

**INFLUENCE OF ORGANIZATIONAL STRUCTURE ON ORGANIZATION
PERFORMANCE AMONG COMMERCIAL BANKS IN KENYA**


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DECLARATION

I declare that this research project proposal is my original work and has not been submitted for an award at any university or institution of higher learning.

Signature 

Date: November 21, 2022

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

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DEDICATION

This study is dedicated to the Almighty God for the provision of wisdom and grace and my entire family for their support on the entire journey.

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LIST OF ABBREVIATION AND ACRONYMS

CEO	Chief Executive Officer
GDP	Gross Domestic Product
KCB	Kenya Commercial Bank
KCC	Kenya Cooperative Creameries
KPI	Key Performance Indicators
ROE	Return on Equity
ROA	Return on Assets
SPSS	Statistical Package for Social Sciences

ABSTRACT

Organizational structure is a system that outlines how specific activities are handled to fulfill a strategic mission in an organization. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). The specific dimensions of Organizational Structure were centralized, decentralized structures, hierarchical structures, formal meetings, communications, power and lines of authority. The study used a cross-sectional survey design. Financial sector in Kenya faces many organizational challenges like unsatisfactory working conditions, high staff turnover, lack of organizational involvement in decision-making, and fear of going under, among others.

The objective of the study was to determine the influence of organizational structure on organization performance among Commercial banks in Kenya. The population of the study was 41 Commercial Banks in Kenya. Primary data was collected using questionnaires while secondary data was collected from financial and operational reports of the banks. Data analysis was done using descriptive statistics such as mean and standard deviation. Inferential statistical was used to determine the strength of the relationship between organization structure and performance of the banks. the study found out that the management systems of the banks have adopted different dimensions of organizational structures and concluded that organizational structure impacts organizational performance positively. It is recommended that commercial banks should adopt appropriate organization structures that are appropriate to their needs and stakeholder needs. It is recommended that further studies are done using other research designs and on other factors that influence performance of commercial banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

An organizational structure defines how various activities are arranged and managed to achieve the goals of the organization (Musyimi, 2016). It allocates responsibilities for various roles among the staff within the organization (Kitur & Kinyua, 2020). The organization structure also spells out resource accountability as well as the chain of command and this provides a formality of work that promote the success and performance of the employees. In designing the structure of an organization, the definition of the relationship among the parts as well as the resources and systems needed to support performance within the organization matter (Karanja, 2015). Therefore, it is important for an organization to adopt an organizational structure that is effective in facilitating the coordination of processes within the organization in a manner that helps the organization achieve its goals. According to Slevin (2007), the organizational structure is a critical determinant of employee performance since an effective structure is that which readily responds to changes in internal and external environments. Effective organizational structures tend to exhibit various features that include the following (Slevin, 2007): have minimal levels of hierarchy, decentralizes decision-making authority, free flow of communication channels. These features are largely associated with significant improvement in employee performance in an organization.

Thomas Peters and Robert Waterman's of organizational excellence framework (1982) and Birger Wernerfelt's resource-based theory (1984) form the basis of the present study. Thomas Peters and Robert Waterman's theory of organizational excellence (1982) postulates that the following features tend to define a good organization: The presence of a preconceived notion leaning towards the accomplishment of the organization; evidence of self-sufficiency and skills for running business; being customer oriented. Furthermore, Organizational excellence framework recognizes

that culture is a significant component of an integral social system that promotes the wellbeing of employees and other stakeholders.

In Kenya, Commercial Banks are slowly adopting changes associated with the setting of effective organizational structures to promote their performance (Karanja, 2015). The study will help to analyze how commercial banks in Kenya are adopting organizational structures to help increase their employee performance levels (Musyimi, 2016). This is important with the current business environment which is becoming more competitive each day while only dynamic organizations are more concerned about organizational structures and how influence their employee performance.

1.1.1 Organizational Structure

Mansoor and colleagues (2012) define the concept of organizational structure as the process that involves grouping people, resources, and tasks into various units with the intention of facilitating communication, coordination, decision-making, and actions. Understanding the intricate task of directing an organization requires that one acknowledges the connection between processes that take place inside an organization. According to Musyimi (2016), this forms the basis of organizational structure. Companies that adopt dynamic structures stand better chances of realizing high performance since dynamic structures make it possible for these companies to respond adequately to changes in the practices in the external environment and the internal needs of the organization involved. In other words, organizations stand to realize significant benefits when they adopt organizational structures that enable them to respond adequately to the changes in the external and internal environments in which they operate (Kitur & Kinyua, 2020).

According to Awino (2015), organizational structure is a potential instrument for relating to the nature and extent of layers of hierarchies, formalization, centralization of authority, levels of horizontal integration, and communication patterns within organizations. Therefore, so argues

Awino (2015), organizational structures refer to the pattern of allocation of responsibilities and work procedures that are adopted within an organization. According to Awino (2015), these work procedures directly impact an organization's performance outcomes. Organizational structures constitute a reflection of the formal reporting relationship or an organization and the framework for allocation of responsibilities. Besides, organizational structures depict procedures and roles carried out by different members of an organization (Oldham & Hackman, 1981). Organizational structure also constitutes the continuous arrangement of or tasks and activities that are intended to achieve various set goals of an organization. An effective organizational structure facilitates the formal allocation of work and responsibilities to promote efforts intended to realize the goals within the organization.

1.1.2 Organization Performance

Cascio (2014) defines organizational performance as the extent to which an organization succeeds in meeting its work mission in terms of the following indicators: intangible assets, quality services, industry outcome and the customer link. Kaplan and Norton (2001), on the other hand, define organizational performance as the capacity of an organization to accomplish its goals effectively using the human and physical resources at its disposal. Based on this definition, there is a need for the use of an objective performance criteria for evaluating work-based performance of employees to guide organizations. Objective evaluation of employee performance is also effective in guiding efforts to evaluate the performance of an organization in realizing its goals. Besides, objective methods of evaluating employee performance can guide the development of strategic plans.

