders. Choice of recovery strategies is determined by the interplay of ownership structure, corporate governance and lender monitoring of such firms. Corporate restructuring involves a wide range of events, such as Mergers and acquisitions, divestures, spin-offs, Leveraged Buy Outs, Management Buy Outs, refocusing and downsizing. In light of Bowman & Singh's (1993) there are three categories of corporate restructuring: portfolio, financial and organizational restructuring.

2.3.1 Portfolio Restructuring

Portfolio restructuring entails the redeployment of an organisation asset through addition or disposal. It includes acquisitions, asset sales, divestitures, liquidations, spin-offs or a combination thereof. Better strategic focus, strong control of multiple business units and superior economies of scope can be the intermediate effects of portfolio restructuring. Bowman & Singh (1993) refer portfolio restructuring to 'the change in the firm's configuration of lines of business their research focuses on restructuring with cost-cutting efforts due to the oversize-related declining performance.

Singh &Chang (1992) argue that portfolio restructuring occurs via the sale of business lines, which are relatively less important to firm's long-term strategy. Ruigrok, Pettigrew, Peck and Whittington (1999) indicate that activities along portfolio restructuring have focused on reducing the scope of companies business. Concerning the banking industry, prior research suggests that spin-offs and sell-offs are used to address the problem of Non-Performing Loans.

2.3.2 Financial Restructuring

Financial restructuring is the reorganizing of a business' assets and liabilities. The process is often associated with corporate restructuring where an organization's overall structure and its processes are revamped. Most businesses hold liabilities, which are debts or other obligations that arise as a result of past transactions. These economic factors will often have the most significant impact on the success or failure of that business, so financial restructuring is likely to focus on effectively managing assets and reducing liabilities. Financial restructuring involves the infusion of debt to either finance leveraged buyouts or to buy back stocks from equity investors, or to pay dividends. (Fox & Marcus, 1992) argue that changes in capital structure can be achieved by recapitalization, conversion of debt into equity and stock purchase.

According to Bowman, et al. (1999), this type of restructuring is identified by changes are in the firm's capital structure. Changes can include debt for equity swaps, leverage buyouts, or some form of recapitalization. The largest returns in financial restructuring come from leveraged and management buyouts. Increased emphasis on cash flows and changes in managerial incentives can be the intermediate effects of financial restructuring.

2.3.3 Organizational Restructuring

It involves changes in the organisational structure which include divisional redesign, reducing the hierarchical level, reduction in product diversification, compensation revision, improving governance and workforce reductions. However, it is more dependent upon the circumstances in which it is initiated and has the least impact on performance. An increase in operating efficiencies, greater employee satisfaction, reduced turnovers and better communications can be the intermediate effects of an organisational restructuring. Bowman& Singh (1993) indicate that organizational restructuring is intended to enhance managerial efficiency through significant changes in organizational structure. It involves divisional design, downsizing and layoffs.

Prior research on organizational restructuring emphasizes its ineffectiveness of the difficulty of the firm's inertia for organizational changes. Amburgey, Kelly and Barnettal (1990) argue that organizational change is hazardous, as it implies the abandonment of firm's familiar routines. Organizational restructuring provides potential for better integration and improved performance of firms. However, the condition to achieve is the coherency of their structuring program.

2.4 Motivators of Restructuring

Corporate restructuring is widely associated with the disciplining of poorly performing management and the reorganisation of underperforming firms. The motivations for restructuring are manifold and depend on the particular set of problems and circumstances facing firms.

Thompson and Strickland (2003) established that restructuring can be prompted by several varied situations; When a strategy adopted by a firm reveals that the firm long term performance prospects have become unattainable, declining or are competitively weak. The second situation is occurrence of changes like; change in technology and or emergence of new products occurs which requires a firm to build a position in the industry. Another situation is when a firm gets a unique opportunity that may require it to acquire or divest some of its units and, last but not least when changes in market and technologies of certain business take different direction and compel a spit of the business.

Hills and Jones (2004) complement the above arguments by suggesting that restructuring is necessary when there are changes in environment or shifts in technology which may render a company's product obsolete. A company may also be compelled to restructure due to excess production capacity which may no longer be wanted by the customers due to change in preferences. He further suggests that organisations may downsize because they have grown too tall, inflexible and costly.

Remedial action is required when a corporation experiences declining profits as a result of internal and external environmental factors (Thompson, 1994). He suggests that efforts should be concentrated on those activities and areas in which an organisation has distinctive competence. In order to improve efficiency three aspects of restructuring as mentioned prior should be involved either individually or combined. This entails first cost reduction through; redundancies, Leasing rather than buying assets. Second is asset reduction through selling what is not required. Advances in strategic thinking such as development of new models of organising work activities or advancement in technology often offer managers opportunity to implement strategies in more efficient ways.

