

**STRATEGY AND STRUCTURE ALIGNMENT AT  
BARCLAYS BANK OF KENYA**

**BY**


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NAIROBI**

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## DECLARATION

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

  
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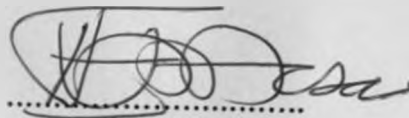
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## DEDICATION

This work is lovingly dedicated to my loving husband Silas Evans Cheronu for believing in me and providing unwavering love and support when I was working on this project. God truly gave me the best. To my daughter Zaneta Jepkorir Rono who made me a proud mum.

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## ABBREVIATIONS AND ACRONYMS

<b>ATM</b>	Automated Teller Machines
<b>BBK</b>	Barclays Bank of Kenya
<b>ABSA</b>	Amalgamated Banks of South Africa
<b>UK</b>	United Kingdom
<b>CBK</b>	Central Bank of Kenya
<b>SME</b>	Small and Medium Enterprises
<b>IT</b>	Information Technology
<b>BRAINS</b>	Barclays Retail and Information Network System
<b>PLC</b>	Public Limited Company
<b>COO</b>	Chief Operating Officer
<b>CMC</b>	Central Management Committee
<b>LIMME</b>	Lives Made much Easier
<b>S.L.As</b>	Service Level Agreements
<b>KPLC</b>	Kenya Power and Lighting Company
<b>BAW</b>	Workplace Banking

## ABSTRACT

Strategy and structure alignment happens through various processes. One process that insures alignment between the strategy and structure is the flow of information. Within a typical organizational structure the flow of information moves vertically or horizontally. The key changes in the banking sector have led to strategy and structure alignments. These are changes in the regulatory framework, declining interest margins advanced technology, competition, increased customer demand and product choice.

This research was carried out to examine how Barclays bank of Kenya has aligned its strategies and structure over the last few years in order to achieve its objectives. The research was a case study of Barclays bank of Kenya, a multinational bank. The researcher used an interview guide as the primary data collection instrument. The interview guide was administered using face to face interviews to the departmental heads and senior managers at Barclays Bank of Kenya. Secondary data was obtained from newsletters and email cascades. Data collected was analyzed using content analysis. The study found out that strategy and structure alignment process at Barclays bank of Kenya was largely successful due to transformational processes and chief Executive officer who initiated major turnaround strategies that involved improved customer service, expansion to new regions, operation cost reduction, restructuring, crafting of new vision of LIMME (Lives Made Much Easier) and new mission of being the 'Go-to' bank by 2015 as well as outsourcing of non core activities. The study recommends that Barclays bank should engage in more cost reduction as a response to its competitor's strategy whose products are much cheaper and also the bank should think of sourcing for cheap labour. The government should also reduce some of the regulatory measures to give the industry the power to regulate itself since the industry is heavily regulated.

Further research should be undertaken in other financial institutions to test their strategy and structure alignment. A replica study to be carried out, targeting employees in countries where Barclays African businesses and ABSA operations existed before the merger. The study was limited in that it concluded respondents from one company and conclusions drawn may not be a representative of the whole industry. It also captured members of one focus group excluding other important stakeholders.

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study

Business environment tend to change overtime. These is because, environmental factors such as economic, technological, customer tastes, social, political and legal are dynamic and keep changing. Whenever there is change in the environment, it triggers pressure on the existing company strategies and organizational structures. For this reason, changes in the environment would bring about a series of changes in the organizational strategies and structures.

Effective organizations come out and maintain a viable market for their goods and services. Ineffective organizations fail this market alignment task. Organizations also constantly modify and refine the mechanisms by which they achieve their purposes by rearranging their structure of roles and relationships and their managerial processes. Efficient organizations establish mechanisms that complement their market strategy, but inefficient organizations struggle with the structural and process mechanisms (Daniels et al, 1984).