Additionally, it is helpful in assessing the accomplishment of organizational objectives as well as when coming up with strategic plans for the organizations' future performance (Ittner & Larcker, 2012).

According to Borman and Schmit (2012), judgmental and evaluative processes that put emphasis on actions when defining performance should be prioritized. Ittner and Larcker (2012) posit that organization performance is a larger concept characterized by measures such as the following: quality, efficiency, productivity, efficiency, and consistency. Besides, organizational performance entail measures such as management, development, and leadership training intended to enable employees build skills and attitudes needed to help the organization achieve its goals (Richard, 2002). The conceptualization of organizational performance is also based on net income, workforce size, revenue, financial sustainability, and physical expansion (Kotter, 2012). According to Richard (2013), organizational performance can also be evaluated based on the following indicators: return on assets, sales volume, shareholder's return, profits, and return on investment, among others.

1.1.4 Commercial Banks in Kenya

In Kenya, commercial banks refer to financial institutions that provide financial services in accordance with approval of the Central Bank of Kenya. Currently, there exist a total of 41 registered banks which offer financial services in Kenya (CBK, 2019). According to Kamau (2013), many financial and regulatory reforms have characterized the financial industry in which commercial banks operate in Kenya. Consequently, many structural changes in the financial sector have emerged. It is as a result of such reforms that foreign banks have been allowed to operate in Kenya.

Commercial banks are the dominant players in the financial sector in Kenya (Ngugi, 2014). Commercial banks play a significant role in the Kenyan economy. Despite this, some banks have failed to achieve their goals due to failure to withstand the temptation to engage in cultural practices that encourage irregularities. Widespread financial mismanagement has also been

reported in the financial sector in the country. As a result, affected financial organizations have recorded significantly poor performance. Indeed, some banks caught up in various financial mismanagement scandals have had to be placed under receivership, while others have been closed (Kitur & Kinyua, 2020). Even though some studies report that commercial banks are gaining their lost momentum in the financial market, there is a need for more efforts to make these institutions more competitive and profitable. Besides, as noted by Ngugi (2014), there are gaps to be filled in terms of improving the effectiveness and efficiency in the banking sector. The present study seeks to explore the influence of organization structure on organizational performance among commercial banks operating in Kenya.

1.2 Research Problem

The contemporary environment is characterized by advanced and ever improving technology. Covid-19 pandemic, and globalization makes it necessary for organizations to put more emphasis on employee performance to improve their chances of succeeding under the contemporary business environment. Indeed, the fact that many businesses have opted to have their employees work from home brings more challenges to efforts intended to improve employee performance. Indeed, employee performance constitutes the main frontier of competition among players in the commercial banking sector in the country. Past studies reveal that the efficiency of decision-making processes adopted by an organization and employee motivation are some of the main factors determining the ability of an organization to pursue its objectives. Besides, organizations rely on their learning and the level of adoption of employees' efficient information exchange systems to improve their competitive advantage (Musyimi, 2016).

According to Nahm *et al* (2003), the fact that organizational structure enables employees to understand the order of activities and programs of the organization where they work makes it

important. Effective organization structure makes it possible for employees to understand the flow of information within the organization. Besides, effective organizational structure promotes proper working relationship among employees within an organization, which makes it easy for organizations to succeed at least in the long-run. In most organizations, either centralized or decentralized structures are adopted. Organizational structure defines operational acts of employees. This includes both formal and informal programs and plans that define the rules and regulations guiding the operation of employees. The value of organizational structure in promoting high performance is widely acknowledged within organizations operating in the financial sector in the country. Indeed, banks acknowledge the importance of relying on strategic decisions in the implementation of strategic organizational change initiatives. Indeed, many commercial banks in the Kenyan market are increasingly adopting changes in their organizational structure to promote performance. The recent expansion of organizational structure by both KCB and cooperative banks to incorporate growth, research and development, and innovation departments show that commercial banks in the country are continuously appreciating the value of investing in efforts intended to improve the effectiveness of their organizational structures to realize improvement in the banks' performances. However, some commercial banks appear to be struggling to adjust their organizational structures to correspond to the needs of their employees and improve their performance (Kitur & Kinyua, 2020). This fact constitutes the situation facing many banks operating within the country. This is the case, despite the availability of high level of evidence showing a positive correlation between organization structure and performance among commercial banks globally. The financial sector in Kenya remains plagued by various organizational challenges such as unsatisfactory working conditions, high staff turnover, lack of organizational involvement in decision-making, and fear of going under, among others. These challenges are

blamed for poor performance of various commercial banks in the country (Ngunjiri, 2014). Effective organizational structures carry promising remedies to these challenges.

The influence of organizational structure on employee performance across the globe has been widely explored. For instance, in a study seeking to explore the impact of organizational procedures, formality and centralization of strategies on the entrepreneurship capabilities of organizations, Caruana, Mirris, and Vella (1998) showed that there is a positive correlation between the degree of centralization or decision-making processes and the entrepreneurial behavior of multinational corporations. Built upon data gathered from the study, the trio posited that the high degree of centrality in organizations involved in multinational operations is associated with a significantly lower degree of entrepreneurship practices. Another argument developed by Caruana, Mirris, and Vella (1998) from the study is that high level of formality within the organizations of such nature is significantly associated with organizational entrepreneurship tendencies. The study by Arumbarkah (2020) on the influence of organization structure, requirements, position, and the description of positions on employee productivity in organizations operating in the Indonesian market found that organizational structure is the most significant determinant of employee performance. The study exclusively focused on healthcare-based organizations, which limits its generalizability.