2.5 Restructuring and performance.

Restructuring enhances the prospects for improved performance for firms (Hoskisson & Turk, 1990) via strategic reorientation, organizational configuration and governance structure adjustment. It provides an opportunity to transfer assets to higher valued users hence recapturing competitive advantages that have been dissipated from over-diversification. Secondly it provides a more focused strategy based on core business which is likely to produce higher profits. This argument is supported in the study of Duhaime & Grant (1984) which found higher gains produced by divestitures under circumstances of a related strategy.

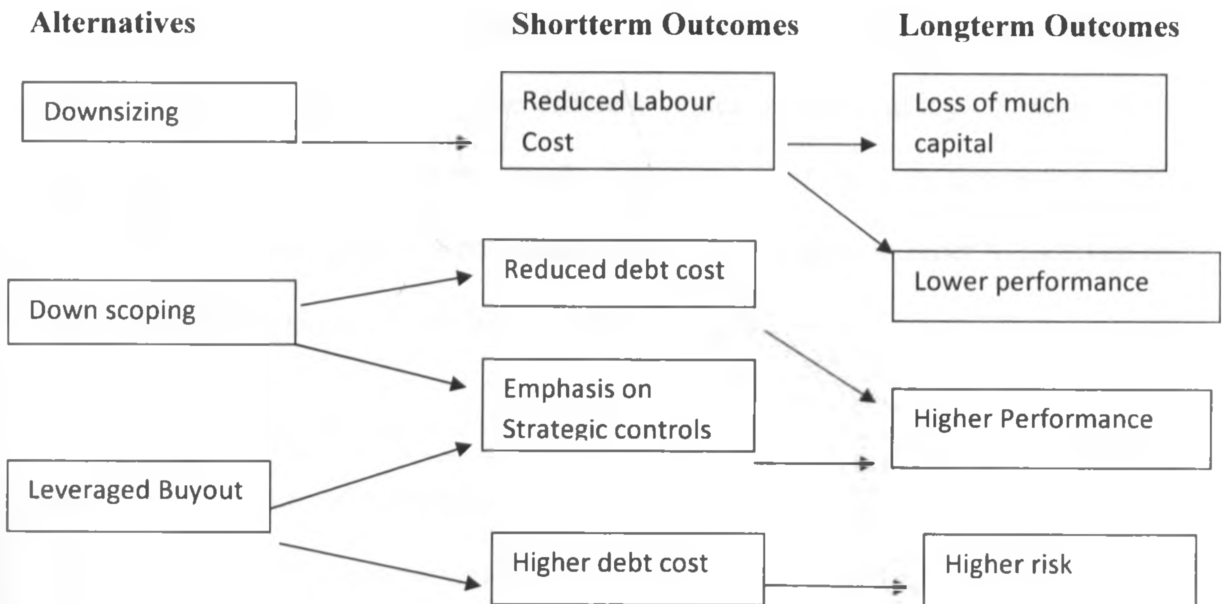
Moreover, the new corporate configuration following restructuring provides the potential for enhancing managerial efficiency, which is reflected in the profitability and viability of the firm (Bates & Sykes, 1962). According to Bowman et al. (1999) the consequences of restructuring can be conceptualised in terms of a sequence of intermediate effects which may have positive or negative outcomes. For example, in case of portfolio restructuring, these intermediate effects could be; increased strategic focus, greater economies of scope and more contingent control of multiple business units.

In financial restructuring the intermediate effects emphasises on cash flows and changes in managerial incentives. Last but not least for organisational restructuring the effects could focus on; greater employee satisfaction, reduced employees turnover, increased efficiencies and better communication. The authors suggest that the mechanism of " when does restructuring work" is composed of many intermediate effects but the total or derivative economic performance is captured by the operating profit changes and /or stock market changes.

2.6 Restructuring Outcomes

Hitt, et al. (1997) suggest that restructuring process has either short-term or long-term outcomes and as indicated in figure 2.1. The diagram below shows the most successful restructuring actions are those that help top management regain strategic control of firms operation. Thus down scoping has been the most successful because it focuses the firm on its core business. Executives can control the strategic actions of the business because they are fewer and diverse and deal with operations which top management are more conversant with.

Figure 2.1: Typical Restructuring Outcomes.



Source: Hitt, Ireland, & Hoskisson, (1997, pp 235). Strategic Management: Competitiveness and Globalization (2nd Edition), Minneapolis/St.Paul: West publishing company

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to carry out the study. Research methodology gives details regarding the procedures used in conducting the study. This chapter will therefore focus on: The research design, population, data collection techniques and method of data analysis.

3.2 Research Design

A research design is defined as a set of guidelines and instructions to be followed in addressing the research problem. The study was carried out through a cross sectional survey intended to establish implication of restructuring strategies to performance of Kenya banks and significance of the different modes of restructuring and their role in influencing performance. The research design adopted was a descriptive study. According to Sekaran (2003), a descriptive study is undertaken in order to ascertain and describe characteristics of the variables of interest in a situation.

The rationale for survey method is when the researcher is interested in collecting data from a large group of respondent within a population. This study fits within the descriptive survey because no variables were manipulated and data was collected from different respondents. In addition, a survey study was preferred because it enabled the researcher to have an in-depth understanding of the research problem across the banking sector.