For most organizations, the dynamic process of adjusting to environmental changes and uncertainty of maintaining an effective alignment with the environment while managing internal interdependence is enormously complex. This encompasses myriad decisions and behaviors at several organizational levels. The complexity of the adjustment process can be penetrated by searching for patterns in the behavior of organizations. That describes and even predicts the process of organizational adaptation (Raymond et al, 1978).Recent studies have suggested that organizations are

like living organisms. These organisms do not just plan and analyze. They live, experience, interpret and between them there is sufficient diversity and variety to enable them deal with their changing environment through innovation and change (Johnson et al, 2008).

It is argued that managers are using their skills and senses within complex world of social interaction in and around their organization in much the same way. Moreover, this argument continues to explain how organizations cope with fast changing environments, how new ideas and innovation come about and therefore how more significant strategic and structural transformations occur. Barclays bank like any other organization has undergone numerous changes since its inception including strategic, structural, operational and technical changes, massive network expansion has been experienced in the last few years, new products and services have been introduced and the market focus for the bank has greatly changed.

### **1.1.1 Strategy Implementation**

Strategy implementation involves allocation of sufficient resources such as financial, personnel, time and establishing a chain of command or organizational structure (Chebat, 1999). It involves assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary (Chakravarthy and White, 2001).

Hendry and Kiel (2004) also point out that, to effectively direct and control the use of firms' resources, mechanisms such as organizational structure, information systems,

leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients. Most strategies fail to be implemented due to lack of involvement of all members of the organization in the process.

### **1.1.2 The Strategy and Structure Alignment**

Strategy refers to the breadth and scope of firm's product-market offerings. Chandler (1962) claimed that as a firm's strategy increased in complexity, its organizational structure could be expected to move from a functional to a divisional form. Implicit in Chandler's account of the contingent relationship between strategy and structure was the idea that certain strategy and structure combinations were better than others. Particularly, he stressed the fact that complexity of multi-product firm's could best be served by divisional organization structures. Therefore as a firm's strategy grew in complexity, it was important that congruent structural changes occurred, otherwise economic inefficiency could be expected. The structure as dictated by strategy has been supported by further work done by Wrigley (1970) who demonstrated that as complexity increased, organizational structures and strategies were effectively coordinated.

Other scholars have also done various studies and came up with different findings. Rumelt (1974) in his study on strategy, structure and economic performance linked various strategy categories with different levels of economic performance. Rumelt concluded that some diversification patterns were associated with higher economic returns than others and in particular that companies which constrained their diversification actions on the basis of one common strength, were more successful than those whose diversification moves were lined by any one number of perceived

strengths. Aosa (1992) stated 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. Mckinsey 7s framework, developed in 1982 by Tom peters and Robert Waterman is a powerful model. The basic premise of the model is that there are seven internal aspects of organization that needs to be aligned if it is to be successful which include, strategy, structure, systems, shared values, skills, staff and style.

### **1.1.3 The Kenyan Banking Industry**

Banking can be traced back to the year 1694 with the establishment of the bank of England. The bank was started by a few individuals who were actually money lenders with an aim of lending money at interest. Banking in Kenya started in 1896 with the National Bank of India opening its first branch. Standard Chartered Bank opened its first branches in Mombasa and Nairobi in January 1911. The Kenya Commercial Bank was established in 1958 with Grindlays Bank of Britain merging with the National Bank of India. The Cooperative Bank of Kenya was established 1965 for the express purpose of providing financial services to Co-operative societies. Three years later National Bank of Kenya was incorporated.

The Banking Industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central

bank of Kenya. The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya is responsible for formulating and implementing monetary policy and fostering liquidity, solvency and proper functioning of the financial system. The banks have come together under the Kenya Bankers Association which serves as a lobby for the banks interest and also addresses issues affecting its members. The Central Bank of Kenya publishes information on Kenya's commercial banks and none banking financial institutions, interest rates and other publications.