In a survey seeking to probe the effect of organizational structure on organization performance in Austria and China, Hao, Kasper, and Muehlbacher (2012) found that organizations stand to realize a significant improvement in performance if they invest in their organizational structures to make them more prepared to receive learning and new ideas in their businesses in Austria and China. Research on the effects of organization structure on the organization performance outcome remains scarce. However, it is widely acknowledged that decision-making, communication, and

organizational learning form a single model that moderate the relationship between organizational structure and the performance of an organization. These factors have been exhaustively used by scholars interested in the influence of organizational structure on organizational performance. The study by China, Hao, Kasper, and Muehlbacher (2012) only involved organizations operating in Austria and China. Consequently, the findings derived from the study cannot apply to other regions.

In Kenya, Jocelyne and Kariuki (2020) found that employee training and human capital training are significant determinants of organizational performance. Organizational structure adopted by any given organization defines the productivity of employees in such organizations to a large extent. Jocelyne and Kariuki (2020) further point out that organizations have traditionally put emphasis on financial resources. However, they argued that most dynamic and competitive businesses are shifting their focus on management of human capital. Awino (2015) conducted an evaluation of organizational structure and performance of the large manufacturing firms operating in Kenya. The data obtained from the evaluation process led to the conclusion that large manufacturing companies with effective organizational structure showed a tendency towards high performance. A cross-sectional design was employed in the study. In this case, data was acquired from 102 large manufacturing companies operating in the country. The outcome of the study is agreeing with those of other earlier studies. The study provides the basis for future studies to explore the area that remain inadequately explored. The study also has implications on organization management. In this case, it prompts organizations to adopt performance evaluation strategies that do not rely on financial indicators alone. Instead, the study encourages organizations to adopt performance evaluation strategies that are based on other equally important indicators such as non-financial measures. Overall, the structure of an organization has been established to

have a remarkable impact on the performance of an organization. While the study by Awino (2015) provides significant insights concerning the value of organizational structure, it is not adequately recent. However, there is a need for more recent evidence to guide operations in the financial sector.

An earlier study, carried out by Njiru (2014), show that organizational structure has a notable impact on the financial performance of commercial state corporations operating in Kenya. Njiru (2014) noted that various commercial banks in Kenya have succeeded in realizing their financial goals owing to an effective organizational structure. In particular, Njiru (2014) found that the financial performance of commercial state corporations operating in Kenya significantly rely on the following factors: structure formalization, structure centralization, organizational size, and structure complexity, among others. The study further established that the high number of the non-executive directors undermines the performance of the commercial state corporations. While the study's finding that organizational structure influences the performance of commercial state corporations, there is a need to note that the study was carried out in 2014, which makes it not adequately recent. Therefore, the need for more recent adequate evidence of the effectiveness of organizational structure in influencing the performance of an organization is needed.

The review conducted above so far shows that few studies have attempted to explore the effects of organizational structure on the performance of employees, particularly in the commercial banking sector in Kenya. Besides, the review establishes that many of the studies focusing on the area subject were conducted outside Kenya. Evidence from the commercial banking sector in the country is lacking. The current study is considered to bridge this gap by exploring literature for evidence of the influence of organizational structure on employee performance in the commercial banking sector in Kenya. Therefore, it seeks to resolve the following research question: what is

the influence of Organizational Structure on Employee Performance among the Commercial banks in Kenya?

1.3 Objective of the Study

The objective of this research study was to determine the Influence of Organizational Structure on organization Performance among Commercial banks in Kenya.

1.4 Value of the Study

This research will be important to various stakeholders in Kenya and beyond. It would help the top management of banks in Kenya to understand how they can use organizational structure to promote their organization performance. This would improve the bank's organization performance and success in the long run, especially after adoption of effective organizational structure.

The study would also benefit various government agencies and policy makers in the country. This is because the policy makers and government agencies dealing with organizational structure would use the study results to formulate and help implement policies associated with organizational structure and organization performance in the banking industry. This would be imperative towards the promotion of success and organization performance within the banking industry in the country in the long run.

The study would also benefit future researchers, scholars and academicians. This is because the future academicians and scholars would use study results and findings to conduct further studies dealing with the determination of the link between organizational structure and the organization performance in the banking industry. It is expected that the study would provide and advance more knowledge on the area of organizational structure and organization Performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to review written works for evidence of the correlation between organizational structure and organizational performance. It also explores the theories and models applicable to the study subject. Theoretical review and the conceptual framework are also presented to show the relationship among various variables under exploration in the study.

2.2 Theoretical Foundation

Various theories exploring the connection between organizational practices and organizational performance have been developed. Some theoretical models postulate organizational structure significantly influences the attitude and behaviors of employees. Attitude and behaviors of employees, in turn, exhibit significant influence on employee performance (Ferris, 1998). Two theories form the main focus of the present study: resource-based theory and organizational excellence framework.

2.2.1 Resource Based Theory

This theory has evolved over the years due to efforts of various scholars whose work have heavily focused on various aspects of strategic management (Barney, Ketchen Jr & Wright, 2011). This theory originated from the work of Penrose on the role of a firm's internal resources in facilitating a firm's growth, published in 1959. The theory indicates that firms' growth relies more on their internal resources than their managerial resources and companies can use their rare, unique and non-imitable resources to improve their performance as well as in improving the competitive advantage of organizations (Lockett & Thompson, 2004).

According to Setiawan et al (2011), resource-based theory assumes and classifies organizational resources into four broad categories that include the following: information or knowledge

controlled by an organization, firm's assets, and the firm's attributes. As stated in the resource-based theory, not all resources fit the definition of strategic resources. The theory postulates that an organization that possesses strategic resources has more chances of realizing sustained competitive advantage than the organizations that do not have possession of strategic resources (Warnier, Weppe, & Lecocq, 2013). Strategic resources refer to resources that meet the following attributes: Are rare, difficult to imitate, cannot be substituted, and are valuable (Mweru & Maina, 2016).