3.3 Population

The population in this study covered all commercial banks operating in Kenya. The Central Bank of Kenya supervision annual report as at 31st December 2011 documented the existence of 43 commercial banks in operation.

According to Cooper & Schindler (2003), a census survey is where data is collected from all members of the population. Census survey was appropriate for this study since the number of commercial banks is relatively small as such sampling was not necessary and also the need to hedge on the expected non response due to the unavailability of targeted respondents. The study also supports the census survey in that most banks have undergone the process of restructuring and thus it was necessary to consider all the members in the population.

3.4 Data collection

The study used both primary and secondary data. The primary data was collected using a questionnaire (Appendix ll) as it is an efficient data collection mechanism particularly in quantitative analysis as respondents were subjected to same sets of questions. The target respondents were the top corporate strategy managers of the respective banks since their positions gave them ability to respond to the questions therefore the total number of questionnaires distributed were 43 to the targeted banks. The questionnaire was designed to address the research questions and it contained both closed and open ended questions which were organised in two parts. The first part focussed on the general organisation bio data and the second addressed the aspect of restructuring made in the various banks while still addressing the outcomes after restructuring.

After designing the questionnaire, it was pilot tested for appropriateness on three different banks. The respondents were required to critic the questionnaire on content, design and validity. The researcher distributed the questionnaires to the corporate strategy managers through drop and pick method to give the respondent ample time to respond to the queries. An introductory letter accompanied the questionnaires so as to give authenticity to the research and explain the purpose of the survey.

Secondary Data was gathered from available published records. These include; Annual reports both financial management reports and CBK reports, through reviews of internal circulars and business guides including fliers, the bank published strategy plans and monthly newsletters.

3.4 Data analysis

Data obtained through the questionnaires was first checked for completeness and consistency. The questionnaires found correctly filled and fit for analysis were coded .In this study, both quantitative and qualitative method of data analysis was applied. The quantitative analysis was used to analyse both secondary and primary data through descriptive statistics which involved percentages frequencies and mean.

Qualitative data on the other hand derived from the questionnaire was content analysed to compare the responses to document implication of corporate restructuring on firm performance. Content analysis aids to analyse the content of communication and it gives systematic qualitative description of the composition of the object material under study. The output of the results was presented in tabular forms to give a clear picture on the results at a glance.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the researcher presents the analysis, results and discussion of the study findings. The findings are presented according to the described methodology and the study objectives such that the research questions are answered.

The results in this section are from analysis of data collected from the questionnaire and secondary data obtained from the bank's annual reports and the Central bank supervisory reports. 43 questionnaires were distributed targeting the corporate strategy managers of the respective banks due to their presumed involvement in formulating and implementing strategic and structural changes in the organisations.

4.2 Response Return Rate

Out of the 43 questionnaires distributed to the senior executives in the banks, 28 of them were completed. This translated to 65% response rate which was considered appropriate to enable conclusions and recommendation.

The non-response of the remaining banks was attributed to some of the banks being young and had not carried out any restructuring therefore not in a position to respond to questions that addressed the implication of corporate restructuring on performance. One was under statutory management, while others were unwilling to give any information as they considered it confidential.

4.3 Demographic information

To capture the general information, the study sort to establish the age of the bank, the number of years the respondent had worked in the bank, the number of employees in the bank and the ownership of the bank. The findings as illustrated in the table 4.1 below shows that 29% of the banks were in existence for less than 11 years of age since being licensed to operate as commercial bank, 21% were in operation as banks between 11 to 20 years,18% between 21 to 30 years while 32 % had operated for over thirty years. This shows that the majority of banks have been in existence long enough for a comprehensive study to be conducted.

Table 4.1 Age of the Bank

Duration	Frequency	Percentage
Less than 10	8	29%
11-20 years	6	21%
21-30 years	5	18%
Over 30 years	9	32%
Total	28	100%

Source: Research data (2012)

The researcher sought to establish the number of years the respondents had worked in the bank. This was meant to ascertain whether they had enough experience to enable them give reliable information concerning the problem under investigation. Findings show that of the 28 respondents, 64% of them had worked in their respective banks for 8 years or less, 18% for 9-16 years, 11% for 17-24 years and 7% more than 24 years. Since the respondents were working in the bank as top management they were considered to have enough knowledge and understanding in strategic issues and operations and thus were the targeted respondents to give information in regards to restructuring within the banks.

All the banks were considered big as most of them had a workforce of over 500 employees. Further findings as illustrated in table 4.2 below show that, most of the banks are locally owned at 54% of the total respondents ,18% of the banks were both foreign and locally owned while at 14% each were foreign owned and locally and government owned respectively.

