

DECLARATION

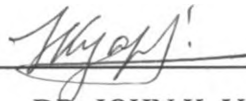
This project is my original work and has not been presented for degree in any other university.



MUTHOKA JUNE KATHINI

D61/P/8336/06

This project has been submitted for examination with my approval as a university supervisor.



DR. JOHN K. YABS

School of Business
University of Nairobi

DEDICATION

I dedicate this work to God and to my parents Alice and Joseph.

ACKNOWLEDGEMENT

I take this opportunity to thank God for the good health and for bringing me this far. I highly acknowledge my parents for implanting the seed of knowledge in me, my husband Hon. Charles M. Nyamai for his continued support and my adoring children Arnold and Arnald for not only missing my presence but also for helping me in calculations, typing and editing my work. I would not forget my sisters Betty, Rachel, Norah, Gettie, Nzembi and Ndunge who stood to fill in the gap during my busy schedule.

I want to register special gratitude to my supervisor Dr. John K. Yabs for accepting to work with me. His guidance, encouragement and patience in reading, correcting, re-reading and refining this work, he requires a big applause.

Thanks to all my lecturers especially Mr. Maalu for monitoring my progress as a pilot does to a plane, the late Mrs. Ombok, Dr. Iraki and Dr. Kagwe without whose support, I would never have known the joys and challenges of the study.

I also recognize the joy I got while studying with my class mates; not forgetting Mulumia, Mary Maalu, Mapenzi and Ininda. Thanks to them all for the great discussions, insights and assistance during the period of study.

A number of people contributed to the success of this research paper. My sincere thanks go to many people who helped me directly and indirectly with the preparation of the research project; David and Kinyanjui (librarians), Sophie (typing), Muriithi (copies), P. Chelang'a (mail) and finally Susan and Kariuki.

Finally I acknowledge my employer for the time and the study loan.

ABSTRACT

Consumer services are being established worldwide and increasingly business services are becoming globalized in much the same way that manufacturing is outsourcing overseas. The manager of a banking organization can no longer ignore international competition in services, especially the globalization of back-room operations. Service managers need a framework in which to develop a global service strategy. The multinational banks operating in Kenya have been largely affected by factors such as relative cost advantage, which could be due, to different operating strategies, different organizational structures, differences in regulatory requirements, and/or support from home governments.

The objective of this study was to determine the relationship that exist between strategy and structure in the multinational Banks (MNBs) found in Kenya and to identify the factors influencing strategy and structure relationship in the Multinational Banks (MNBs) operating in Kenya. The research was based on descriptive survey on multinational banks operating in Kenya. The study population was the lead managers of the respondents' bank. A sample size of 12 banks was selected. Questionnaires were used to collect data.

The findings show that majority of Multinational Banks operating in Kenya are foreign owned since Kenya as a developing country has not been able to establish its own multinational banks. These banks have had good experience in industry due to the good strategies employed by the banks. The banks are well spread in every province in Kenya due to the availability of resources from the foreigners. However, there is lack of a large scope of knowledge of corporate plan by the employees. Multinational Banks operating in Kenya also contributes greatly to the growth of the country through provision of employment opportunities.

As part of researcher's recommendations, multinational organization should establish an organization structure committee, and should come up with a system that will ensure maximum cooperation from all the employees. Changes in organization structure should be done with ownership and the area of operation in mind.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
LIST OF ABBREVIATIONS AND ACRONYMS	viii
LIST OF FIGURES	ix
LIST OF TABLES	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background	1
1.1.1 The Strategy-Structure Pattern	1
1.1.2 Concept of Strategy	2
1.1.3 Concept of Structure.....	3
1.1.4 Banking Sector in Kenya.....	4
1.1.5 Multinational Banks in Kenya.....	5
1.2 Statement of the Problem.....	6
1.3 Objectives of the Study.....	7
1.4 Importance of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW.....	9
2.1 Conceptual Framework.....	9
2.2 Strategy-Structure Performance (SSP) Paradigms.....	10
2.3 Strategy/Governance Structure Fit Relationship	11
2.4 The Evolution of Strategy and Structure	12
2.4.1 The Strategy and Structure order.....	13
2.4.2 Global Strategy and Structure	14
2.5 Types of Organizational Structures	15
2.5.1 Key Determinants of Best Structure-Strategy	16
2.6 The Organization and Environment Response	16
2.7 Organizational Structure and Performance.....	18
CHAPTER THREE: RESEARCH METHODOLOGY	20
3.1 Research Design.....	20
3.2 The Population.....	20
3.3 Data Collection.....	20
3.4 Data Analysis	21
CHAPTER FOUR: DATA FINDINGS, ANALYSIS AND INTERPRETATION	22
4.1 Introduction.....	22

4.2 Findings from Demographic Data	22
4.3 Findings on Strategies in Respondents' Organization	25
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	41
5.1 Summary of Findings.....	41
5.2 Conclusion	42
5.3 Recommendations.....	43
5.4 Suggestions for Further Study	44
REFERENCES	45
APPENDIX A: LETTER TO THE RESPONDENTS	50
APPENDIX B: STUDY QUESTIONNAIRE	51
APPENDIX C: LIST OF MULTINATIONAL BANKS OPERATING IN KENYA.....	58

LIST OF ABBREVIATIONS AND ACRONYMS

MNCs –	Multinational Corporations
MNEs –	Multinational Enterprises
MNBs -	Multinational Banks
R & D –	Research and Development
CBK-	Central Bank of Kenya
FOMNBs	Foreign Owned Multinational Banks

LIST OF FIGURES

Figure 4.1 -Ownership of Respondent's Organization

Figure 4.2 -Geographic Spread of Respondent's Organization in the Country

Figure 4.3 -Extent To which the Respondent's Organization has a Strategic/ Corporate Plan

Figure 4.4 -Periods in Years that the Plan Covers

Figure 4.5 -Whether The Strategies had changed within the last 5 Years.

Figure 4.6 -Cause of the Change in Strategy.

Figure 4.7 -Presence Of a Strategic Planning Department in Respondent's Organization.

Figure 4.8 -Whether the Respondent's Organization has undertaken Certain Factors.

Figure 4.9-Extent to which the Current Structure has Increased the Organization Performance.

Figure 4.10 -Form of Changes in Structure Undertaken.

Figure 4.11 -Level Of Importance Of Change in Structure.

Figure 4.12 -Level Of Influence Performance of Business Necessitated in Structure.

Figure 4.13 -Implication Of Change In Structure on The Organization

LIST OF TABLES

Table 4.1: Ownership of Respondent's organization

Table 4.2: Years the bank has been in operation in Kenya

Table 4.3: Geographical Spread of the Respondent's Organization in the Country

Table 4.4: Number of employees Respondents Organization Employs locally

Table 4.5: How Respondents would describe their Organizations' Strategy

Table 4.6: Extent to which the Respondents' Organization has a Strategic/Corporate Plan

Table 4.7: Period in Years that the Plan Covers

Table 4.8: Whether the Strategies had changed within the last 5 years

Table 4.9: Cause of the Change in Strategy

Table 4.10: Presence of a Strategic Planning Department in the Respondent's Organization

Table 4.11: Whether the Respondent's Organization has undertaken Certain Factors

Table 4.12: Extent to Which the Current Structure Has Increased the Organization Performance

Table 4.13: Form of Changes in Structure Undertaken

Table 4.14: Level of Importance of Changes in Structure

Table 4.15: Whether performance of Business Necessitated Change in Structure

Table 4.16: Level of Influence Performance of Business Necessitated Change in Structure

Table 4.17: Implication of Change in Structure on the Organization

Table 4.18: Implications of Factors Influencing Strategy and Structure Relationship

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 The Strategy-Structure Pattern

Several studies have been carried out concerning organizational strategy and structure relationship. Different views have been expressed in relationship between the chosen strategy and organization's structure. The emergent school insists that relationship is two way (e.g. Senge 1990; Mintzberg, 1978).

There are other proponents who claim that strategy follows structure (Ansoff, 1990; Bower, 1970). Scholars such as Burgelman (1983) claim that both chronologies can occur and that strategy and structure exist in a reciprocal relationship. Burgelmans models and underlying assumptions extend beyond chronology and explore the complexities and dynamism of the strategic process itself.

As the international strategies of firms evolve, and become more complex, it is increasingly difficulty to know which types of organizational structure facilitates implementing them. While models linking strategy and structure exist, there is a pressing need for further development. The first empirical work which sought to relate structure to the strategy of an organization was Chandler's (1962) study of 70 large US corporations. It tended to show that as a company's product/market strategy changed it was important that the organizational structure also change to support implementation of the new strategy (Egelhoff, 1988).

Strategy is a concept, an abstraction, a theory of the business, often inferred by reviewing a pattern of managerial decisions. Structure is real, an artifact, a visible determinant of the practice of business, often designed to orient, limit and motivate managerial decision making. That strategy that drives structure is a long accepted tenet deriving from Chandlers (1962) seminal, historical analysis. That structure in turn creates strategy is increasingly recognized but not as well understood. Adhocracies (Mintzberg 1999), bureaucracies (Weber, 1974) and Clusters (Mills, 1999) are instance of vastly different

forms of organizations that not only reflect but also effectively create very different strategies. At the extreme, the argument can be made that structure is strategy (Mwangi, 2003).

In addition, organizational researchers have attempted to explore the concept of fit in organizational studies (Tushman, O' Reilly, and Nadler, 1989). They have studies that fit between internal and external factors, or between strategy and structure (in particular, governance mechanisms) to transaction informational requirements and its implications for diversification and cooperation.

1.1.2 Concept of Strategy

Strategy refers primarily to business strategy, which specifies how a business unit will achieve and maintain competitive advantage within its industry. Therefore one element of strategy that we consider is the set of competitive priorities that define a firm's strategic manufacturing capabilities. To recognize explicitly the growing importance of the globalization, we also consider the geographic scope of a firm's strategy, which is the extent to which a firm's customers are located over a wide geographic area (Stock, 1999).

A strategy is the outcome of some form of planning, organized process for anticipating and acting in the future in order to carry out the organizations mission (Baker, 2007).

Strategy refers primarily to business strategy; which specifies how a business unit will achieve and maintain competitive advantage within its industry. Therefore, one element of strategy that we consider is the set of competitive capabilities (Stock, 1999).

Strategy is an important component of a successful business (Cowman, 1998). This is because the top management team must have a shared understanding of where the firm is going and how it is trying to compete. It assists managers in making investment decisions and it instills in them a sense of purpose.

Strategy is a tool which offers significant help for coping with turbulence confronted by business firms, loss of relevance by universities, breakdown in law enforcement, breakdown in health service systems and urban congestion. Therefore, it merits serious

attention as a managerial tool, not only for the firm but also for a broad spectrum of social organizations. They further describe strategy as a set of decision-making rules for guidance of organizational behaviour. It is seen as a potentially powerful tool for coping with conditions of change, which surround the firm today. (Ansoff and McDonnell, 1990).

Aosa (1998), states that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategy problem. The strategy problem is a mismatch between the internal characteristics of an organization and its external environment. The matching is achieved through development of an organization's core capabilities that correlate to the external environment enough to enable the exploitation of opportunities existing in the external environment and organizations internal capabilities.

1.1.3 Concept of Structure

Organizational structure has been defined and classified in a number of ways in the literature. A very simple way of describing organizational structure differentiates between organizations on the dimensions of centralization or decentralization (Ghoshal et. al 1994).

A second approach categorizes multinational corporations into "pure" structures, including worldwide product division, geographic region, and Matrix. The differences in these types lie primarily in the relationship of a foreign operation to the corporate head office (Habib and Victor, 1991).

