

ABSTRACT

Organizational configuration is complex and depends on interactions between strategy and structure. Strategy is a way of adjusting the relationship between an organization and its environment, and that internal structure in turn must fit the strategy if this adjustment is to be successful. The overall objective of the study was to determine the influence of strategy and structure linkage on the performance of commercial banks in Kenya. The population of the study consisted of all the forty-three (43) banks licensed by Central Bank of Kenya as banking institutions as at 31st December, 2010. The study adopted a cross-sectional survey design whereby both primary and secondary data were collected from 30 banks out of the 43 targeted (represented 75% response rate) and subjected to statistical analysis. Organizational performance was measured using both the financial and nonfinancial indicators. Analytical and predictive models utilizing descriptive statistics, factor analysis and odd ratio stepwise regression analysis were used to test the study hypotheses. The findings of the study indicate that there was statistically significant relationship with ROA, market share and non-financial performance. The individual constructs, however, showed mixed results for nature of relationship. Strategy formulation and strategy implementation had positive significant influence on ROA and market share. Communication had positive significant influence on nonfinancial performance indicators. Structure framework had positive significant influence on ROA, market share and non-financial performance indicators. The study contribution is that it extends the understanding of configuration and performance on diversity of operationalization related to content or general characteristics of strategy and structure. In addition, it has debated and presented results on the effect of potential moderating effect of structure on the relationship between strategy and organization performance. The study therefore adds value in validating and extending configuration theory. The study recommends that bank managers should incorporate the right strategic implementation approaches and have an organization structure that improves performance. The fit between strategy and structure may therefore be an important consideration for managers who wish to enhance organization performance positively.