Table 4.2 Bank Ownership

Ownership	Frequency	Percentage
Local	15	54%
Foreign	4	14%
Combination of Local and Foreign	5	18%
Local and Government	4	14%
Total	28	100%

Source: Central Bank of Kenya (2011)

4.4 Restructuring Modes and Strategies

The researcher sought to find out the restructuring efforts undertaken by the respective banks and the years in which they were executed. Findings show that restructuring by banks was executed as early as 1989 and the latest in 2012. They further showed that 28 banks did a first restructuring, 10 did a second restructuring, 5 did a third restructuring and 2 did a fourth restructuring. Of the banks that underwent restructuring 7% carried out portfolio restructuring as their first effort, 4% as their second another 4 % as third and none carried out the portfolio strategy as their fourth. In regards to financial restructuring 89% of the banks did it as their first effort, 25% as their second, 7% as their third and 4 % as their fourth. 4% carried out Organisational as their first effort 7% as their second, 7% as their third and 4% as their fourth.

Further findings show that of all the restructuring modes, financial restructuring was most adopted followed by organisational and last portfolio. In financial restructuring the most applied strategies was Mergers and acquisition, listing stocks and management/levered buy outs, in organisational restructuring the strategy adopted was redesigning the hierarchy and downsizing. For the Portfolio there was disposal of services.

4.5 Firm Restructuring and Performance

The objective of the study was to establish the implication of firm restructuring on performance of Kenyan banks. To establish this, the researcher sought to determine the extent to which restructuring had on performance as depicted by the indicators employed by the banks. In case of non-financial performance key performance indicators like market share and competitiveness were examined separately and results tabulated as shown in table 4.3 and 4.4 respectively.

In addition other non-financial performance attributes were considered separately and this included; quality of product improvement, ability to retain and attract new employees, satisfaction and retention of customers, development of new products and services and expansion in terms of coverage. The results of this attributes were tabulated in table 4.5.

The financial performance measures were also considered in this study. Performance was measured in terms of return on assets rather than mere profitability figure. The measures used were for the financial years 2005 to 2010.Since not all banks in data obtained did restructuring in this period, the results for the banks that conducted restructuring were used as representative for the other banks. The findings are provided in Appendix lll.

4.5.1 Restructuring and Market share

Table 4.3: Market Share change.

Restructuring Effort	Significant increase (5)	Increase (4)	No change (3)	Decrease (2)	Significant Decrease (1)	Mean
	F (%)	F %)	F (%)	F (%)	F (%)	
1st	12 43%	16 57%	0	0	0	4.43
2nd	6 60%	4 40%	0	0	0	4.60
3rd	3 60%	2 40%	0	0	0	4.60
4th	2 100%	0	0	0	0	5.00

Note: Rating scale applied 1-5. Where 1 rates significant decrease and 5 rates significant increase

F - denotes Frequency

Source: Research data (2012)

Results were analysed by considering the frequency (F) of respondents in each case scenario as rated and the respective percentage thereof were determined. The researcher sought to establish the extent in to which market share changed after restructuring. The findings on table 4.3 above indicate that restructuring improves market share of the banks

to a great extent on overall. The majority of the respondents assert to a significance increase in the market share after restructuring. Results further indicate that the trend of increasing market share continued to grow through the second, third and fourth restructuring efforts as shown by the mean average which increases from 4.43 in the first effort of restructuring, 4.60 in the second and third effort and 5.00 in the forth effort.

4.5.2 Restructuring and Competitiveness

There was a thought that competition among banks was associated and improved by restructuring. The study evaluated this factor by analysing the frequencies (F) of respondent recorded in each rated scenario and computation of the respective percentages. It was found that the effort of restructuring has promoted the overall competitiveness among banks significantly. The trend of competitiveness is also seen to be increasing as the firm continues to carry out restructuring efforts whereby in the first effort the mean was 4.64, the second and third effort having a tie with a mean of 4.80 and the forth effort recording a mean of 5.00. This is shown in the result on table 4.4 below.

Table 4.4: **Competitiveness Change.**

Restructuring Effort	Significant Rise (5)	Rise (4)	No change (3)	Decline (2)	Significant Decline (1)	Mean
	F (%)	F %)	F (%)	F (%)	F (%)	
1st	18 64%	10 36%	0 0%	0 0%	0 0%	4.64
2nd	8 80%	2 20%	0 0%	0 0%	0 0%	4.80
3rd	4 80%	1 20%	0 0%	0 0%	0 0%	4.80
4th	2 100%	0 0%	0 0%	0 0%	0 0%	5.00

Note: Rating scale applied; 1 to 5. Where 1 rates significant decline and 5 rates significant rise.

F-denotes Frequency

Source: Research data (2012)

4.5.3 Restructuring and other Non-financial performance attributes

The researcher had the objective of establishing the implication of restructuring on performance. The research sought to find out the implication on other non-financial measure attributes which are also considered as performance indicators in the banks.