Organizational structure involves "decisions relating to division of task, authority, and a set of coordination mechanism" (Parthasarthy and Sethi, 1992). Traditionally, structure has been considered within a single firm-the firm plus its suppliers and customers, organizational structure provide the framework in which to implement strategy.

All organizations have goals, boundaries, level of authority, communication systems, co-ordination mechanisms and distinctive procedures (Bolman et al., 1991). This is true whether the organization is a bank, a church, a family or the Kenya Army. Therefore one of the central issues of any organization is how to structure. This is because a structure is, “an outline of the desired pattern of activities, expectations and exchange among executives, managers, employees and customers”. Viewed in this way, an organizational structure is part and parcel of its internal capacity. It must not be a mere official organizational chart (Ansoff and McDonnell, 1990).

Although there is evidence suggesting that foreign-owned multinational banks (FOMNBs) operating in Kenya enjoy comparative cost advantages over the locally owned banks, it should be noted that this evidence only addresses scale and scope aspects of productive efficiency (Kenya Bankers Association, 2007).

1.1.4 Banking Sector in Kenya

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 liberalized in 1995 and exchange controls lifted. The CBK, which falls under the minister for finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya’s commercial banks and non-banking institutions, interest rates and other publications and guidelines (CBK, 2008).

Banking institutions are the key players in any financial system. Multinational banks play a key role of intermediation in the economy, which is paramount in the smooth and efficient functioning of the economy. The Kenyan banking sector comprises of 51 financial institutions of these, 44 are commercial banks, 2 non- bank financial institution, 2 mortgage finance companies (CBK, 2008).

The sector comprises six locally incorporated foreign banks, and five foreign owned institutions, which are not locally incorporated. There are 575 commercial banks branches across the country. Ten commercial banks dominate the banking industry namely: Barclays Bank of Kenya, Standard Chartered Bank, Kenya Commercial Bank, Co-operative Bank of Kenya, National Bank of Kenya, Citibank N.A, Commercial of Bank of Africa, Stanbic Bank, National Industrial Credit (NIC) bank and Investment and Mortgage (I &M) Bank Limited that represent 75.7 percent of the total market share with a total deposits of kshs 636,455 million (CBK, 2008).

1.1.5 Multinational Banks in Kenya

A Multinational Enterprise (MNE) is a firm based in one country and having operations in more than two countries. MNEs are being managed uniformly by parent company, while the single subsidiaries are domiciled and active in different countries. A multinational bank is an enterprise providing banking services in several countries (Fischknecht, 1996).

Banks are in the process of moving into a more competitive financial atmosphere, with a wide variety of financial services. No bank can offer all products and be the best bank for all customers. They are forced to develop a differentiated strategy in order to find a new basis of competition. There are a number of ways in which distinctive competitive positions can be developed and maintained. A key way to building a strong competitive position is through product/service differentiation which creates a clear image of the bank and its products/services in the eyes and minds of customers (Zineldin, 1996).

Chang (1998) identifies multinational banks as those that arise from direct investment of capital in foreign countries pursuing the foundation or the acquisition of an enterprise abroad or having the majority influence on a foreign enterprise. In general internationalization is the process of a bank's permanent holding on an already existing organizational structure irrespective of the foundation of a new organization to build up new capacity abroad. Such organizations are mainly branch offices or subsidiaries.

Besides the question of organizational structure, banking economic internationalization decisions include also the location choice.

Multinational banks operating in Kenya are usually categorized into two major groups: those that are foreign owned and not locally incorporated and those that are foreign owned but locally incorporated (partly owned by locals).

1.2 Statement of the problem

Consumer services are being established worldwide and increasingly business services are becoming globalized in much the same way that manufacturing is outsourcing overseas. The manager of a banking organization can no longer ignore international competition in services, especially the globalization of back-room operations. Service managers need a framework in which to develop a global service strategy.

The multinational banks operating in Kenya have been largely affected by factors such as relative cost advantage, which could be due, to for example, to different operating strategies, different organizational structures, differences in regulatory requirements, and/or support from home governments.

Multinational banks arise from direct investment, i.e. investment of capital in a foreign country pursuing the foundation or the acquisitions of an enterprise abroad or having the majority influence on a foreign enterprise. Therefore these MNBs are faced with the usual problems of globalization encountered by any multinational Enterprises (MNEs).

Several studies have been carried out on strategy- structure relationships in different companies. Ciano (2005) undertook a study on strategy structure in Kenya Power and Lighting Company Limited, and Mwangi (2003) undertook a study on strategy and structure relationship in locally owned pharmaceutical manufacturing companies and

multinational pharmaceutical companies operating in Kenya. There is no single study which has been undertaken in the strategy and structure relationship in multinational banks operating in Kenya.

This study therefore was meant to find out the relationship between strategy and structure in Multinational Banks in Kenya. The multinational banks operating in Kenya such as EcoBank and CFC Stanbic have been affected by global mergers and acquisitions in the industry. They have adopted strategies set by their head offices in their local markets while still maintaining their old structures locally.

1.3 Objectives of the Study

The objective of this study was:-

- i. To determine the relationship that exist between strategy and structure in the multinational Banks (MNBs) found in Kenya.
- ii. To identify the factors influencing strategy and structure relationship in the Multinational Banks (MNBs) operating in Kenya.

1.4 Importance of the Study

- i. **To Researchers:** The study aimed at assisting researchers to find out whether strategy and structure adopted by multinational banks drove each other in the overall performance and productivity of these MNBs.
- ii. **To The Stakeholders:** The study was also meant for the industry stakeholders—that is banks, both local and international to effectively identify the driving force in the strategy and structure for the betterment of the organization.
- iii. **To The Organization/Bank:** The study was intended to provide an insight on how the strategy and organizational structure enabled an appropriate measure to fit and provide increased performance by the banks (MNBs).

- iv. **To Academia:** The study was also meant to assist researchers and academicians in the pursuance of academic excellence, and for their research in the same or related area.

- v. **To The Government:** The study was aimed also at assisting government officials in formulating pertinent policies and legislations, and would even use this study to implement its strategy and structure.

- vi. **To Consultants & Auditors:** The study would also be of much importance to consultants and audit firms. It would enable these institutions to apply the findings in its day-to –day business operations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Conceptual Framework

Strategy refers primarily to business strategy; which specifies how a business unit will achieve and maintain competitive advantage within its industry. Therefore, one element of strategy that we consider is the set of competitive capabilities (Stock, 1998).

Another scheme classifies organizational structure into functional, project, and matrix categories. Organizational structure involves “decisions relating to division of task, authority and a set of coordination mechanisms” (Parthasarthy and Sethi, 1992). Traditionally, structure has been considered within a single firm or organization. In our conceptualization, structure refers to groups of firms-the firm plus its suppliers and customers. Organizational structure provides the framework in which to implement strategy.

Conceptual and empirical studies have suggested that the casual linkage between strategy and structure change is most likely reciprocal, or contingent upon the point of examination (Hill and Hoskisson, 1987).

Upon analyzing the effects of strategies and the related bureaucratic costs, Jones and Hill (1988) concluded that strategy and structure are so inextricably linked as to make the whole, strategy causes-structure, or structure causes strategy debate questionable? This is consistent to Mintzberg’s (1978) theory on strategy formation which encompasses an iterative/evolutionary process of developing strategy in light of structural constraints.

2.2 Strategy-Structure Performance (SSP) paradigms

The overview of the SSP paradigm from the strategic management is intended to provide a foundation in preparation for extension into a supply chain framework. The relationship between strategy and structure was first described by business historian Alfred Chandler (1962) in his review of the growth and development of four large US firms; Du pont; General Motors, Standard oil of New Jersey, and sears, Roebuck and company. He found that as each of these companies grew through a strategy of product diversification they implemented a divisional organizational structure (Defee and Stank, 2005).

The Strategy-Structure Performance (SSP) paradigm predicts that a firm's strategy, created in consideration of external environmental factors, drives the development of organizational structure and processes (Galbraith and Nathanson, 1978; Galunic and Eisenhardt, 1994; Miles and Snow, 1978). This strategy-structure combination will allow the firm to perform at a desired level. Those firms with aligned strategy and structure are expected to perform better than competitors who lack the same degree of strategic fit (Galbraith and Kazanjian, 1986; Miles and Snow, 1984).

The key aspects that have been widely investigated in SSP literature demonstrates the relationships among strategy structure and performance and identifies characteristics that lie outside the purview of strategy and structures yet have an influence on them. The strategies include Porter's well-known classification of low cost, differentiation, and niche, plus strategies proposed by other authors including technology, standardization and innovation, and business network alliances (Porter, 1980).

Bartlett and Ghoshal (1991) have noted that firms routinely combine multiple strategies. Structure centers on the design of an organization through which the enterprise is administered, including the likes of authority and communication between the different administrative elements of an enterprise as well as the information and data that flow through these lines of communication and authority. In addition to formal lines of authority and information flows, structure includes allocation of work into roles,

techniques and coordination, relationships among organizational submits, methods of reward and punishment, policies and activities occurring within an organization, and social and political networks (Chandler, 1962; Dalton et al., 1980).

2.3 Strategy/Governance Structure Fit Relationship

The importance of matching an organization's strategy and structure is one of the fundamental insights in the strategic management literature (Chandler, 1962; Rumelt, 1974). In fact, the insights from Chandler's (1962) seminal work on corporate strategy, organizational structure, and the performance implications of strategy/structure fit among US firms have shown remarkable resiliency over multiple decades and have been replicated in a variety of contexts.

Interest in determining the fit between an organization's strategy and structure, spans the strategy and organization theory studies. For example, a main insight in structural contingency theory is that 'organizational performance is a consequence of fit between two or more factors such as, the fit between organizational environments, strategy; structure, system, style and culture (Van de Ven and Drazin, 1985).

Chandler's (1962) historical analysis of four large US Corporations led him to conclude that diversification strategy is more effective in a multidivisional structure. While the study and others in the large stream of research on strategic fit have contributed significantly to our understanding of the importance of congruence between strategy and organization, they have been essentially silent on the issue of aligning strategy and governance structure.

According to David (2001) changes in strategy often require changes in the way an organization is structured for two major reasons. First, structure largely dictates how objectives and policies will be established. For example, the format for objectives and policies established under a geographic organizational structure is couched in geographic terms. Objectives and policies are stated largely in terms of products in an organization

whose structure is used on product groups. The structural format for developing objectives and policies can significantly impact all other strategy implementation activities.

2.4 The evolution of Strategy and Structure

The changing strategy and structure of the large firms in the United States began as an experiment in the writing of comparative business history. The initial (thought was that an examination of the way different firms carried out the same activity, whether the activity was manufacturing, marketing, procurement of supplies, finance or administration (Chandler, 1962).

Strategy has been defined as the determination of basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals, and then planning and coordinating of growth (Ghoshal & Bartlett, 1995).

Structure is the design of organizations through which the enterprises are administered, including lines of authority and data flow through the lines. Organizational structures are devised to administer enlarged activities and resources. Organizational structure is the firm's formal configuration. It specifies roles, procedures, governance mechanism and decision making processes. Organizational structure is influenced by the organizations age and size and it acts as a framework, which reflects what a firm does and how tasks are completed, given the chosen strategy. Organization structure must be congruent with strategy that is there must be a 'fit' between them (Ghoshal and Bartlett, 1995).

It's acknowledged that the strategy -structure systems doctrine of management made possible the growth of huge corporations that operate multiple businesses in numerous markets. The classic doctrine gives top management three core responsibilities; to be the company's chief strategist, its structural architect, and the developer and manager of its information and control systems (Chandler, 1962).