Resource based theory is highly suitable to the present study since it provides the framework for understanding the perspectives of organization performance as well as how organizations can design their structures to promote their performance (Kitur & Kinyua, 2020). The theory can guide organizations on how to use their resources and promote their performance and general success in all their operations. Effective structural organization design and proper resources or asset allocation can promote the performance of the organization. However, resource-based theory has been criticized as one of the models that view humans or employees as assets and this can lead to misuse of the employees in an organization. The theory also fails to consider the demand side in the market and it cannot apply in all organizations since resources are limited.

2.2.2 Organizational Excellence Theory

The organizational excellence by Thomas Peters and Robert Waterman (1982) also forms the basis for the present study. According to this, the success of an organization is significantly dependent on its culture. In this case, organizations that are guided by a culture that emphasizes the need for actions stand a better chance of succeeding. Besides, cultures that promote entrepreneurship, customer service, value-based efforts, economic utilization of resources, productivity, and a lean staff stands a better chance of succeeding. Organizational cultures that provide employees with the

conditions they require to perform stand better chances to realize good performance than their counterparts that do not.

Among commercial banks operating in the Kenyan market, organizational excellence can be traced to the corporate cultural attributes exhibited by an organization. Some of the attributes include the tendency to continuously develop innovative ways of meeting the needs of customers. Other attributes characterizing organizational cultures that promote success include environments that facilitate novelty and risk and risk-taking tendencies among employees. Besides, successful organizations tend to be those that give employees the opportunity to exercise some level of autonomy and take part in decision-making processes. In this case, organizations should always strive to encourage employees to give their suggestions and adopt those suggestions. Again, successful organizations are expected to create internal social environments that encourage cohesion and appreciation of the diversity among the staff (Anis, 2011).

Organizational Excellence will guide this study because many commercial banks in Kenya have embraced the new organizational structure in their operations and are guided by organization excellence principles. This is because organizational excellence is the basis of improved financial performance among organizations. This means that with strong structure designs, commercial banks can find ways of promoting the success of their employees and increase their profitability levels.

2.3 Organizational structure and Organization Performance

Organizations that have attempted a shift towards process orientation report various benefits. For example, such organizations have reported improvement in cost savings due to more effective means of executing work and improved focus on customer care. Furthermore, improved integration is attributed to the success reported in such organizations. According to Sikavica and

Novak (1999), the economical design of business processes constitutes one of the areas where organizational structure has elicited significant benefits.

One of the ways through which an organization can benefit from improvement of organizational processes is in the improvement of hand-off between functions. This can occur only in cases where processes are broadly defined (Oden, 1999). Through process orientation, it is possible to realize a reduction in cycle time. This is possible due the fact that process orientation is also associated with improved effectiveness in the coordination of work across functions. In some cases, cost reduction is realized through process organization. Faster time cycles are associated with faster receipt of cash and reduced inventories. Cost reduction can also be realized through elimination of duplicated roles. This is particularly important since redundancy is one of the main factors accounting for high costs of operation and production in various organizations, including organizations operating in the commercial banking sector. Through process organization, redundant activities are eliminated (Galbraith, 2002).

Through effective implementation of structures already proven to be effective, it is possible to enhance internal coordination and eliminate the functional silos existing in many organizations. Studies show that improvement in internal coordination has been found to be a significant indicator of short-term and long-term performance in most organizations (McCormack, Johnson and Walker, 2003). There is also a need to point out that organizations that are highly business process-oriented stand better chances of performing better from both overall perspective to the perspective of employees.

2.4 Empirical Studies and Research Gaps

Empirical literature extensively explores the connection between organizational structure and financial performance. According to Motanari (2018), the organization structure is mainly

described by technology, organization size, or environment. On the other hand, Burt, Gabbay, Holt, and Moran (2014), through a study focusing on culture of the organization and performance of the firm, concluded that culture is a control mechanism in firms operating Malaysia. For an organizational culture to have a remarkable impact on firm's performance, the firm must possess a strong corporate culture that clearly defines the firm's goals and practices. Burt, Gabbay, Holt, and Moran (2014) further discovered that through a robust corporate culture, it is possible to improve the economic performance of a firm. Indeed, they concluded that the relationship between Organization's performance and its culture is strong.

In a survey carried out by Parker, Peters and Turetsky (2012) to investigate the influence of various attributes of organizational structure on the survival of financially stressed firms operating in the Caribbean nations in the period ranging from 2010-2016, it was established that the replacement of a CEO by an outside director facilitated the collapse of many of the 176 companies that were involved in the study. On the other hand, companies that recruited their directors from among the staff that were already operating in the companies reported high chances of survival. According to Robbins (2013), many of the elements of an organization are related to one another. Consequently, the coordination existing among these elements significantly impact organizational structure. In other words, there is a greater need for communication in organizations that have complex structures. In this case, both horizontal and vertical communication should be enhanced to facilitate coordination and various other processes in an organization. The more complex an organizational structure is, the more challenges in coordination and control it is likely to encounter. Consequently, there is a need to ensure that effective communication, coordination, and control is realized (Robbins, 2013).

In a study undertaken by Onyango (2020) to explore the relationship between the ownership structure and the value of firms listed in the Nairobi Stock Exchange and performance, it was concluded that the relationship between the two variable is positive. In this case, Onyango (2020) concluded that there was a significant correlation between the value of the firm and ownership which ranged from 0% to 37%. Indeed, in cases where ownership levels exceed 50%, Onyango (2020) noted that firm value tended to increase significantly.