Questions were asked with the aim of finding out what the implications on performance were considering the different performance areas. Respondents were required to state if the implications on performance after restructuring were on a very great extent, great, moderate, little or no significant. The analysis was done in terms of the frequency (F) of respondents in each scenario and the respective percentage calculated. Results on table 4.4 below show that 46 % indicated improvement of quality of product after restructuring by great extent. 54% indicated that the ability of a bank to retain and attract new employees was moderate. Another 54% indicated that restructuring resulted to satisfy and retain customers to a great extent.61% asserted that restructuring led to development of new products and services to a great extent while 86% cited that restructuring led to expansion of organisation in terms of coverage to a very great extent.

On overall quality of product improvement and development of new products and services recorded a mean of 4.18 each, ability to retain and attract new employees registered a mean of 3.26, satisfaction and retention of customers was at a mean of 4.25, while expansion in terms of coverage was the highest at 4.86.Thus the study findings reveal that restructuring enhances firm performance but to a great extent in expansion of the banks.

Table 4.5 Non-financial performance attributes

Attributes	Not significant (1)	Little extent (2)	Moderate extent (3)	Great extent (4)	Very great extent(5)	Mean
	F (%)	F (%)	F (%)	F (%)	F (%)	
Quality of Products improvement	0 0%	0 0%	5 18%	13 46%	10 36%	4.18
Ability to retain/ attract new employees	0 0%	3 11%	15 54%	10 36%	0 0%	3.26
Satisfaction/retention of customers	0 0%	0 0%	3 11%	15 54%	10 36%	4.25
Development of new products and services	0 0%	0 0%	3 11%	17 61%	8 29%	4.18
Expansion of the organisation in terms of area coverage.	0 0%	0 0%	0 0%	4 14%	24 86%	4.86

Note: Rating scale applied; 1 to 5 with 1 recording no significance and 5 indicating great extent

F - denotes Frequency

Source: Research data (2012)

4.5.4 Restructuring and Performance on Financial attributes

The study not only considered the non-financial performance measures but also the financial measures indicators. The researcher considered Return on equity as a measure of financial performance for the banks that responded and underwent restructuring in the period between 2006-2010 as shown in Appendix IV retrieved from the bank reports and the CBK supervisory reports. This data was also used by the researcher to check the magnitude of the different modes of restructuring.

Results in this case were inconclusive and contradicting in that in some cases the performance after financial restructuring improved on the year of restructuring while in other cases it declined. The same was noted when the results after one year were considered. In the case of organisational restructuring, financial performance was seen to improve on the year of restructuring and also continued improvement the year after restructuring. The same was found in the case of portfolio restructuring though at a lesser magnitude than portfolio. These results concurred with Dong et al., (2004), whose study stated that restructuring might not result in enhanced performance.

4.6 Motivators and Objectives of Restructuring.

The researcher sought to establish the forces that necessitated restructuring strategy and the objectives of the same. The study established that restructuring was necessitated mainly by the changing business environment which compelled the banks to segment markets and carry out a process of specialisation by targeting small scale enterprises, dealing with microfinance, mortgaging and diversification in to other ventures in order to remain competitive.

Secondly the study established that restructuring was pushed by the need to generate funds to finance growth and to create a market for shares to unlock value and create liquidity over the shares while venturing in price discovery for shares. Third was the need to remain competitive as well as retain existing customers and attract new ones. Restructuring is also motivated by the need to realign business model into Strategic Business Units in order to match the changing needs of customers.

The main objectives of restructuring by banks remained to address poor financial performance. The study also indicated that it supports a new corporate strategy in an organisation when there is need to match strategy to structure. From the findings restructuring is aimed to spur business growth and help it gain competitive advantage while driving innovations and boosting efficiencies. The final objective noted was to expand capital base for future growth plans, price discovery and enhancement of market image by being publicly quoted.

4.7 Discussion

This section will discuss the study by first comparing it with the theory and then compare it with the empirical studies done. The aim is to establish if the study supports the theory or it brings out a different theory all together while still considering the empirical studies it supports or differs with.

4.7.1 Comparison with Theory

The study found that most banks in Kenya went through the process of restructuring in order to position and become more competitive, change to match to a strategy and a way to survive in the current economic and turbulent environment. Banks have recognised the

complexity and dynamism of their business environment and undertaken restructuring in bid to be competitive and to improve performance. The study also indicated that restructuring supports a new corporate strategy in an organisation especially when there is need to match strategy to structure. Perry and Roger (2009), asserts that restructuring must align structure to strategy for it to be successful.

The idea that firms should adopt new structures through organizational restructuring and restructure as often as their strategy changes has been developed in the strategy-structure contingency theory. This theory asserts that restructuring is a necessary and economically useful mechanism for organisations to adapt in the environment. Chandler (1962) showed that when firms become more diversified, they need to subsequently realign their structure by using organizational restructuring to restore and increase performance. This theory has been supported in this study whereby banks have undertaken the program of restructuring as a means of adopting to the environment. The study also revealed that the need to restructure is also motivated by the need to realign strategy to structure in the banks in order to enhance proper implementation of strategies.