In the early 1980's, however, it became apparent that while those increasingly complex structural forms had indeed enabled companies to grow, the growth had come at some cost. No one puts the problems in clearer terms than Jack Welch in his assessment of the much admired and frequently emulated structure. His predecessors had built at General Electric: "We had constructed over the years a management approach that was right for its time, the toast of the business schools. Divisions, strategic business units, groups, sectors-all were assigned to make meticulous, calculated decisions, and move them smoothly forward and upward. The system produced highly polished work. It was right for the 1970's, a growing handicap in the 1980's, and it would have been a ticket to the bone yard in the 1990s" (Ghoshal and Bartlett, 1995).

2.4.1 The Strategy and Structure order

Alfred Chandler (1962) analyzed the organizational innovations in strategy and structure, a landmark study published in 1962 of the adoption of the multidivisional form of business organization at DuPont, General Motors, Standard Oil, and Sears.

In Chandlers view, businesses first changed their strategies to accommodate or take advantage of new partners, of demand and, subsequently, operation inadequacies dictated the development of new structures. He found that where business diversified into wholly new lines for quite different customers with quite different wants, then more re-organization was needed. In particulars, unless these large organizations adopted the M-Form structure, it became increasingly difficult to coordinate through the existing structure the different functional activities to the need of several quite different marks.

While research has supported a significant relationship between strategy and structure alignment and firm performance, it is recognized that performance is influence by contingent factors that are beyond, the realm of strategy and structure. These contingents' factors can be categorized as either external environmental factors or infrastructure.

Environmental factors include customers' requirements, competitors and industry structures, and general economic and government controls (Defee and Stank, 2005).

As strategies and structures become more flexible and integrated, the old dictum about their relationship is being questioned. Structure may follow strategy, as Chandler concluded, but strategy also follows structure. This is because strategy must be based on the organizations capabilities many of which are inherent in its organizations structure. Mintzberg (1999) believes the emphasis on structure following strategy has been misleading because it suggests the ability of the firm to freely alter its strategy. "Structure may be malleable, but it cannot be altered at will just because a leader has conceived a new strategy. Many organizations have to grieve over just such a belief"

2.4.2 Global Strategy and Structure

Global strategy hereby defined as the way a business compete in the global market, plays a vital role in determining the performance of a business in the global market. By conceiving a global strategy, management articulates a response to the interdependent nature of global markets (Hax, 1996).

The firm develops its strategies on a building block principle which permits different blocks to be packaged in response to special local conditions. As a firm moves toward the multinational stage of development, a key issue is the tradeoff between global strategies which take advantage, on the other hand, of synergies, economics of R&D, and economies of scale in production and, on the other hand strategies tailored to local country markets, which permit optimal responsiveness to the local conditions and opportunities (Ansoff and McDonnell, 1990).

Regardless of what strategy type can be observed that the process of globalization starts before a bank enters the international market. Most critical points of strategy development are communication and knowledge diffusion processes within an organization and between an organization and its environment. Globalization strategies

are often characterized in terms of international, multinational, global, and transnational strategies. (Baker,2007).

In the age of globalization and internationalization the question of the importance of location gains pertinence in relation to the strategy. For the management of multinational banks, the definition of the priorities in the development of the geographical markets is one of the central strategic challenges. In general, there are two main motives to extent the international growth. The “follow your customer-models” justifies banks going abroad to service their clients (especially manufacturing firms) who have preceded them investing in a foreign country. Whereas, the “market seeking-Approach” substantiates banks internationalization with the search for favorable local market conditions and the possibility of supplying new foreign clients independently from the chosen growth strategy, in both cases the expansion brings up several advantages (corresponding to the market entry strategy) of banks (Porter, 1990).

2.5 Types of Organizational Structures

An organizational structure encompasses relationships, both formal and informal. This internal institutional architecture-how (organizations) are constructed and organized is heavily influenced by certain underlying principles and shaped by the nature of the activities that they undertake (Beckhard, 1999).

Any and every organization needs a structure. A good, fit-for-purpose structure will enable changes-continuous or discontinuous, small or large, to be made effectively and efficiently. There is no one perfect structure. Organizational structure can help or hinder, support or block strategic change (Baker, 2007).

A basic description of organizational structure relates to the extent to which power and decision-making are centralized or decentralized. The more centralized, the fewer more senior people are in control of what happens within the organization. In decentralized organization, decisions are taken at a ‘lower’ level, away from the higher management,

with power and decision making having been delegated to divisions, departments, groups or teams (Baker, 2007).

2.5.1 Key determinants of best Structure-Strategy

Structure even involves physical (re) arrangement-often a powerful aspect of strategy that needs to be carefully considered, and the location and relocation of people within an organization can be important with regard to communications, dynamics and perceptions and beliefs about roles and hierarchy.

The key determinants of best structure- strategy are; type of organization, past experiences, level of employee autonomy, previous experience of strategic change, and strength of interstaff relationships (McCalman, & Paton, 1992).

The importance of strategy-structure is; gives a focus, integrates, enables delegation, provides a framework, requires proactivity and demands data gathering and analysis (McCalman & Paton, 1992).

2.6 The organization and environment response

Organizations require guidance on the most effective functional areas in which to invest in order to improve and sustain environmental performance. As managerial practices progress from concerns with compliance towards practices seeking competitive advantage, more theory is needed regarding the manner in which corporate strategy and organizational structure operational practices influence environmental performance (Simpson and Samson, 2008).

When a firm operates in a stable domestic environment, the primary focus of management attention is on the competitive and technological factors which determine success in the marketplace. When such a firm moves abroad, its management expects to encounter new competitive dynamics. But beyond the competitive variables, success in

the new markets may equally be determined by a number of other factors which remain in the background (and are taken for granted) so long as the firm confines its attention to domestic markets (Ansoff and McDonnell).

The internal environment of an organization can be controlled and developed, for example with regard to broader participation and a drive for continuous improvement; the external is a given, albeit a changing one, and trends need to be taken into account (but cannot be controlled) in designing new organizational structures. For example, an increasing 'customer' focus (free-paying students in universities is one such trend) needs to be matched by structures that incorporate market research, strong feedback mechanisms and staff development and training that emphasizes the importance of the services user (Baker, 2007).

The dynamic nature of the organizations structure is partly related to the nature and frequency of transactions between the firm and the environment (Williamson, 1979). As the number of transactions increases or as the complexity of external relationships grows, the firm adapts a structure that facilitates better interaction with the environment. Burns and Stalker (1961) focused on the organization-environment relationship. The distinguished two structural types that is, mechanistic and organic. Mechanistic firms are highly bureaucratic with a strict division of authority and pre-occupation with matters of internal efficiency. They have the inability to respond to new and unforeseen circumstances. Organic firms are flexible and informal, with a good deal of sharing of responsibility and lower ranked staff had considerable influence delegated to them. These are able to adapt to uncertain environments. This was described as a contingent form relationship (Miles, 1982).

On the other hand firms that perceive their environment, as relatively stable should pursue an efficiency-oriented strategy that emphasizes cost control. This strategy involves "the construction services commonly offered". "The cost of adapting to an uncertain environment is less likely to be recouped in a stable environment where product and service offering, as well as the method of doing business, do not require change".

Superior firm performance is a major objective of all the stakeholders of a firm. Strategists and strategic management scholars generally agree that both large and small firms that align their competitive strategies with the requirements of their environment outperform firms that fail to achieve such alignment (Changanti, Chaganti and Mahajan 1989).

2.7 Organizational Structure and performance

Contingency theory affirms that organizational context presents constraints to which the firm must adjust by modifying its organizational structure and procedures. Therefore with proper adjustment optimum performance can be achieved (Lawrence and Lorsch, 1967).

Although still dominant in explaining organizational structure, contingency theory suffers from inconsistencies in empirical evidence.

In large and complex firms, environmental surveillance should be supplemented by identification of important internal trends and events which are expected to have important impact on organizational performance. This is necessary because, when an organization passes a certain size and complexity, general management begins to lose trace of the developments in cultures, managers, structure, systems and capacity, which can have both positive and negative impact on the efficiency and/or on the responsiveness to the environment (Ansoff and McDonnell, 1990).

The factor that most influences productivity in companies, is the organization of work. Organization structures provide the task and authority relationships that predetermine the way employees work. Behavioural scientists from various fields such as anthropology, economics and sociology have contributed towards the development of theories to describe and explain the structures and processes of the organization (Miles, 1982).

Dynamic environment may require formalized, routine-like feedback from performance may be weakened in an unchanging environment. Formal control may be a reaction to uncertainty. The centralization of administrative power in modern firms comes from the specialization of administrative activities and the importance of the environment. As the

environment becomes more complex and less predictable, a bank may need to strengthen its administrative power in dealing with the environment (Ansoff and McDonnell, 1990).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research design was a survey, and collected data and information aimed at identifying what managers consider as Strategy-Structure at Multinational Banks (MNBS). The survey also gathered information on what business strategy and organizational structure should be put in place at the identified Multinational Banks (MNBS).

3.2 The Population

The population of the study consisted of foreign owned banks which are not locally incorporated and foreign owned but locally incorporated banks (partly owned by locals). According to the Central Bank of Kenya, Financial Institutions Supervision Department Annual Report of September 2008 there are twelve multinational banks operating in Kenya. A census study was carried out because they are few in number.

3.3 Data Collection

The study used primary data that was collected using a questionnaire addressed to various respondents (managers), and was administered through a drop and pick later approach. The questionnaires were addressed to the managing director or the head of strategy in each of these banks

The questionnaire contained both open and close-ended questions as well as structured questions. The questionnaire contained questions relating to the organization strategy and organization structure and focused on changes, which have occurred in both aspects of strategy and structure over the last 5 years period of time.

Questionnaires were distributed to the managing director or strategic department managers, for each bank.

The questionnaires contained three main sections each of which pertained to the major area of the study.

- Part A gathered information on the demographic data of organization /bank and the respondent.
- Part B gathered information on what the organization/bank considered strategy-structure relationship in its set up and operations.
- Part C gathered information relating to design and development of a good strategy and organizational structure for the Multinational banks (MNBs). This part also gathered information on the factors influencing strategy and structure relationship in MNBs.

3.4 Data Analysis

The data collected was analyzed using descriptive statistics. This involved the use of frequency tables, percentages, rank ordering and mean scores. Frequency tables were used for arraying data obtained to facilitate working out percentages in order to address the objective of the study. Percentages were also used to determine strategy and structural factors and reveal the proportions of different attributes being studied for relative comparison. Likert scale helped the researcher to rank different attribute variables in order of their representation to address the objectives of the study. Mean scores, rating scales such as likert scales were used to analyze the data collected.

Factor analysis was used to summarize and come up with the strategy and structure relationship in Multinational Banks (MNBs) in Kenya.

CHAPTER FOUR: DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the research findings, analysis and interpretation. The study was a survey of strategy-factor relationship among Multinational Banks (MNBs) operating in Kenya. The researcher took a sample of 12 Multinational Banks where the 9 of them responded to the questionnaire constituting 75% response rate. Data analysis was done through Statistical Package for Social Scientists (SPSS). Frequencies, percentages and Likert Scales were used to display the results which were presented in tables, pie charts as well as the bar graphs.

4.2 Findings from Demographic Data

This section deals with personal information of the respondents as well as that of the respondents' organizations. This information helped the researcher to understand well the respondents' organization and therefore making them judge whether they choose the right sample for the research.