A few large banks dominate the industry. Most of them are foreign based with few are locally owned. The main players in this industry are National Bank of Kenya, Commercial Bank of Kenya, Barclays Bank of Kenya, Standard Chartered Bank, CFC Stanbic, Equity, Cooperative bank, among others. The Kenyan Banking industry is one of the highly diversified industries in East Africa region. Kenya Commercial Bank is the largest of all indigenous banks in Kenya and East Africa as a whole. The industry is very competitive and is evident by erratic changes being adopted by various banks and the different strategies and structural changes they have employed in order to remain competitive. The banking sector has witnessed stiff competition forcing banks to repackage their services and products to satisfy the needs of the customers and retain market share.

The key changes in the banking sector have led to strategy and structure alignments. These are changes in the regulatory framework, declining interest margins due to customer pressure for non traditional services and introduction of non traditional players who now offer financial services products. The CBK annual supervision report of 2009 emphasized that, the banking institution would need to cope continuously

with changing business environment and a continuous flood of new requirement via a robust ICT platform, while staying sufficiently agile. The banks have embraced the report through branch network expansion, product innovation, internet banking and mobile banking. Consumers will continue to demand individualized services, and to demand them faster than ever.

The main challenges facing the banking sector today include the Finance Act 2008, which took effect in January 2009. It required banks and mortgage firms to build a minimum core capital of one billion by December 2012. This requirement should transform small banks into more stable organization. The other challenges include the declining interest margins due to inflation, ICT, increasing customer demands, retrenchment as a cost cutting measure and network failure and insecurity. The world in general is undergoing many changes and as a result banks have been forced to respond to such changes through changes in strategies employed as well as structural changes so as to remain in business.

#### **1.1.4 Barclays Bank of Kenya**

Barclays Bank PLC is one of the world's largest global financial services provider, it has 300 years of history and expertise in banking. Barclays Africa is the leading bank in Africa with businesses in several countries across Africa and also has business in several other countries in Africa where it has collaborative arrangements with other banks. Barclays Bank is the leading bank in Kenya having started operating in the country over 90 years. The bank was listed in the NSE in 1986 and currently has over 60000 shareholders. Financial strength coupled with extensive local and international

resources have positioned Barclays Bank of Kenya as a foremost provider of financial services.

Barclays bank is a multinational bank incorporated in the United Kingdom and has grown to be the dominant banking institution in Kenya. The bank is currently one of the largest business units in the Barclays family in terms of contribution to profit and size of operations. As of March 2011, the bank had maintained an extensive network of 117 branches and a network of 236 ATMs in various locations across Kenya (Barclays Bank of Kenya, 2011). The deregulation of Kenyan banking industry has increased levels of competition. The bank has been in frontline of automating its functions, product innovation through internet banking and mobile banking to give the customers excellent service.

Competition has forced the bank to increase its market spend, lower charges and increase their presence as well as branch network expansion. In a move aimed to offer customers more convenience and inclusive banking services, Barclays Bank of Kenya has waived levies charged for use of the Bank's automated teller machines (ATMs). Retail customers can now carry out free transactions, including cash withdrawals and balance enquiries, at any of the Bank's 236 ATMs countrywide. The no-charge ATM services compliment Barclay's free internet banking services and free mobile banking platform. To facilitate greater ease of transactions, over the past two years Barclays has made several investments in the bank's information technology and communications structure in Kenya, including upgrading the credit card system and transitioning to a state-of-the-art IT platform. This has enabled the bank to deal with



imperfection in service provision and problems regarding service quality as well as maintaining a competitive edge in the industry.

Barclays bank also offers customer facing and support functions within its structure. Customer facing function include retail banking, corporate banking and merchant banking. Support function includes service delivery, Human Resource, risk management, finance, treasury, communication and marketing.