Another attempt at exploring the subject is by Barako and colleagues (2017). This study employs longitudinal design to explore voluntary disclosure practices in annual reports of listed companies operating in Kenya in a period ranging from 1992 to 2001. The study mainly sought to investigate the influence of the following factors on voluntary disclosure of various types of information: organizational structure attributes, company characteristics, and ownership structure. The results of the study indicate that longitudinal structure attributes, corporate characteristics, and ownership structure plays a significant role in influencing the tendency to disclose various information about the organization.

Ngumi (2018)'s research efforts that focused mainly on the study of organizational structure practices in the Housing Finance Market established that success in the banking sector relies on good corporate practices to a large extent. In the study, a case study design was used. The study concluded that adoption of effective organization structure is crucial to the efforts for prompting ethical practices in an organization. The study by Kiamba (2008) on the relationship between organizational structure and financial performance among local authorities in Kenya concluded that financial performance of the local authorities is likely to be affected by the political composition of the various councils. In addition, internal audits are likely to play an important role in this case.

In the study by Muriithi (2008) seeking to evaluate organizational structure and financial performance of state-owned companies using New KCC as a case study, it was established that Organization structure is significantly associated with financial performance. In particular, Muriithi (2008) identified some of the organizational structure practices that are the most influential on financial performance of an organization as follows: purpose and values, corporate communication, power balance in the board, and performance appraisal methods of the board, among others. The study by Ongore (2008) on the influence of ownership structures, managerial discretion, and board effectiveness on performance of companies listed in Kenya also provides significant insights into the subject.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter covers research design, target population, data collection and data analysis used in the study.

3.2 Research Design

A descriptive cross-sectional census survey was adopted in the study. Copper (2000) The cross-sectional study was used to investigate the variables on interest at one point in time and allowed the analysis of data gathered across a whole population to enable an in-depth analysis of the entire population.

3.3 Target Population

The target population consisted of all Commercial Banks in Kenya. According to Musyimi (2022), there are 44 registered Commercial Banks in Nairobi, Kenya (Musyimi, 2022).

3.4 Data Collection

The study used primary data. The data were collected from the human resource managers of the Commercial Banks. Primary data was collected from 40 Finance and operations managers in the Commercial Banks in Kenya, while the secondary data were collected from different secondary sources including financial reports and industry reports (Kenya Bankers Association).

Structured questionnaire, three sections, A, B and C was used to collect data. Section A, the contained demographic data, section B contained data on organizational structure, and section C covered data on performance of Commercial Banks in Kenya. Drop and pick method was used to administer the questionnaires.

3.5 Data Analysis

Descriptive statistics such as frequencies, mean, and standard deviation was used to analyze collected data. Inferential statistical analysis (regression analysis) was conducted to establish the influence of organizational structure on the performance of commercial banks operating in Kenya. was used determine the relationship between organizational structure and performance of commercial banks in Kenya. The regression analysis helped to provide estimates of the value of the study parameters based on the model shown below:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mathcal{E}$$

Where:

Y = Performance of the banks

X₁ = Centralized Structure

X₂ = Formal Meetings and Communications

X₃ = Hierarchical Structures

X₄ = Different Authority Lines

a = constant term

β₁, β₂, β₃ = Beta coefficients

ε = Error term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter covers the response rate, demographic characteristics of respondents, as well as the organizational structure dimensions performance measures and the relationship between organizational structure variables and performance of commercial banks in Kenya.

4.2 Response Rate

All the 41 registered Commercial Banks in Nairobi, Kenya were included in the study and two questionnaires were administered to two participants from each bank. Thus, a total of 82 questionnaires were distributed. However, only 80 questionnaires were dully filled and returned to the researcher within the stipulated timeline. This translates into a response rate of 97.56% which is considered good for statistical analysis. It is true that 75% response is adequate and Collis and Hussey (2017) explain that a response rate is used to find out a test's statistical power, such that the larger the response rates the higher the statistical power and thus credibility of study findings.

4.3 Demographic Characteristics of Respondents

Demographic characteristics included ownership structure, the total number of employees or staff and the years the banks have been in operations.

Based on table 4.3.1 below, 75% of the banks in Nairobi are locally owned, 20% of the banks are foreign owned while only 5% are both locally and foreign owned.

In terms of the employee's size, majority of the banks have employee's numbers ranging between 301 and 500 employees at 50%, 25% of the banks had around 501 to 700 employees, 17.5% had 100 to 300 employees, while only 7.5% of the banks have employees above 700.

Majority of the banks have operated between 31-40 years at 52.5%, 25% of the banks have operated for about 21-30 years, 20% have operated above 40 years, only 2.5% of the banks have operated within 10-20 years.

Table 1: Demographic Characteristics of Commercial Banks in Kenya

Ownership Structure	Frequency	Percentage (%)
Locally Owned	30	75
Foreign Owned	8	20
Both Local and Foreign	2	5
Total	40	100
Number of Employees or Staff	Frequency	Percentage (%)
100-300	7	17.5
301-500	20	50
501-700	10	25
Over 700	3	7.5
Total	40	100
Years of Operation	Frequency	Percentage (%)
10-20	1	2.5
21-30	10	25
31-40	21	52.5
Above 40	8	20
Total	40	100

4.4 Organizational Structure

4.4.1 Centralized Structures

The results show, table 4.4.1 below, a mean score of 4.4810 and standard deviation (SD) of = 0.5180. This indicates that the firms had adopted centralization structures and top management approval of plans.