Table 4.1: Ownership of Respondent's organization

	Frequency	Percent
Foreign	5	55.6
Both	4	44.4
Total	9	100.0

Table 4.1 illustrates the Ownership of Respondent's organization. According to the table, 55.6% were foreign owned while 44.4% were both foreign and locally owned . This implies that majority of the respondent's organizations were foreign owned. This could be due to the reason that Kenya as a developing country has not been able to establish its own multinational banks since it has not fully developed. Figure 4.1 below illustrates this information.

Figure 4.1 Ownership of Respondent's Organization

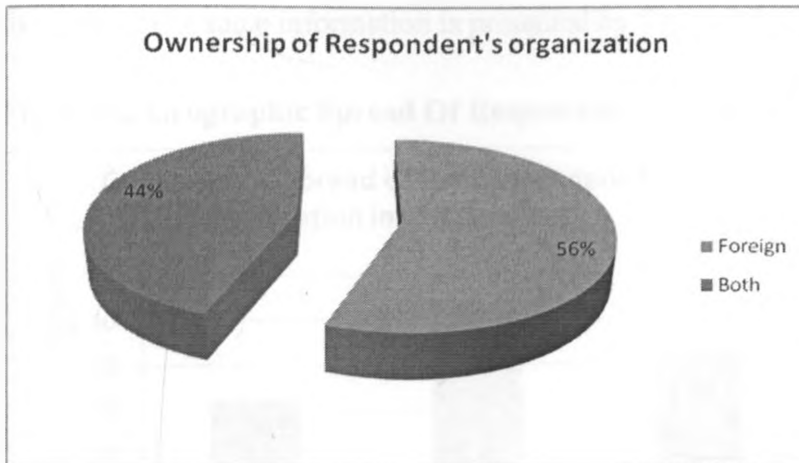


Table 4.2: Years the bank has been in operation in Kenya

	Frequency	Percent
Over 10 years	9	100.0

The researcher was also interested in knowing how long the respondent's banks have been operating in Kenya. As indicated by the table 4.2 above all the Multinational Banks have been in operation for over 10years. This is an implication that all Multinational Banks have had good experience in industry. This could be due to the good strategies employed by the banks.

Table 4.3: Geographical Spread of the Respondent's Organization in the Country

	Frequency	Percent
Only in Nairobi	2	22.2
In every province	4	44.4
Other	3	33.3
Total	9	100.0

The table 4.3 presents the geographical spread of the respondent's organization in Kenya. From the table, 44.4 % of the respondent's banks were located in every province in Kenya, 33.3% of the banks were spread in other areas in Kenya while 22.2% of the banks were spread over Nairobi. This implies that most of the banks were spread in every

province in Kenya. The reason could be due to the availability of resources from the foreigners. The same information is presented by figure 4.2 below.

Figure 4.2 Geographic Spread Of Respondent's Organization in the Country

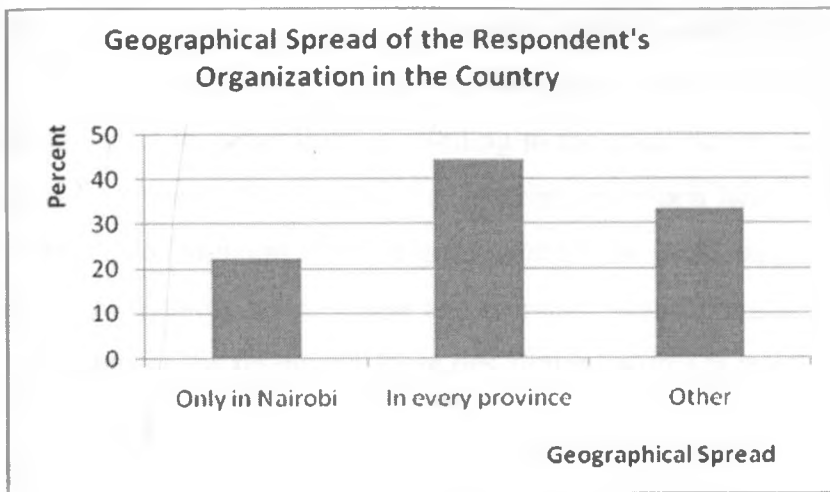


Table 4.4: Number of employees Respondents Organization Employs locally

	Frequency	Percent
40 and above	9	100.0

The table 4.4 presents the number of employees respondent's organization employs locally. The table indicates that all the banks employ over 40 employees locally. This implies that the banks employ a large pool of employees locally. This could be due to availability of resources since the banks are owned by developed countries that can support a large pool of employees.

Table 4.5: How Respondents would describe their Organizations' Strategy

	Very Small Extent	Small Exttent	Uncertain	Great Extent	Very Great Extent	Mean	Std. Dev.
Rigid	0	0	0	6	1	4.1	0.3

Slightly Flexible	0	2	0	0	0	2.0	-
Flexible	0	2	1	0	0	2.3	0.5
Very Flexible	0	0	0	0	0	-	-

Table 4.5 illustrates how the respondents would describe their organizations' strategy. A five point Likert scale was used to interpret the extent of description ranging from very great extent to uncertainty. According to the scale the descriptions which had the least extent were awarded 1 while the descriptions which had the greatest were awarded 5. Within the continuum are 6 for great extent, 4 for small extent, 1 for very great extent and 1 for uncertainty. Also mean and standard deviation was used to analyze the data. According to the researcher those descriptions with a mean close to 5 were considered to be highly rigid while those with a mean close to 1 were considered to be very flexible. On the same note the higher the standard deviation the higher the level of rigidity. According to the table most of the respondents described their organization strategy as being very rigid with a mean of 4.1 and a standard deviation of 0.3. Other equally significant descriptions were slightly flexible, flexible and very flexible. They have a mean ranging from 2.0-2.3. This implies that majority of the respondents organization strategies were rigid. This could be due to the complexity of the strategies.

4.3 Findings on Strategies in Respondents' Organization

Table 4.6: Extent to which the Respondents' Organization has a Strategic/Corporate Plan

	Frequency	Percent
Small Extent	1	11.1
Great Extent	6	66.7
Very Great Extent	2	22.2
Total	9	100.0

The researcher was also interested in knowing the extent to which the Respondents' organization has a Strategic/Corporate Plan as indicated by the table 4.6 above. From the table 66.7% of the respondent's organization applied corporate plan to a great extent,

22.2% applied corporate plan to a very great extent while 11.1% applied corporate plan to a small extent. This could be due to lack of a large scope of knowledge of corporate plan by the employees. The same can be represented by figure 4.3 below.

Figure 4.3 Extent To which the Respondent's Organization has a Strategic/Corporate Plan

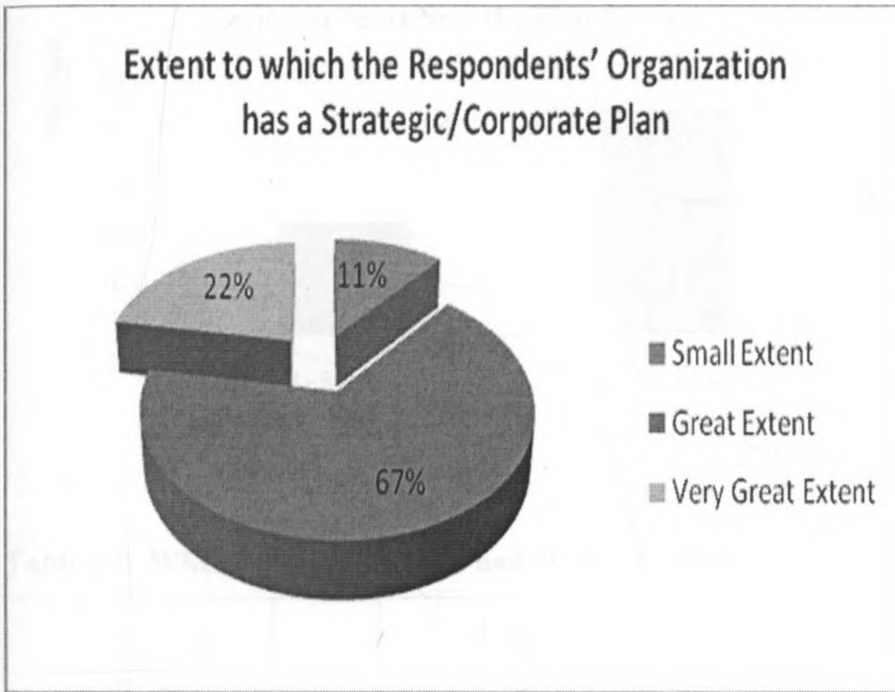


Table 4.7: Period in Years that the Plan Covers

	Frequency	Percent
3 - 5 years	7	77.8
More than 5 years	2	22.2
Total	9	100.0

Table 4.7 shows the period of years that the respondent's corporate plan covers. From the table 77.8% of the organization's plan covers 3-5 years while 22.2% of the organization's plan covers more than 5 years. This implies that most of the organizations cover a period

of 3-5 years. This could be due to the slow rate of understanding of the corporate plan by the employees. Figure 4.4 below represents the same.

Figure 4.4 Periods in Years that the Plan Covers

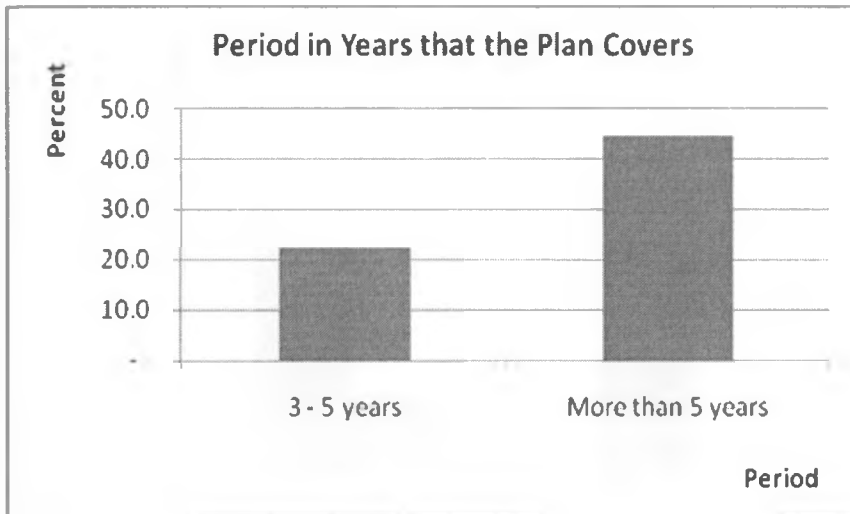


Table 4.8: Whether the Strategies had changed within the last 5 years

	Very Small Extent	Small Extent	Uncertain	Great Extent	Very Great Extent	Mean	Std. Dev.
Yes	0	3	0	4	0	3.1	1.0
No	0	0	0	3	0	4.0	-

The table 4.8 shows whether the strategies had changed within the last 5 years. The table indicated that most of the respondents said their strategies had not changed within the last 5 years. This was indicated by a mean of 4.0 and a standard deviation of 0. The other response was yes which was represented by a mean of 3.1 and a standard deviation of 1.0. this implies that most of the strategies in the respondent's organizations had not changed within the last 5 years. This could be due to the complexity of the strategies and

the amount of resources invested into those strategies. The same information is represented by Figure 4.5 below.

Figure 4.5 Whether The Strategies had changed within the last 5 Years.