Contingency theory explains the diversity of organizational forms and their variations with reference to the demands of context. It argues that the most 'appropriate structure' for an organization is the one that best fits a given operating contingency. This is also supported in this study whereby the main push to undertake a restructuring program is to adjust to the business environment as it is chaotic and as the different factors constituting the environment change the operations and performance of the banks is affected.

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Banks have recognised the complexity and dynamism of the business activities they engage in not forgetting the chaotic business environment they operate in. According to the results in this study banks have been able to turn around their performance after the process of restructuring through improvement of performance. This corroborates with Thompson and Strickland (2003) theory which asserts that restructuring is associated with disciplining poorly firms and that restructuring occurs due to environmental changes and also used as a turnaround strategy when long-term performance prospects have become unattainable.

The drive to restructure the banks was mainly geared towards enhancing competitiveness and being better in the market. This supports theory advanced by Bateman and Zeitham (1990) who assert that change occurs when a company competes better and is well positioned in the market it operates in. Hill and Jones (2001 defines restructuring as fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical, contemporary measures of performance.

4.7.2 Comparison with other Empirical Studies.

Results from empirical studies reveal a diverse spectrum of conclusion while some companies have experienced improvement in performance results, others experienced a decline in performance. Restructuring is seen in this study to generally improve performance of the bank. This was the case when the non-financial performance attributes were considered which entailed the market share, the scale of competitiveness, product innovation and increase in range and lastly the employees and customer retention. However in the case of financial performance some cases reported a decline in performance wh ere as some reported an improvement in performance. This view is

supported by Dong et al., (2004) whose first view asserts performance improvement for restructured firms while the second asserted that restructuring may not result in enhanced performance. He concluded that the impact of restructuring was inconclusive depending on the firm restructuring.

Wanguru (2011) in her study on effect of mergers on profitability of Kenya firms found mixed results whereby the returns in some firms in the different sectors deteriorated after merger whereas other companies in the same sector in her study showed better profitability. This results match to the results in this study and recommends that further research is done on other industries considering factors eminent to the firms that realized improvement in financial returns.

When different modes of restructuring were considered, the study revealed that financial restructuring improved performance in some cases while in other it declined. For organizational restructuring, financial performance was seen to improve. The same was found in the case of portfolio restructuring though at a lesser magnitude than portfolio. These findings differs with Bowman et al. (1999) who's finding in their study reveal that financial restructuring improve economic performance the most. Continuing with their conclusion they assert good results are also obtained in portfolio restructuring and last being organisational restructuring.

Most banks had undergone a series of restructuring. This is first to keep in tab with the competition as banks are doing a followers strategy to match to the others. The series of restructuring year in year out were to keep tab and outdo competition. This supports (Hitt, et al, 1997). Whose literature asserts that overtime, the benefits of every firm's value-

creating strategy can be duplicated. In other words, all competitive advantages have a limited life. The question of duplication is not if it will happen, but when. A firm is assured of a competitive advantage only after others' efforts to duplicate its strategy have ceased or failed. Even if a firm achieves a competitive advantage, it normally can sustain it only for a certain period of time .The speed with which competitors are able to acquire the skills needed to duplicate the benefits of a firm's value-creating strategy determines how long a competitive advantage will last.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of the research findings, conclusions and recommendations as observed by the researcher. It also points out limitations of the study and provides suggestions for further research as well as implication of the study on policy and practice.

5.2 Summary of the findings

The Kenya banking industry had witnessed rampant growth and competition within the last two decades. Massive restructuring has been witnessed as banks are trying to be competitive and for survival reasons. It is from this view that this study was done to establish the implication of restructuring on firm performance and competitiveness and also establish the roles of different modes of restructuring employed by banks.

Findings established that out of the 28 banks that responded, 100% underwent restructuring 71% were in existence as licensed banks for over 10 years.36% underwent a second restructuring,18 % through a third and 7% through a forth. This shows that most banks had carried multiple restructuring. Financial restructuring was the most common mode with 89% of the banks employing it as their first mode. Portfolio and organisation restructuring were lagging and reported to have been used in a high scale of 7% each of the respondents. Majority of the banks were found through the restructuring in form of mergers and acquisition strategy.

5.2.1 Corporate Restructuring Implication on Performance

Findings showed that restructuring improves market share of the banks to a great extent. They revealed that the market share increases each step when the bank extends to the second, third and fourth restructuring. In regards to competitiveness it was found that the effort of restructuring promoted the overall competitiveness among banks to a great extent. The trend of competitiveness was also seen to be increasing as the firm continues to carry out restructuring efforts.

Results on implication of restructuring on other attributes of performance found that restructuring had great implication on expansion in terms of coverage at a mean of 4.86 followed by satisfaction and retention of customers was at a mean of 4.25 then quality of product improvement and development of new products and services which recorded a mean of 4.18 each and finally ability to retain and attract new employees at a mean of 3.26. On overall the study findings reveal that restructuring enhances firm non-financial performance.

Further results showed that in general restructuring leads to improved financial performance. However the results in case of financial restructuring were inconclusive and contradictory in that some banks recorded an improvement in return on assets while others recorded a decline. In case of portfolio and organisational modes they both recorded improved performance though organisational recorded a higher magnitude of change.