Table 2: Centralized Structures

Statement	N	Mean	S. Dev
The Company has adopted centralization structures and top management approval of plans	80	4.4810	0.5180
The Company has adopted decentralization non-top management approval of plans	80	3.1630	0.8092
The Company use formal meetings and communications in its major operations	80	4.6835	0.5021
The Company has adopted hierarchical structures to promote its success.	80	3.9889	0.6247
The Company organize power and responsibilities in different ways to promote performance	80	3.6720	0.8924
The Company has adopted different administrative framework in its operations	80	4.0939	0.7440
The Company has different authority lines and communication plans to manage its major operations	80	3.8887	0.6810
Average mean	80	3.9959	

Statement	N	Mean	Std. Deviation
The Company has adopted centralized structures in its operations	80	4.481	0.5180
The Company top management approve procedures and plans	80	3.870	0.0109
Overall mean	80	3.351	

Source: Research Data (2022)

4.4.2 Hierarchical Structures

Findings show a mean of $M=3.2830$ with $SD = 0.8092$. The mean reveals that the the banks had adopted hierarchical structures. As shown in table 4.4.2 below.

Table 3: Hierarchical Structures

Statement	N	Mean	Std. Deviation
The Company has adopted strong hierarchical structures in its operations	80	3.1630	0.8092
The Company top management support chain of command	80	1.230	0.035
Overall mean	80	3.2830	

Source: Research Data (2022)

4.4.3 Formal Meetings and Communications

The results had an overall mean of 2.8535. The formal meetings had a mean of 4.6835 while formal communication had a mean of 1.170. The standard deviations for both formal meetings and forma communications was 0.5021 indicating that the firms used formal meetings and communication in their operations (**Table 4.4.3 below**).

Table 4: Formal Meetings and Formal Communication

Statement	N	Mean	Std. Deviation
The Company has adopted formal meeting in its operations	80	4.6835	0.5021
The Company top management adopted formal communications	80	1.170	0.5021
Overall mean	80	2.8535	

Source: Research Data (2022)

4.4.4 Power and Lines of Authority

The findings indicate a mean of 3.6720 for adoption of formal power in operation whereas mean of 3.8887 for adoption of formal line of operation, both have SD below 1 further confirming adoption of power and lines of authority (**Table 4.4.4**).

Table 5: Power and Lines of Authority

Statement	N	Mean	Std. Deviation
The Company has adopted formal power in its operations	80	3.6720	0.8924
The Company top management adopted formal line of authority	80	3.8887	0.6810
Overall mean	80	3.5607	

Source: Research Data (2022)

4.5 Effect of Organizational Structure on organization Performance

From the findings, the mean score is 4.9793, implying that they the organizational structural practices influenced organizational performance (**Table 4.5.1**).

Table 6: Organizational Structure

Statement	N	Mean	S. Dev
Adoption of decentralization structure	80	4.4510	0.9900
Adoption of formal meetings and communications	80	4.0900	0.9022
Adoption of formal structures	80	4.4241	0.8251
Adoption of hierarchical structures	80	3.2179	0.7373
Adoption of line of authority and commands	80	4.8764	0.9829
Overall Mean	80	4.9793	

Table 7: Organization Performance

Statement	N	Mean	S. Dev
High profitability of the company	80	4.9810	0.6180
High ROE and ROA in the company	80	4.0833	0.6092
High sales volume	80	4.1245	0.6251
High market share of the company	80	4.2178	0.5373
High number of clients in the company	80	4.8764	0.6829
Low cost of operations in the company.	80	4.5927	0.8476
Average mean	80	4.9793	

4.6 Regression Analysis

The statistical package for social sciences (SPSS V 20.0) was used to compute linear regressions for the variables under study. This computation comprises of summary model, ANOVA and regression coefficients.

Table 8:Results of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 ^a	.513	.407	.378

a. Predictors: (Constant), authority, formal communications, centralized and decentralized structures, hierarchical structures

The study findings in Table 4.6.1 indicates that organization structure has a positive and strong linear relationship with performance of banks in Kenya with correlation coefficient ($r = 0.716$). The coefficient of determination measure ($R^2 = 0.513$) implies that the organizational structures adopted explains 51.3% of variation in the performance of the banks in Kenya. The remaining 49.7% of performance of commercial banks is accounted for other factors such as the adoption of technology and the top leadership background and personality, which are not covered in this study

4.6.2 ANOVA

Table 4.6.2 below, presents the statistical results of the analysis of variance explaining the fitness of the model from the likelihood of F-statistic and the value of F statistic. ANOVA presents the extent to which the regression equation will be relied upon as an estimator of the organization performance.

Table 9:ANOVA

From the findings, Table 4.6.2, the F statistic is 6.2324 and the level of significance was found to be 0.001 which is less than 0.05, the significance value to the study. This indicates that significance value is less than the p-value meaning that the model fits the data.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.4029	3	0.13431	6.2324	.001 ^a
	Residual	1.6594	77	.02155		
	Total	2.062	80			

a. Predictors: (Constant), authority, formal communications, centralized and decentralized structures, hierarchical structures

b. Dependent Variable: Organizational performance

4.6.3 Coefficients of Regression Analysis

Coefficients of regression was used to evaluate the degree of effect of individual factors that on performance of Commercial banks in Kenya.

From the table 4.6. 3 below, the intercept of regression model is 0.548 and it is the forecasted value of organizational performance of the Commercial Banks when the predictor variables take 0 values. There is a 1 unit increase in the organizational performance for the organizational structural gradient of 0.381, 0.11, 0.214 and 0.103 on centralized and decentralized structures, hierarchical structures, formal communication and line of authority respectively.