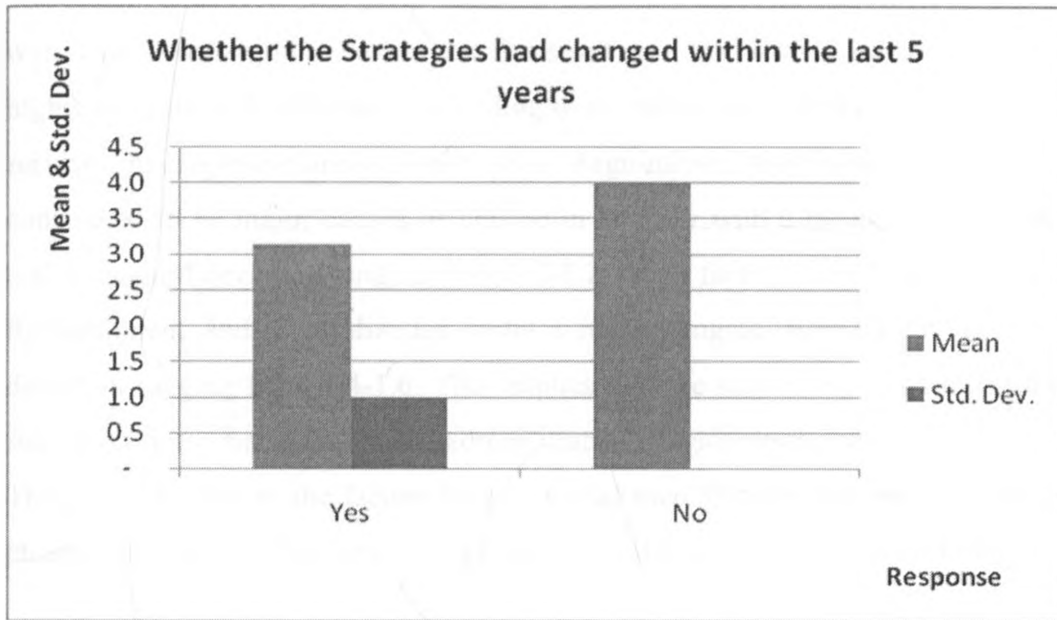


Table 4.9: Cause of the Change in Strategy

	Very Small Extent	Small Extent	Uncertain	Great Extent	Very Great Extent	Mean	Std. Dev.
Merger & Acquisition	0	3	0	4	0	2.4	1.6
Change in Management	1	0	3	3	2	3.6	1.2
Competition	0	0	0	3	6	4.7	0.5
Financial Performace	0	2	0	3	4	4.0	1.2
Management & Administration	1	1	4	2	1	3.1	1.1
Retrenchment	2	0	0	3	4	3.8	1.5
Centralization	3	2	1	2	1	2.6	1.4

Regionalism	0	2	0	2	5	4.1	1.2
Shared Services	1	1	4	3	0	3.0	0.9

The researcher also sought to know the cause of the change in strategy. The table 4.9 shows the cause of the change in strategy. The causes with a mean close to 5 were considered to have a very great extent of influence while those with a mean close to 1 were considered to be uncertain. On the same note the lower the standard deviation the higher the extent of influence. According to the table such factors as competition, shared services, management and administration. Regionalism and financial performance were considered to be major causes of change in strategy with a mean ranging from 3.0-4.7 and a standard deviation ranging from 0.5-1.2. Other factors were Merger & Acquisition, Retrenchment and Centralization with a mean ranging from 2.4-2.6 and a standard deviation ranging from 1.4-1.6. This implies that the major changes were; competition, shared services, management and administration, Regionalism and financial performance. This could be due to the factors being internal therefore the likelihood of them causing changes in strategy. The same is represented by the comparison Figure 4.6 below.

Figure 4.6 Cause of the Change in Strategy.

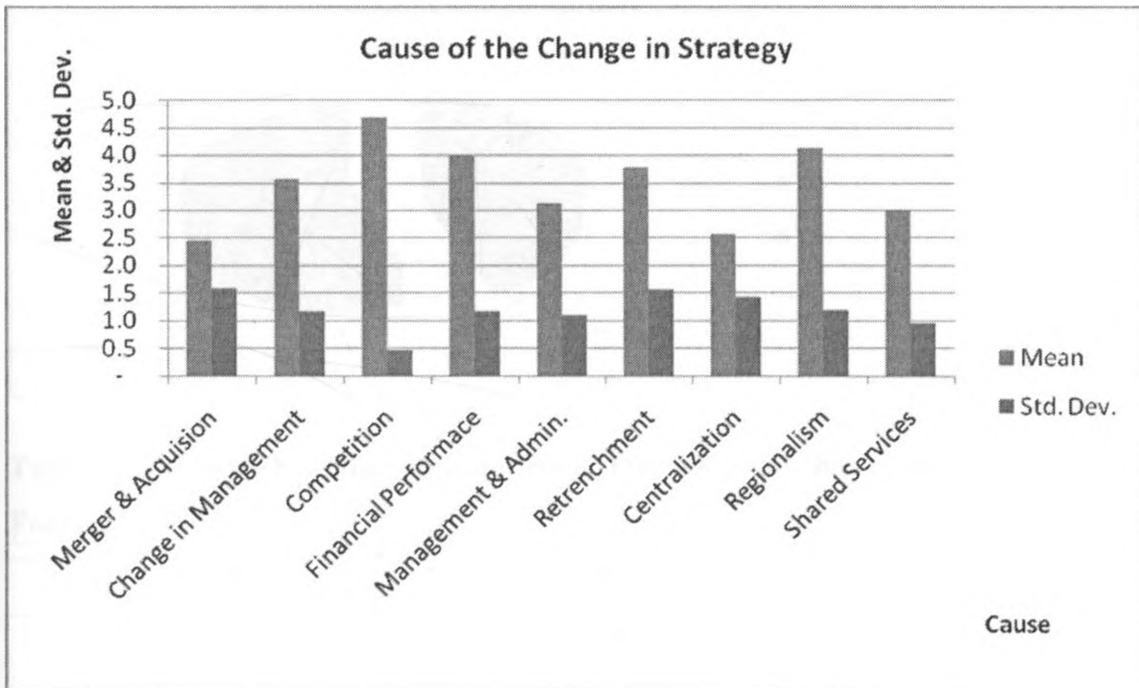


Table 4.10: Presence of a Strategic Planning Department in the Respondent's Organization

	Frequency	Percent
No	4	44.4
Yes	5	55.6
Total	9	100.0

Table 4.10 indicates the presence of a strategic planning department in the respondent's organization. From the table 55.6% of the respondent's organization indicates the presence of a strategic planning department .Only 44.4% of the respondent's organization indicates absence of a strategic planning department. This is an implication that most of the respondent's organizations had a strategic planning department. This could be due to the importance of strategic planning in business of the organizations. This is represented by the Figure 4.7 below.

Figure 4.7 Presence Of a Strategic Planning Department in Respondent's Organization.

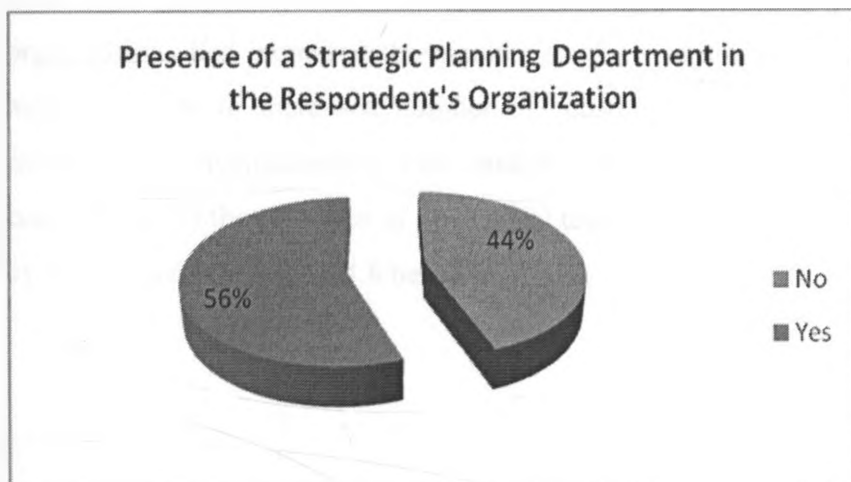


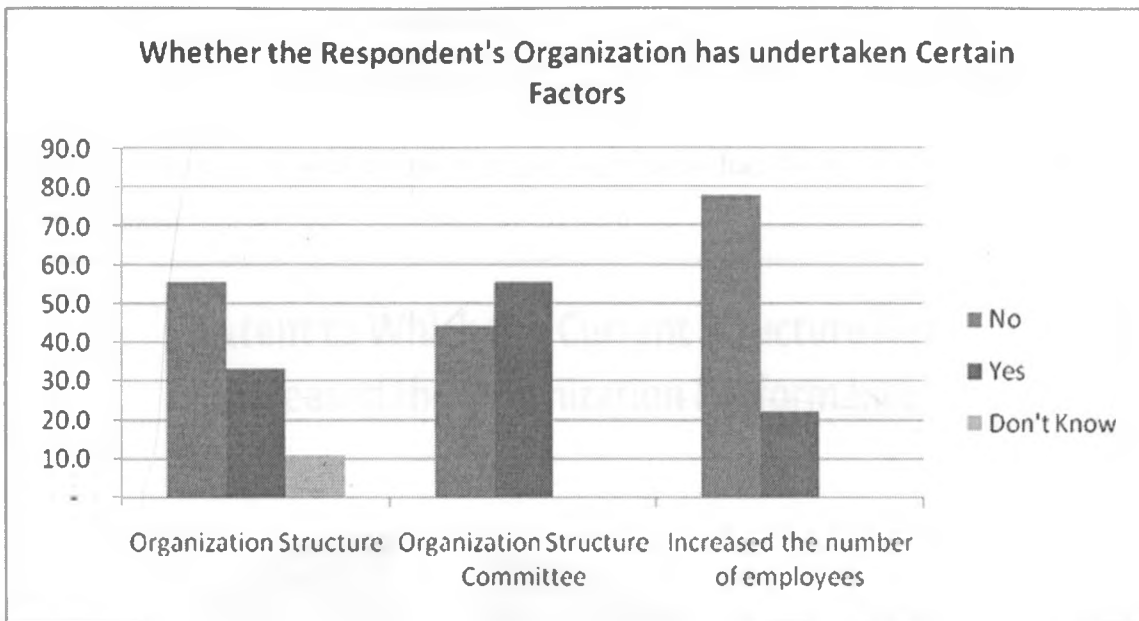
Table 4.11: Whether the Respondent's Organization has undertaken Certain Factors

	Frequency			Percent		
	Yes	No	Don't Know	Yes	No	Don't Know

Original Structure	Established	Organization	5	3	1	55.6	33.3	11.1
Established Committee	an	Organization	4	5	0	44.4	55.6	-
Increased the number of employees over the past 5 years		Structure	7	2	0	77.8	22.2	-

The researcher also sought to know whether the respondent's organization had undertaken certain factors such as original established organization structure, established an organization structure committee and increased the number of employees over the past 5 years. Table 4.11 shows that 77.8% of the respondent's organizations had increased the number of employees over the past 5 years while only 22.2% had not. About 55.6% of the respondent's organizations had original established organization structure while 33.3% had no original established organization structure. Finally 55.6% of the respondent's organizations had not established an organization structure committee while only 44.4% had established one. This implies that most of the respondent's organizations had an original established organization structure. This could be due to the need for a well established roles in the organizations. Also most of the respondent's organizations had increased the number of employees over the past 5 years. This could have been due to increased number of customers in the organizations. Most of the respondent's organizations had not established an organization structure committee. This could be due to the presence of a powerful team of board of directors. This is represented by the comparison Figure 4.8 below.

Figure 4.8 Whether the Respondent's Organization has undertaken Certain Factors.