5.2.2 Roles of the Different Restructuring Modes in Influencing Performance

Results showed that most banks carried out more than one restructuring program in bid to improve performance and stay competitive. The different strategies adopted had different motives whereby mergers and acquisition was geared towards increasing the capacity of the bank to offer its services, downsizing is applied as measure to reduce operational costs and mergers of directorship hired to drive innovation and boost operational efficiencies that are needed to spur growth.

The study also established the forces that necessitated restructuring strategy and the objectives of the same. Findings revealed that banks had undergone restructuring in bid to keep in tab with the advancements and changes in the industry while still adjusting to the chaotic environment. Further findings assert that creation of economies of scale, need to gain higher bargaining power, need for business expansions and gaining competitiveness were the major reasons which drove companies to restructure. The main objectives of restructuring by banks remained to address poor financial performance as depicted by declining or stagnating sales, accounting losses and falling stock prices. It also supports a new corporate strategy in an organisation especially when there is need to match strategy to structure. Restructuring is aimed to spur business growth and help it gain competitive advantage while driving innovations and boosting operational efficiencies.

5.3 Conclusion

The findings from the study reveal that in a bid to gain competitive advantage and improve performance, banks were employing the restructuring strategy. The study concludes that the mode of restructuring adopted is dependent on the motive and objective of the bank. It was noted that mergers and acquisition strategy was geared

towards increasing the capacity of the bank to offer its services, it was also considered as it brought about the economies of scale and also it aided in faster geographical expansion by the banks. Downsizing was linked with the motive of reducing costs and improving efficiencies whereas merger of directorship was hired to drive innovation and boost operational efficiencies for headroom that is needed to spur growth. Last but not least the study also revealed that banks were getting listed in the stock exchange to raise more funds to support growth and for price discovery of shares.

The study further concludes that restructuring improves performance of the bank. It improves market share, boosts competitiveness in comparison with the other banks, leads to products innovation, increases customer retention and enhances growth of the bank geographically. However there is a lag in the attraction and retention of the employees after restructuring this match to comparative studies on downsizing which concluded that it threatened job security and workforce quality. Thus the study infers that proper communication and implementation of certain strategies should be well handled otherwise will be detrimental.

5.4 Recommendations for Policy and Practice

Findings revealed that banking industry is dynamic and greatly influenced by economic, social, political and technological advancement. To survive in a competitive business environment, the bank's strategy makers need to position by adopting strategies that will keep them competitive. The study recommends that banks should adopt restructuring as a strategy to improve performance and become competitive.

There is need for the banks willing to go restructuring way to consider carefully the mode of restructuring they need to adopt among the financial, portfolio and organisational. These modes have different implications and they meet different needs and target certain objectives. Therefore there is need to match the objective and relevant the strategy.

The study further recommends that banks need to come up with policies and procedures of how they will manage the strategy of restructuring once a choice on the mode has been made. This is vital because each firm has different internal factors inherent in the organisation and the way of implementing a strategy to become a success may be different from the procedures followed by other banks.

5.5 Limitations of the study

The study results may have the following limitation due to the nature of the study methodology and the industry in which the research is subject to. First the banking industry in Kenya is characterised with stiff competition and they are reluctant to disclose the information as they considered it sensitive and it may give a competitor a competitive edge if disclosed. This made it difficult to obtain the required data. Some questionnaires had un -answered questions which made it difficult to analyse data in some parts. This can cause non response biased which can affect the validity and reliability of the results though not to a great extent.

Another limitation is generalizability of findings to all other firms in Kenya. The results cannot be readily generalised to other organisations or industry since they have entirely different situational factors. Due to time limit also, not all aspects of restructuring were also considered and thus the recommendation for further research.

5.6 Suggestions for further research

The study aimed at establishing the implications of restructuring and significance of different modes of restructuring on firm performance and competitiveness in the case of Kenya commercial banks. This scope excluded other financial institutions in the banking industry such as Investment banks and Micro finance institutions. For further research on implication of restructuring on performance of organisations, the researcher recommends a study that includes the other financial organisations as described above including the MFIs and Sacco's.

The researcher also suggests a further research on the magnitude of implication of the different modes of restructuring on financial performance since it gave inconclusive and contradictory results. There is also need to consider a longer period of time when analysing the financial reports to determine the long term implication rather than the short-term which could give more comprehensive results.

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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

I am a student at the University of Nairobi undertaking a Master of Business Administration (MBA) course. To fulfil the requirements of the aforementioned course, I am required to undertake a research project.

I have designed a questionnaire to gather information on my research paper whose title is "Corporate Restructuring and Firm Performance in the Banking Sector of Kenya." I would therefore kindly request you to participate in responding to the questionnaire below.

All information you disclose will be treated with utmost confidentiality and the data shall be used for academic purposes only.

Yours Faithfully,

Annie W Ngige

Student No. D61/62825/11

University Of Nairobi.