Table 10:Coefficients of Regression Analysis

	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Beta		
(Constant)	.548	.090		-.852	.304
Centralized and Decentralized structures	.381	.280	.371	1.480	.007
Hierarchical structures	.110	.134	.122	1.713	.032
Formal communications	.214	.102	.328	1.601	.001
Lines of Authority	.103	.141	.224	1.161	.108

a. Dependent Variable: Organizational performance

The beta values of centralized and decentralized structure, hierarchical structures, formal communication and line of authority are 0.371, 0.122, 0.328 and 0.224 respectively. T test was computed to evaluate the importance of these coefficients as indicated in the table above. From the Regression results in table below, the multiple linear regression models finally appear as;

$$Y = 0.548 + 0.381X_1 + 0.110X_2 + 0.214X_3 + 0.103X_4 + 0.005$$

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable and independent variables. This means that organizational structure variables promote the performance of the banks in terms of structure formalization, structure centralization, formality, line of communications and command systems. From the findings, one unit change in central structures results in 0.548 units increase in the bank performance. One unit increase in structure formalization results in 0.381 units increase in the bank performance. One unit change in the structure decentralization results in 0.110 increase in the bank performance. One unit change in rules and command systems structure complexity results in 0.214 unit increases in the bank performance. The t statistics helps in determining the relative importance of each variable in the model. This model confirms that organizational structure influences the organization performance in Kenya. As such, it is important that banks adopt formal communication, centralized and decentralized structure and hierarchical structures in their operations. It is also important that banks use formal meetings and command systems to promote their organizational performance. This is because these variables are statistically significant and probably worthwhile addition to regression model.

4.7 Discussion of the Findings

The study established that all the Commercial Banks in Kenya utilized centralized and decentralized structures, hierarchical structures, formal meetings and communications, and power and lines of authority models of organizational structure. However, the most commonly used structures were found to be centralization structures and top management approval of plans, formal meetings and communications structures and diverse administrative frameworks.

From the findings, one can argue that the study findings reinforce the important position of organizational structure on performance of banks. It is important that banks continue using centralized and decentralized structures, hierarchical structures, formal meetings and communications, and power models of organizational structure to promote their performance and success. In addition to the above findings, there is need for considerations of effective leadership management or behavior and digital technology in promoting strong and stable organizational structures in the banks.

The results support the findings by Hao, Kasper and Muehlbacher (2012) which was done in China to evaluate the organizational structure and its influence on telecommunication performance, especially through adoption of new learning and creative or innovation platforms in Austria and China. The study found out that centralized and power systems promote performance of the organizations in both China and Australia. This is also in line with Njiru (2014) who noted that organizational structure promotes the financial performance of commercial state corporations in Kenya.

Moreover, the study confirms Bibi and Saeed Akhtar (2020) study that noted that organizational structure influences the organization performance in Kenya. This was supported by Awino (2015) who argued that it is important that banks adopt formal communication, centralized and decentralized structure and hierarchical structures in their operations. It is also important that banks

use formal meetings and command systems to promote their organizational performance. This is because these variables are statistically significant and probably worthwhile addition to regression model.

Analysis of the findings indicate that organizational structure influences the organization performance and in line with Kiamba (2008) study on the relationship between organizational structure and financial performance of local authorities in Kenya that established that financial performance of the local authorities is affected by the political composition of the organizational structure. Muriithi (2008) also, while seeking to evaluate organizational structure and financial performance of state-owned companies using New KCC as a case study, established that organizational structure is significantly associated with financial performance. Muriithi (2008) also identified corporate communication as an important aspect of organizational structure that impacts organizational performance. Centralization of banking organizations has resulted to better performance in Kenya according to Gachoya (Karinga 2005). A similar study was conducted by Anstacia (2016) that hierarchical structure in small businesses has influenced performance of the subordinates. The findings reinforce the important firm structure in promoting the performance levels in operations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the study findings, conclusion and recommendations.

5.2 Summary of the Findings

The data in the study was collected among bank managers in Kenya with a 90.91% response rate.

The study found that majority of the banks in Kenya have operated for more than 31 years and they are locally owned. The majority of the banks also have employees ranging between 301 to 500 at 50%.

Moreover, the study found out that the management systems of the banks have adopted different dimensions of organizational structures in terms of centralized structures, hierarchical structures, the use of formal meetings and communications as well as the adoption of formal power. All these structures promoted the success and performance of the banks except the line of authority.

The findings also confirmed that organizational structure promoted the organization performance of the banks in terms of ROE, profitability and market share levels. It was evident that the organizational structure has a positive and strong linear relationship on the performance of banks in Kenya with correlation coefficient ($r = 0.716$) and a coefficient of determination measure ($R^2 = 0.513$). The study also found that centralized structures, hierarchical structures, formal communication and line of authority confirmed that there is a significant positive relationship between organizational structures on the bank's performance in Kenya. The findings confirmed that the regression analysis indicates that there is a positive and strong correlation between the organizational structure and the performance of the organization of Commercial Banks in Nairobi, Kenya. Correlation coefficient of 0.716 indicates a strong positive association between the structure of organization and the performance of the organization

5.3 Conclusion

It is concluded that organizational structure impacts organizational performance positively. All the respondents indicated that all aspects of organizational structure had a positive effect on performance of commercial banks. It was also concluded that good organizational structures are critical for the performance of commercial banks.

Moreover, the study concluded that organizational structure plans impact return on investment as well as return on equity of the commercial banks. This is because it was evident that organizational structure help in expanding the market share and customer base thus improving sales. The study also concluded that effective organizational communication strategies, centralization structures and top management approval of plans, formal meetings as well as hierarchical structure and diverse administrative frameworks and different authority lines can help in enhancing organizational performance. Consequently, the study concluded that organizations should endeavor to have in place working organizational structural plans that involve these parameters.

5.4 Recommendations of the Study

This study has shown that organizational structure plays an important role in the success of organizations. Therefore, organizations management should have in place appropriate structural policies that define their unique properties. Management and stakeholders as well as the organizational boards should identify the most appropriate and workable structure and lay down policies that entrench such structures in the company processes.

To policy makers, it is important that various government agencies and policy makers in the country adopt effective organizational structure policies and promote the performance of firms in the country. Policy makers and government agencies dealing with organizational structure should understand that effective organizational structure plays an important role in the success and

performance of organizations. Formulating and implementing policies associated with organizational structure and organization performance in the banking industry will help in promoting the success and organization performance within the banking industry in the country in the long run.