4.4 Findings on Design and Development

Table 4.19: Extent to Which the Current Structure Has Increased the Organization Performance

	Frequency	Percent
Small Extent	6	66.7
Great Extent	3	33.3
Total	9	100.0

Table 4.12 shows the extent to which the current structure has increased the organization performance. From the table 66.7% of the respondent's organizations said that the current structure had increased organization performance to a small extent while 33.3% said that

the current structure had increased organization performance to a great extent. This implies that the current structures in most of the respondent's organization had increased organization performance to a small extent. This could be due to lack of cooperation from the employees. The same is represented by Figure 4.9 below.

Figure 4.9 Extent to which the Current Structure has Increased the Organization Performance.

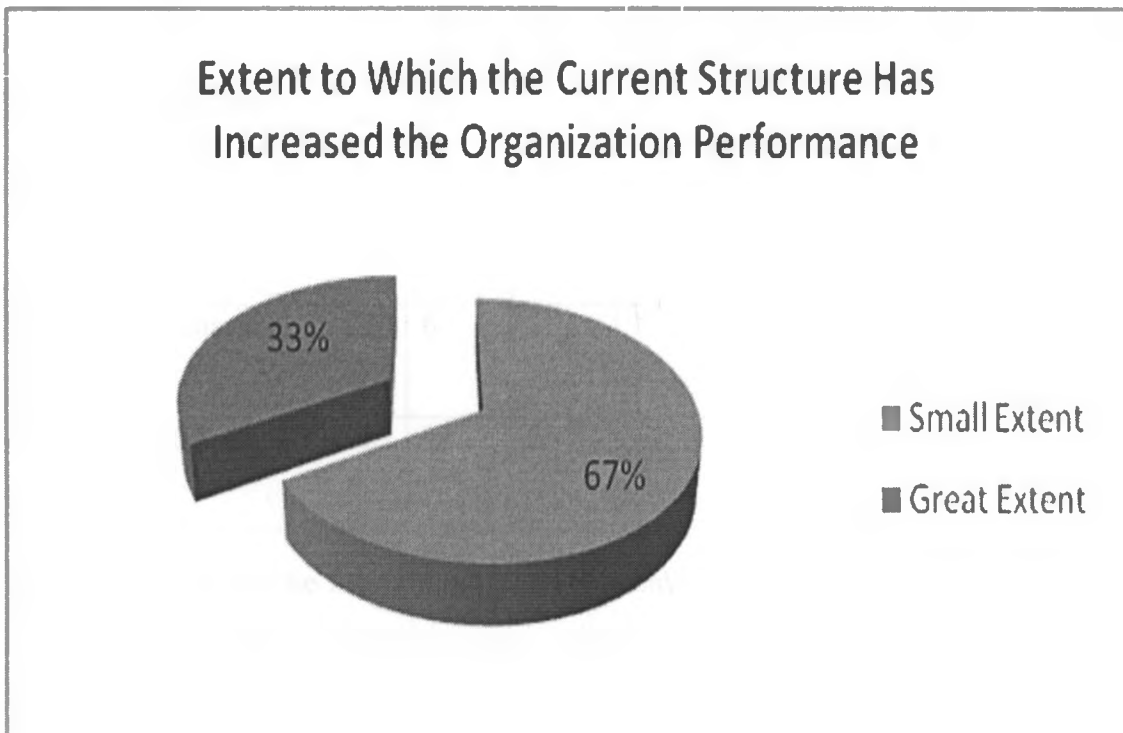


Table 4.13: Form of Changes in Structure Undertaken

	Frequency			Percent		
	Increase	Decrease	Remain the Same	Increase	Decrease	Remain the Same
Number of Branches	8	1	0	88.9	11.1	-
Number of Employees	9	0	0	100.0	-	-
Number of Managers	6	2	1	66.7	22.2	11.1
Number of Managerial Levels	3	2	4	33.3	22.2	44.4

Table 4.13 indicates the form of changes in structure undertaken. From the table 88.9% of the respondent's organization shows increase in number of branches and 11.1 % indicates decrease in number of branches. There was 100% increase in number of employees. The number of managers increased by 66.7% and decreased by 22.2% while 11.1% remained the same. The number of managerial Levels increased by 33.3% while it decreased by 22.2 % and remained the same by 44.4 %. This implies that there was an even change on all the areas.this could be due to the interrelationship between the variables. This is represented by Figure 4.10 below.

Figure 4.10 Form of Changes in Structure Undertaken.

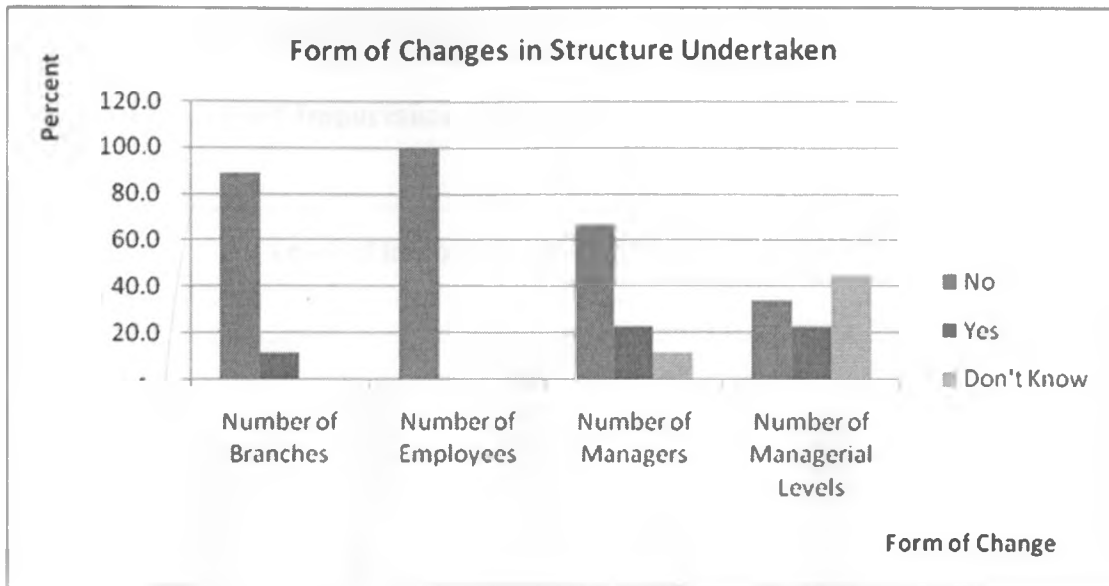


Table 4.14: Level of Importance of Changes in Structure

	Not Important at All	Less Important	Moderately Important	Important	Highly Important	Mean	Std. Dev.
Reduce Operating Costs	0	2	5	0	2	3.2	1.0
reach the Market Segment	1	0	2	2	4	3.9	1.3
Improve Profitability	0	0	0	5	4	4.4	0.5
Empower Employees	2	4	1	2	0	2.3	1.1
Improve Service Delivered	0	2	3	1	3	3.6	1.2

The table 4.14 shows the level of importance of changes in Structure. The table indicated that improving profitability had the highest level of importance with a mean of 4.4 and a standard deviation of 0.5. Other variables were reducing operating costs, reaching the market segment, empowering employees and improving services which were considered less important with a mean ranging from 2.3-3.9 and a standard deviation ranging from 1.0-1.3. This implies that improving profitability was considered most important. This

could be due to the need for organization reputation regarding profitability. The same information is represented by Figure 4.11 below.

Figure 4.11 Level Of Importance Of Change in Structure.

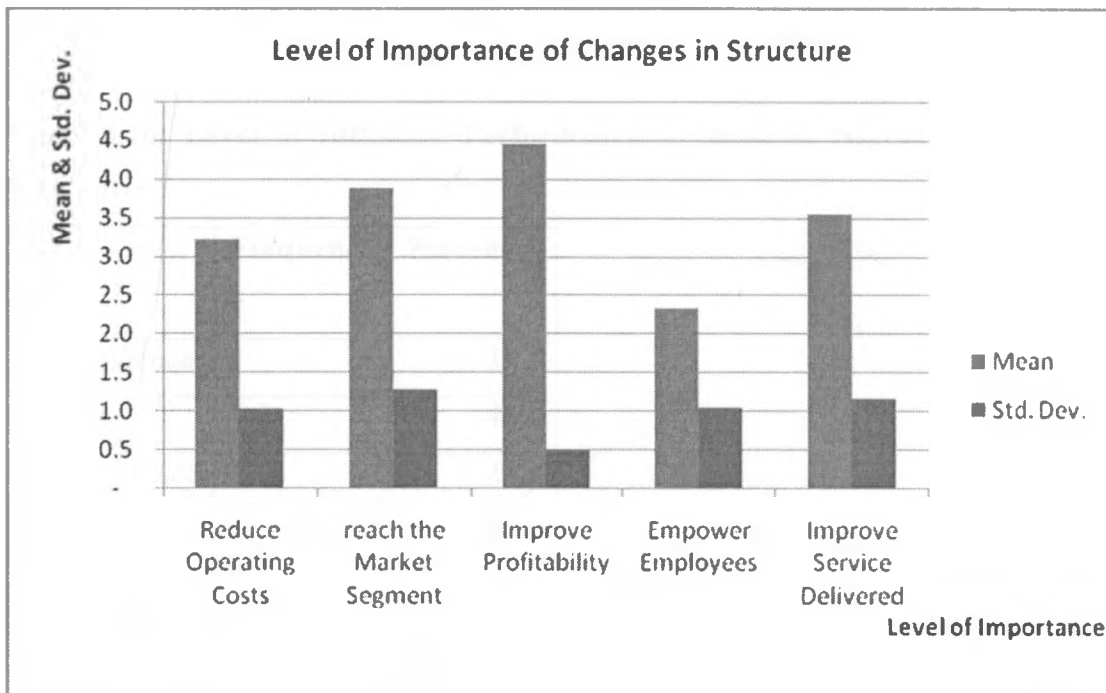


Table 4.15: Whether performance of Business Necessitated Change in Structure

	Very Small Extent	Small Extent	Uncertain	Great Extent	Very Great Extent	Mean	Std. Dev.
No	3	4	1	1	0	2.0	0.9
Don't Know	8	1	0	0	0	1.1	0.3
Yes	3	3	0	3	0	2.3	1.2

The resercher also wanted to know whether performance of business necessitated change in structure as shown by the table 4.15 above. According to the researcher performance was considered to have influence to a very large extent when it had a mean close to 5 and

a standard deviation close to 0. According to the table those who did not know had a mean of 1.1 and a standard deviation of 0.3, those who said yes had a mean of 2.3 and a standard deviation of 1.2 while those who said no had a mean of 2.0 and a standard deviation of 0.9. This implies that performance generally had necessitated change in structure. This could be due to the great relationship between the organizational structure and performance.

Table 4.16: Level of Influence Performance of Business Necessitated Change in Structure

	Frequenc y	Percent
Low Influence	3	33.3
Medium	4	44.4
High Influence	2	22.2
Total	9	100.0

Table 4.16 shows the level of influence performance of business necessitated change in structure. From the table 44.4% of the respondent's organizations said that performance had medium influence on structure while 33.3% said performance had low influence on structure . only 22.2% indicated high influence on structure. This implies that performance of business relatively influenced change in structure. This could be due to the important relationship between business performance and organizational structure. The same is represented by Figure 4.12 below.

Figure 4.12 Level Of Influence Performance of Business Necessitated in Structure.