Appendix II: Questionnaire

Section A: Organisation Bio-data

1. Name of the bank ____

2. For how long has the organization been in existence? [ ] Less than 10 years [ ] 11-20 years [ ] 21-30 years [ ] Over 30 years

3. Title or position of the respondent in the organization.____

4. How long have you been with this organization? [ ] 0 – 8 years [ ] 9 – 16 years [ ] 17 – 24 years [ ] Over 24years

5. How many employees are in the organization? [ ] 1-500 [ ] 501-1000 [ ]1001-1500[ ] Over 1500

6. How would you classify your organization in regard to ownership?

   [ ] Locally owned [ ] Foreign owned [ ] Combination of local and foreign [ ] Other: Please specify________________

Section B: Aspect of Corporate restructuring

7. Please indicate the years when the organisation executed a restructuring program. (Kindly evaluate each restructuring effort separately if the organisation has restructured more than once.) e.g. 1st effort year 19--, 2nd effort 20--,e.t.c

Restructuring Effort	Year of Execution
1st	
2nd	
3rd	
4th	

8. Please indicate the type of restructuring carried out in each particular period as indicated above.

   Note: Restructuring mode: (Portfolio, Financial or Organisational).

Restructuring Effort	Restructuring Type/Form
1st	
2nd	
3rd	
4th	

9. Please indicate restructuring strategies used.

   Note: Restructuring strategies- Downsizing, down scoping, spinning, management and leverage buyouts, divesting, Mergers and acquisition.

Restructuring Effort	Restructuring Type/Form
1st	
2nd	
3rd	
4th	

10. How can you describe the change in market share of your firm after each restructuring effort was executed (Please tick in one box for every option)

Restructuring Effort	Significant increase(5)	Increase (4)	No change(3)	Decrease (2)	Significant Decrease(4)
1st					
2nd					
3rd					
4th					

11. How did the competitiveness of the firm change after each effort of restructuring.(Tick in one box for every effort)

Restructuring Effort	Significant rise(5)	Rise (4)	No change(3)	Decline (2)	Significant Decline(1)
1st					
2nd					
3rd					
4th					

12. How would you rate firm performance on the following attributes after restructuring? (Tick in only one box for each attribute)

Attributes	Not significant(1)	Little extent(2)	Moderate extent(3)	Great extent(4)	Very great extent(5)
Quality of Products improvement					
Ability to retain/ attract new employees					
Satisfaction/retention of customers					
Development of new products and services					
Expansion of the organisation in terms of area coverage.					

13. What forces necessitated the various restructuring efforts by the organisation?

i. ______________________________

ii. ______________________________

iii. ______________________________

iv. ______________________________

v. ______________________________

14. What were the Strategic objectives the restructuring efforts?

i. ______________________________

____

____

ii. ______________________________

____

____

iii. ______________________________

____

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iv. ______________________________

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THANK YOU FOR YOUR ASSISTANCE.

Appendix III: List of banks

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd.
9. Citibank N.A Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank (K) Ltd.
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Ltd
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd
23. First community Bank Limited
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Ltd.
29. Imperial Bank Ltd

30. I & M Bank Ltd
31. Jamii Bora Bank Ltd.
32. Kenya Commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank (K) Ltd
35. National Bank of Kenya Ltd
36. NIC Bank Ltd
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank Ltd
40. Standard Chartered Bank (K) Ltd
41. Trans-National Bank Ltd
42. Victoria Commercial Bank Ltd
43. UBA Kenya Bank Ltd.

Source: CBK Supervision Annual Report (2011)

Appendix IV: Return on assets figures

Financial Restructuring	2005	2006	2007	2008	2009	2010
Kenya Commercial Bank Ltd- 2008	2.57	3.48	3.44	3.09	3.73	5.17
Co-operative Bank of Kenya Ltd- 2008	1.36	2.14	3.48	3.98	3.37	3.61
Equity Bank Ltd- 2010	4.37	5.49	4.45	6.17	5.77	6.95
Diamond Trust Bank (K) Ltd- 2006	2.24	3.18	2.87	3.14	3.47	4.9
Prime Bank Ltd- 2008	1.75	1.83	2.29	2.31	2.38	2.37
Commercial Bank of Africa Ltd- 2005	2.07	3.5	3.55	3.38	3.07	4.34
Bank of Africa Kenya Ltd- 2005	0.14	0.94	2.06	0.76	1.54	2.21
Organisational restructuring						
Kenya Commercial Bank Ltd -2010	2.57	3.48	3.44	3.09	3.73	5.17
Barclays Bank of Kenya Ltd- 2010	5.17	5.61	4.48	4.75	5.45	6.24
Co-operative Bank of Kenya Ltd- 2010	1.36	2.14	3.48	3.98	3.37	3.61
Portfolio Restructuring						
African Banking Corporation Ltd- 2007	2.39	2.61	3.17	3.4	2.91	4.69

Source: Banks financial reports (2005, 2006, 2007, 2008, 2009, 2010)