Theoretically, it is important that future researchers, scholars and academicians consider the importance of organizational structures and ensure that they adopt resource based and organizational excellence theories in the determination of the link between organizational structure and the organization performance in the banking industry. This would provide and advance more knowledge on the area of organizational structure and organization Performance.

5.5 Limitations of the Study

This study was limited in terms method of data collection. The study adopted cross sectional research design which involves a number of companies. This may have led to low in-depth analysis of a particular firm application of different organizational structures. The method of data collection using questionnaire also made it impossible to determine the accuracy of the data provided since majority of the questionnaire were filled through drop and pick method.

5.6 Recommendation for Further Research

This study focused on the constructs of organizational structures in a broad perspective. Therefore, future studies should focus on a single specific organizational structure and test its impact on specific measures of organizational performance (financial and non-financial). Future studies should make use of secondary data to ascertain the changes noted in the performance parameters to be measured. Finally, future studies should be specific, such as case studies to enhance in-depth research that would capture all the aspects of organizational structures and their effects on specific parameters of organizational performance.

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APPENDICES

Appendix I: Questionnaire

The objective of this study is to determine the Perceived influence of Organizational Structure on organization Performance among Commercial banks in Kenya.

SECTION A: GENERAL INFORMATION

Kindly fill all the questions either by ticking in the boxes or writing in the spaces provided.

What is the nature of the bank ownership?

Locally Owned

Foreign Owned

Both local and foreign owned

Others.....

What is the number staffs or employees in the Bank?

Less than 100

100– 300

301 – 500

501– 700

Above 700

How long has the bank been in Operations?

Less than 10 years []

10-20 []

21-30 []

31-40 []

Above 40 years []

Section B: Organizational Structure

Tick the only one most appropriate answer from the alternatives provided below.

1 = Strongly Disagree

2 = Disagree

3 = Agree and

4 = Strongly Agree

To what extent do you agree that your Company has adopted the following Organizational Structure to improve their performance?

Statement	Strongly	Disagree	Agree	Strongly agree
The Company has adopted centralization structures and top management approval of plans	1	2	3	4

Statement	Strongly Disagree	Disagree	Agree	Strongly agree
The Company has adopted decentralization non-top management approval of plans	1	2	3	4
The Company use formal meetings and communications in its major operations	1	2	3	4
The Company has adopted hierarchical structures to promote its success.	1	2	3	4
The Company organize power and responsibilities in different ways to promote performance	1	2	3	4
The Company has adopted different administrative framework in its operations	1	2	3	4
The Company different authority lines and communication plans to manage its major operations	1	2	3	4

SECTION C: Organizational Structure and the Company Performance

To what extent has the adoption of organization structure improved the performance of your Company

Statement	Strongly	Disagree	Agree	Strongly agree
Adoption of organization structure plans has led to high profitability of the company	1	2	4	5
Adoption of organization structure plans has led to high ROE and ROA in the company	1	2	4	5
Adoption of organization structure plans has led to high sales volume	1	2	4	5
Adoption of Market growth strategies has led to high market share of the company	1	2	4	5
Adoption of organization structure plans has led to high number of clients in the company	1	2	4	5
Adoption of Market growth strategies has led to low cost of operations in the company.	1	2	4	5

THANK YOU FOR RESPONDING

Appendix II: List of Commercial Banks in Kenya and their Market Share

Rank	Bank	% Gross Assets
	6 LARGE BANKS >5%	
1.	Kenya Commercial Bank Ltd	14.2%
2.	Equity Bank Ltd	8.6%
3.	Co-operative Bank of Kenya Ltd	8.5%
4.	Barclays Bank of Kenya Ltd	8.4%
5.	Standard Chartered Bank Kenya Ltd	7.9%
6.	CFC Stanbic Bank Kenya Ltd	6.7%
	12 MEDIUM BANKS (1-5)%	
7.	I&M Bank Ltd	3.8%
8.	Diamond Trust Bank Kenya Ltd	3.7%
9.	Citibank. N.A. Kenya	3.5%
10.	National Bank of Kenya Ltd	3.5%
11.	Chase Bank Ltd	1.9%
12.	Bank of Africa Kenya Ltd	1.8%
13.	Bank of Baroda Kenya Ltd	1.8%
14.	Prime Bank Ltd	1.7%
15.	Ecobank Kenya Ltd	1.4%
16.	Family Bank Ltd	1.3%
17.	Imperial Bank Ltd	1.3%
18.	Bank of India Ltd	1.1%
	23 SMALL BANKS <1%	
19.	Consolidated Bank of Kenya	0.8%
20.	Fina Bank Ltd	0.7%
21.	Gulf African Bank Ltd	0.6%
22.	African Banking Corporation Ltd	0.6%
23.	Equatorial Commercial Bank Ltd	0.6%
24.	Giro Commercial Bank Ltd	0.6%
25.	Development Bank of Kenya Ltd	0.6%
26.	Fidelity Commercial Bank Ltd	0.5%
27.	K-Rep Bank Ltd	0.5%
28.	Guardian Bank Ltd	0.5%
29.	First Community Bank Ltd	0.4%
30.	Habib Bank A.G. Zurich	0.4%
31.	Transnational Bank Ltd	0.4%
32.	Victoria Commercial Bank Ltd	0.4%
33.	Charterhouse Bank Ltd	0.3%
34.	Habib Bank Ltd	0.3%
35.	Credit Bank Ltd	0.3%
36.	Paramount Universal Bank	0.3%
37.	Oriental Commercial Bank Ltd	0.2%
38.	Middle East Bank Kenya Ltd	0.2%
39.	UBA Kenya Ltd	0.1%
40.	Dubai Bank Ltd	0.1%
41.	Jamii Bora Bank Ltd	0.1%