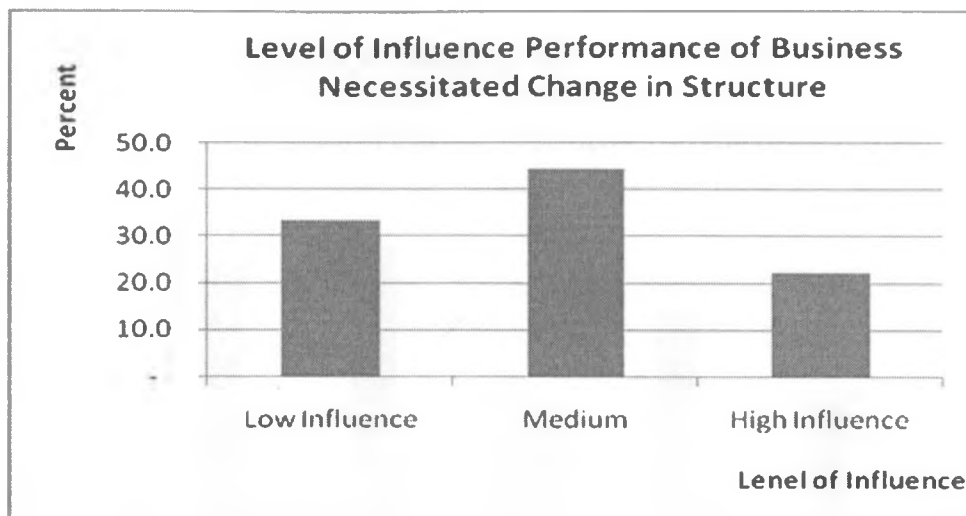


Table 4.17: Implication of Change in Structure on the Organization

	Not At All	Small Extent	Moderate Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Efficiency	0	0	4	3	2	3.8	0.8
Performance	0	0	2	5	2	4.0	0.7
Cost	0	6	2	1	0	2.4	0.7
Effectiveness	0	0	6	3	0	3.3	0.5
Management	3	1	3	2	0	2.4	1.2

Table 4.17 indicates the implication of change in structure on the organization. Effectiveness, Performance and Efficiency had a mean ranging from 3.3-4.0 and a standard deviation ranging from 0.5-0.8. Others had a mean ranging from 2.4-3.3 and standard deviation ranging from 0.8-1.2. this implies that change in structure implicated

most on effectiveness. This could be due to the high need for effectiveness in an organization. The same is represented by Figure 4.13 below.

Figure 4.13 Implication Of Change In Structure on The Organization.

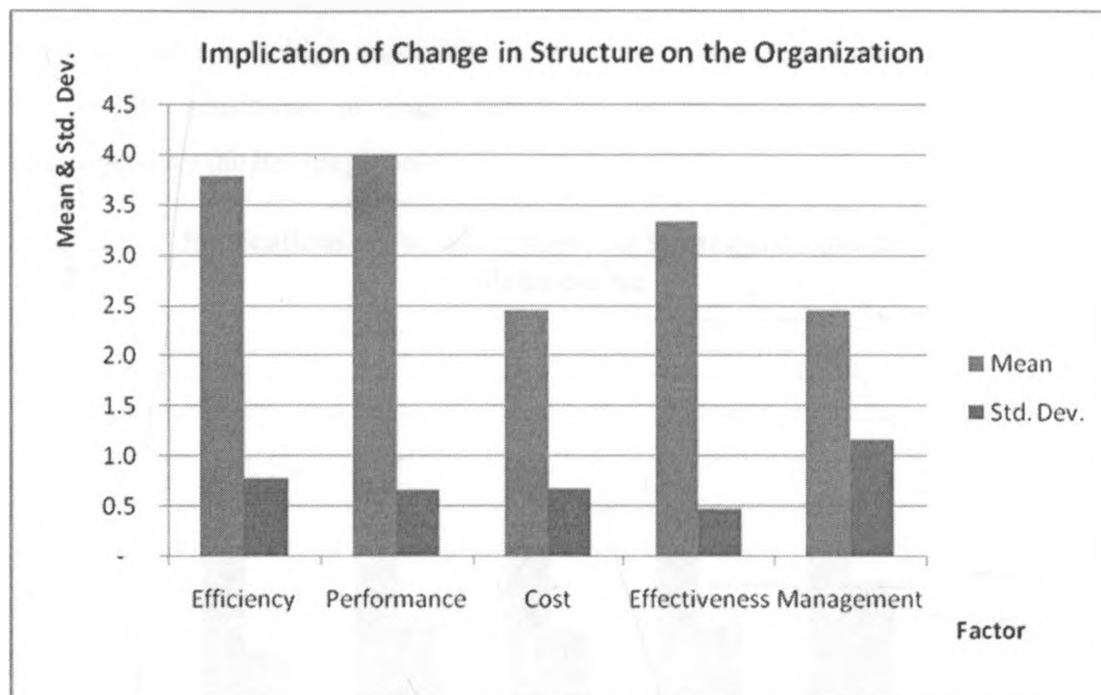
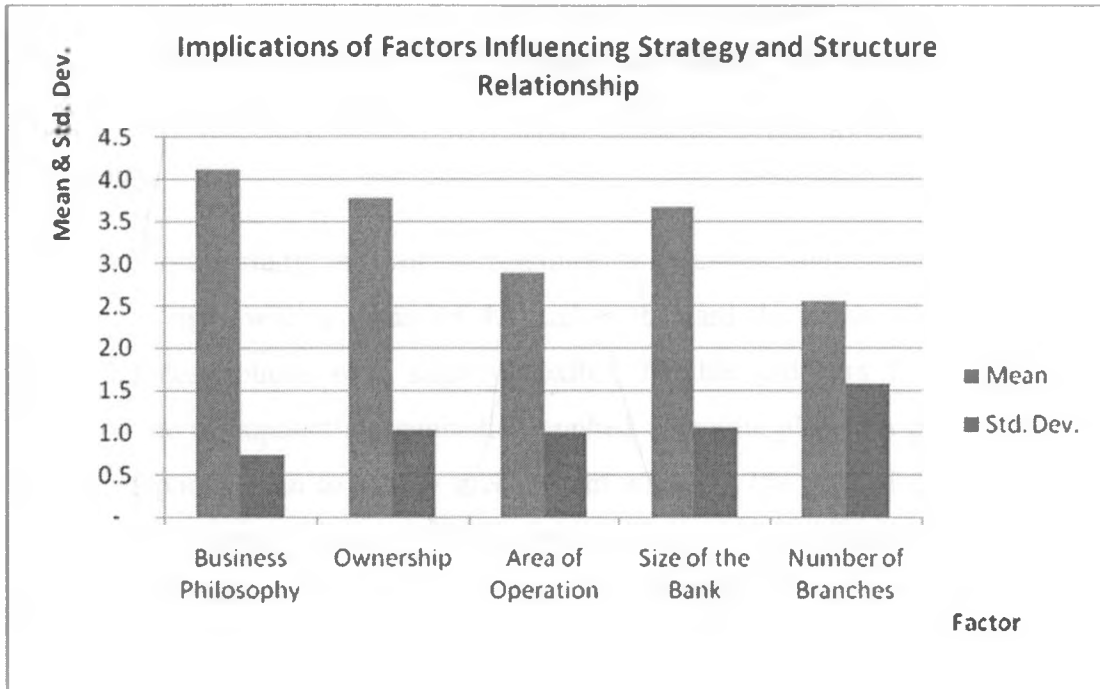


Table 4.18: Implications of Factors Influencing Strategy and Structure Relationship

	No Implication at All	Little Implication	Moderate Implication	High Implication	Very High Implication	Mean	Std. Dev.
Business Philosophy	0	0	2	4	3	4.1	0.7
Ownership	0	1	3	2	3	3.8	1.0
Area of Operation	0	5	0	4	0	2.9	1.0
Size of the Bank	0	2	1	4	2	3.7	1.1
Number of Branches	4	1	0	3	1	2.6	1.6

Table 4.18 indicates the implication of factors influencing strategy and structure relationship. Ownership and Area of Operation had a mean ranging from 2.9-3.8 and a standard deviation of 1.0. Others had a mean ranging from 2.6-4.1 and standard deviation ranging from 0.7-1.6. This implies that Factors Influencing Strategy and Structure had a very high implication on ownership and area of operation..This could be due to the sensitivity of these factors to ownership and operations.The same is represented by the bar graph below



CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This study was a survey of strategy-structure relationship among Multinational Banks operating in Kenya. From the study, the researcher found that, 55.6% were foreign owned while 44.4% were both foreign and locally owned, all of which have been in operation for over 10 years. At the same time, 44.4 % of the respondent's banks were located in every province in Kenya, 33.3% of the banks were spread in other areas in Kenya while 22.2% of the banks were spread over Nairobi. They have employed over 40 employees in the country.

According to the study, most of the respondents described their organization strategy as being very rigid with a mean of 4.1 and a standard deviation of 0.3. Other equally significant descriptions were slightly flexible, flexible and very flexible. In addition, 66.7% of the respondent's organization applied corporate plan to a great extent, 22.2% applied corporate plan to a very great extent while 11.1% applied corporate plan to a small extent. From the study, 77.8% of the respondent's organizations had increased the number of employees over the past 5 years while only 22.2% had not. About 55.6% of the respondent's organizations had original established organization structure while 33.3% had no original established organization structure.

Finally 55.6% of the respondent's organizations had not established an organization structure committee while only 44.4% had established one. This implies that most of the respondent's organizations had an original established organization structure. This could be due to the need for a well established roles in the organizations. Also most of the respondent's organizations had increased the number of employees over the past 5 years. This could have been due to increased number of customers in the organizations. the researcher also learnt that 66.7% of the respondent's organizations said that the current structure had increased organization performance to a small extent while 33.3% said that the current structure had increased organization performance to a great extent.

Regarding the changes in the organization structure, improving profitability had the highest level of importance with a mean of 4.4 and a standard deviation of 0.5. Other variables were reducing operating costs, reaching the market segment, empowering employees and improving services which were considered less important with a mean ranging from 2.3-3.9 and a standard deviation ranging from 1.0-1.3. Regarding the level of influence performance of business that necessitate change in structure, 44.4% of the respondent's organizations said that performance had medium influence on structure while 33.3% said performance had low influence on structure . only 22.2% indicated high influence on structure.

Concerning the implication of change in structure on the organization, Effectiveness, Performance and Efficiency had a mean ranging from 3.3-4.0 and a standard deviation ranging from 0.5-0.8. Others had a mean ranging from 2.4-3.3 and standard deviation ranging from 0.8-1.2. this implies that change in structure implicated most on effectiveness. However, on the implication of factors influencing strategy and structure relationship, ownership and area of operation had a mean ranging from 2.9-3.8 and a standard deviation of 1.0. Others factors had a mean ranging from 2.6-4.1 and standard deviation ranging from 0.7-1.6.

5.2 Conclusion

The researcher concluded that, majority of Multinational Banks operating in Kenya are foreign owned since Kenya as a developing country has not been able to establish its own multinational banks. These banks have had good experience in the industry due to the good strategies employed by the banks. The banks are well spread in every province in Kenya due to the availability of resources from their parent countries. However, there is lack of a large scope of knowledge of corporate plan by the employees. Most of the Multinational Banks have not established an organization structure committee. This could be due to the presence of a powerful team of board of directors. Current structures in many Multinational Banks have increased organization performance to a small extent due to lack of cooperation from the employees.

The researcher could also conclude that improving profitability is the most important thing in majority of the multinational banks since organization reputation is largely build up by the level of profit generated by the organization. At the same time, performance of business relatively influences change in structure. This could be due to the important relationship between business performance and organizational structure. On the same note, Factors Influencing Strategy and Structure had a very high implication on ownership and area of operation..This could be due to the sensitivity of these factors to ownership and operations.

5.3 Recommendations

The researcher recommends the following regarding the findings of this study:

Multinational Banks should establish an organization structure committee that will enhance proper flow of power in the organizations. At the same time power given to the directors should be well defined. This would ensure that managers have power to establish and implement the strategies that they come up with.

To increase organization performance to a large extent, multinational organization should come up with a system that will ensure maximum corporations from all the employees. This can only be supported by the right organization structure that allows employees to express themselves as well as owning up the organization, a fact that will enable them to be motivated and be able to supported strategy/plans that are developed by the management. Therefore, organization structure of multinational banks should be changed accordingly to support both employees' and organization's interests.

Performance of business relatively influences change in structure due to the important relationship between business performance and organizational structure. However, changes in organization structure should be done with ownership and the area of operation in mind since these are the factors that mainly influence strategy implementation .

5.4 Suggestions for Further Study

The study concentrated on the structure – strategy relationship in multinational banks operating in Kenya. The research did not identify the challenges associated with structural change and how this would probably affect strategy implementation. At the same time, the research should extend even to local commercial banks for better comparisons.

REFERENCES

Ansoff, H. I and McDonnell, E. J. (1990) **Implanting Strategic Management**. London, Prentice-Hall.

Aosa, E (1992). **An Empirical Investigation Of Aspects Of Strategy Formulation And Implementation within Large Private Manufacturing Companies in Kenya** Unpublished PHD Dissertation, University Of Strathclyde, Scotland.

Beckhard, R. (1999) **Organization Development: Strategies and Models**. Reading, MA: Addison-Wesley.

Baker, David (2007) **Strategic Change Management in Public Sector Organisations**. Oxford, Chandos Publishing.

Central Bank of Kenya (2007) **Financial Institutions Supervision Department (FISD)**. Annual Report.

Chandler, A.D Jr. (1962). **Strategy and Structure**. The MIT press, Cambridge, MA.

Chang, C. E. (1998) **Efficiency of Multinational Banks: an Empirical Investigation**, Applied Financial Economics. Vol.8 pp689-696.

Dalton, D.R, Todor, W.D, Spendolini, M.J, Fielding, G.J and Porter, L.W (1980). **“Organization structure and performance a critical review**, Academy of management review vol. 5 No. 1 PP. 49-64.

David, F.R (2001). **Strategic management cases**. 8th ed., New Jersey, Prentice- Hall.

Defee, C.C and T.P Stank (2005). **Applying the strategy, structure, performance paradigm to the supply chain environment.** The international Journal of Logistics Management Vol. 16 No. 1 PP. 28-50.

Egelhoff, W. G. (1988). **Strategy and Structure in Multinational Corporations: A revision of the Stopford and Walls Model.** New York, New York University.

Fischknecht, M. (1996) **Strategic Planning in Global Universal Bank.** Bern, Haupt.

Galbraith, JR and Kazanjian, R.K (1986). **Strategy Implementation: Structure, systems and process.** West publishing company, St. Paul, MN.

Galbriath, J.R and Nathanson, D.A (1978) **Strategy implementation; the role of structure and process.** West publishing company, St. Paul, MN.

Ghoshal, S (1994) **Inter Unit Communication in Multinational Corporation**". Management Science Vol. 40 No.1 pp96-110.

Ghoshal, S. & Bartlett, C.A (1995) **Changing the Roles of Top Management: Beyond Structure to Processes.** Harvard Business Review Vol. 7, No.21 pp86-96.

Habib, MM and Victor, B (1991). **"Strategy, structure, and performance of US manufacturing and service MNCs: a comparative analysis"** strategic management Journal Vol. 12 No. 8 PP. 589-606.

Hax, A. C. (1996). **The Strategy Concepts and Process: A Pragmatic Approach.** Englewood Cliffs (NJ), Prentice-Hall.

Jones, GR and Hill, C.W (1998) **Transaction cost analysis of strategy-structure choice.** Strategic Management Vol. 9 PP. 159-172.

Lawrence, P.R and Lorsch, J.W (1967). **Organization and environment: managing differentiation and integration**. Harvard Business School. Boston MA

McCalman, J and Paton, R. (1992). **Change Management: a guide to effective implementation**. London, Paul Chapman.

Miles, R. E. (1982) **Beyond Vertical Integration: the rise of the value-adding partnership**. Harvard Business Review Vol.15 No. 3 pp. 112-121.

Miles, R.E and Snow C.C (1978) **organizational strategy, structure and process**. McGraw Hill, New York.

Miles, R.E and Snow C.C (1984). **“Fit failure and the hall of fame”**. California Management Review, Vol. 26 No. 3 PP. 10-28.

Mills, C. (1991) **Corporate Diversification and Organizational Structure: a resource based view**. Academy of Management Journal Vol. 4, No. 2 pp26-32.

Mintzberg (1999). **The Strategy Process** *Harlow, England*, Financial Times/Prentice-Hall.

Mintzberg, H (1978) **‘patterns in strategy formation’** management science, Vol. 24 PP. 934-948.

Mwangi, D. K (2003). **Strategy and Structure Relationship in Locally Owned Pharmaceutical Manufacturing Companies and Multinational Pharmaceutical Companies Operating in Kenya**: Unpublished MBA Thesis, Nairobi, University of Nairobi.

Parthasarthy, R and Sethi, S. P (1992). **“The Impact of Flexible Automation of Business and Strategy and Organizational Structure”**. Academy of Management Review Vol.17 No.1 pp86-111.

Porter, Michael E. (1990). **The Competitive Advantage of Nations**. New York, Macmillan.

Rumelt, R. P (1974). **Strategy, Structure and Economic Performance**. Harvard University Press. Cambridge MA.

Senge, P. M. (1990). **The Leaders New Work: building learning organizations**. Sloan Management Review Vol. No.2 pp7-23.

Simpson, D and Samson, D (2008). **Environmental strategy and low waste operations**. Business Strategy and the Environment Vol. 28 No.1 pp. 1-15.

Stock, G. N. (1999) **Logistics, Strategy and Structure: A Conceptual Framework**. International Journal of Physical Distribution and Logistics. Vol. 29 No.4 pp224-239.

Stock, G.N (1998) **Logistics, strategy and structure; a conceptual framework** International Journal of Operations and Production Management. Vol. 18 No. 1 PP 37-50.

Tushman, M. L., O'Reilly, C. and Nadler, D. A. (1989). **The Management of Organizations**. New York, Harper & Row.

Van de Ven, A. H and Drazin, R (1985). **The Concept of Fit in Contingency Theory. In Research In Organizational Behaviour**, Cummings LL, Straw BM (eds). JA, Press.

Vernon, W. H. and Wortzel, L. H. (1997). **Strategic Management in the Global Economy**. New York, John Wiley & Sons.

Weber, S. (1994). **The Nature of the Firm**. Economic.

Zineldin, M (1996) **Bank Strategic Positioning and Some Determinants of Bank Selection**. International journal of Bank Marketing Vol. 14 No.6 pp12-22.

APPENDIX A: LETTER TO THE RESPONDENTS

Dear Respondent,

TO WHOM IT MAY CONCERN

I'm a postgraduate student undertaking a Master of Business Administration (MBA) degree at the school of business, University of Nairobi. I am currently carrying out a research on "A survey of the strategy-structure relationship in multinational banks (MNBs), operating in Kenya". This is a requirement to complete my MBA course project at the University of Nairobi.

Your organization has been selected to form part of this study. This letter is to kindly request you to assist me collect the data by filling out the accompanying questionnaire, which I will collect from you.

The information provided will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict and utmost confidence. Your name or the name of your organization will not be mentioned in this research.

A copy of this research project will be made available to you upon request- I will appreciate your cooperation in this academic exercise.

Thanking you in advance,

Yours faithfully,

MBA Students
D61/P/8336/06
UON School of Business

Dr. John K. Yabs.
Lecturer, UON, School of Business

APPENDIX B: STUDY QUESTIONNAIRE

A survey of the strategy-structure relationship among Multinational Banks (MNBs) operating in Kenya

Thank you for taking the time to complete this questionnaire. Please ensure that you complete all questions by ticking all that apply. Completion of this questionnaire is voluntary and all responses will remain confidential.

Section A: Demographic Data

1. Name of the Bank (optional) _____

2. How can you describe the ownership of your organization?

Local []

Foreign []

Both []

3. How many years has the bank been in operation in Kenya?

Less than 1 year [] 1-5 years [] over 10 years []

4. What is the geographical spread of your organization within the country?

Only in Nairobi []

In every province []

Other (please specify []

5. How many employees does your organization employ locally?

1 to 20

20 to 40

40 and above

6. How would you describe your organizations strategy (please tick where appropriate)

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
Rigid					
Slightly flexible					
Flexible					
Very Flexible					

Strategy

7. Does your organization have a strategic/corporate plan?

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
No					
Don't know					
Yes					

8. If yes, what period, in years, does the plan cover?

a) Less than 2 years

b) 3 - 5 years

c) More than 5 years

d) Don't know

9. Has your company strategy had to change within the last 5 years?

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
No					
Don't know					
Yes					

10. If yes what led to the changes in strategy?

- Merger and Acquisition
- Change in management
- Competition
- Financial performance
- Others
- Management and Administration
- Retrenchment
- Centralization
- Regionalism
- Shared Services

11. Do you have a strategic planning department?

- No
- Don't know
- Yes

Organizational (Structure) Design

12. Please indicate whether your organization has undertaken the following

Statement	Yes	No	Don't Know
Original Established Organization Structure			
Established an organization structure committee			
Increased or reduced the number of employees over the past 5 years			

PART C: DESIGN AND DEVELOPMENT

13. Has the current strategy –structure establishment increased the performance of the organization?

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
No					
Don't know					
Yes					

14. What forms of changes in structure have been undertaken?

	Increase	Decrease	Remain the same
Number of branches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of managerial levels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. What was the level of importance of the changes in structure? (Please use the following scale: 1 – Not important at all; 2 – Less Important; 3 – Moderately Important; 4 – Important; 5 – Highly Important)

	1	2	3	4	5
To reduce operating costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To effectively reach the market segment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To improve profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To empower employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To improve service delivery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others please specify _____					

16. Has the performance of your business necessitated a change in structure in the past 5 years?

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
No					
Don't know					
Yes					

17. If yes, what influences has a change in strategy had on the structure of your organization?

	Very Small Extent (1)	Small Extent (2)	Uncertain (3)	Great Extent (4)	Very Great Extent (5)
Low influence					
Medium influence					
High influence					
No influence at all					

18. What implications has a change in structure had on the organization: (Please rank as follows)

- Not at all - 1
- To a less extent -2
- To a moderate extent -3
- To a larger extent -4
- To a very large extent - 5

	1	2	3	4	5
Efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effectiveness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. Factors influencing strategy and structure relationship in your organization

- No Implication at all - 1
- Little Implication - 2
- Moderate Implication - 3
- High Implication - 4
- Very High Implication - 5

	1	2	3	4	5
Business philosophy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Area of operation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Size of the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of branches/network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. What do you think need to be done to the existing relationship between strategy and structure in your organization?

APPENDIX C: LIST OF MULTINATIONAL BANKS OPERATING IN KENYA

1. Bank of Africa (K) Limited
2. Bank of Baroda (K) Limited
3. Bank of India
4. Barclays Bank of Kenya Limited
5. CFC Stanbic Bank Kenya Limited
6. Citibank N. A. Kenya
7. Diamond Trust Bank Kenya Limited
8. Eco Bank (K) Limited
9. Habib Bank A. G. Zurich
10. Habib Bank Limited
11. K-Rep Bank Limited
12. Standard Chartered Bank (K) Limited

Source: Central Bank of Kenya (2008). Financial Institutions Supervision Department, (FISD). Annual Report. Nairobi