### **1.2 Research Problem**

Business environment is changing rapidly in very discontinuous ways. Customers are increasingly becoming more demanding, high level of competition and the speed with which technological innovations are taking place have been listed among the challenges facing modern organizations. All these require speed in decision making by organizations hierarchies all equipped to respond (Crainner, 1995). Due to these factors, many business organizations have found it necessary to restructure by realigning their structures to match strategies adopted and in order to achieve the mandate of flexibility. While some models of organization effectiveness go in and out of fashion, one that has persisted is the Mckinsey 7s framework, the 7s can be distinguished in two hard S'es (strategy and structure) which are relatively easy to identify and five soft S'es (systems, shared values, skills, staff and style), which are more difficult to identify and influence because they are less tangible.

With business world in a constant state of chaos, the only way for banking industry to survive is by constantly reinventing itself through a ceaseless process of strategy and structure alignment. The organization structure is designed to fit the overall strategy of profit maximization and market penetration due to changes in regulatory framework,

advanced technology and declining interest margins. Barclays bank like any other organization has undergone numerous changes since its inception including strategic, structural, operational and technical changes, massive network expansion has been experienced in the last few years, new products and services have been introduced and the market focus for the bank has greatly changed.

The strategy- structure alignment has been a major topic of research in management and organizational analysis. Corporate strategies and structure have been analyzed as major variables to influence a corporate performance in management and organizational studies. However, their relationships in terms of which variables are leaders and followers as well as the choices of variables to configure them are controversial.

Koiyo (1999) carried out a study on structure and strategy relationship in the Kenyan Pharmaceutical industry and the findings of the study indicated that strategy followed structure. Mwangi (2003) looked at strategy and structure relationship at pharmaceutical manufacturing companies and found out that structure followed strategy. Ciano (2006) studied the strategy-structure relationship in KPLC in which he found that indeed there was a relationship even though there was a lag between the two. Muthoka (2008) carried out a survey of strategy-structure relationship in Multinational banks operating in Kenya. Ogolla and Awino (2009) looked at the broader configuration of structure, strategy, environment and performance. Kioko (2009) carried out a study of the managers' perception of strategy and structure at Nairobi Bottlers Company. Otieno (2011) studied strategy- structure alignment at Kenya Commercial Bank Group limited in which he found out that indeed there has

been a relationship between strategy and structure at KCB though there was a slight lag observed between the two.

Each of these studies has focused on a specific aspect of organization but none of them could specifically be duplicated at Barclays Bank of Kenya. The dynamic and turbulent environment requires each and every organization to adopt more flexible structures which facilitates continuous innovation, improvisation and improves communication within the organization. Due to the contextual and managerial differences among these organizations, strategic and structural issues gained from these studies may not be assumed to explain strategic and structural alignments at Barclays bank of Kenya. How has the company aligned its strategies and structure over the last few years to achieve its objectives?

### **1.3 Research Objectives**

This study had two objectives which were to:

- i) Establish the strategy and structure alignment at Barclays Bank of Kenya.
- ii) Establish the factors influencing strategy and structure alignment at Barclays Bank of Kenya.

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

The study will be of great significance to various stakeholders. First, the Government and Regulators. The government of Kenya through its policies influences investment in various types of products and industries. Thus, the study will assist in pointing out areas that need incentives to attract capital. The regulators play the important role of promulgation of regulation and ensuring compliance thereof, hence, the findings will

ensure development of policies and/or regulations that will take the banking industry to the next level.

Secondly, the management will gain additional knowledge in relation to factors influencing the strategic process. The study will provide useful knowledge on strategy and structure alignment in the company as well as critical issues facing the stakeholders in the company. Managers will use the study findings as a basis of formulation of policies on strategy and structural changes that can enhance their performance.

Lastly, the academicians and researchers will find the study useful in that it contributes to academic literature and theory by providing empirical evidence for use by educators, scholars and researchers in the field of strategic management. It will also form a basis for further studies in respect to the company and banking industry.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

The origins of the study and teaching of strategy and structure can be traced to a number of major influences. The chapter is a summary of the previous studies and findings in the field of strategic management. It reviews the literature on strategy and structure alignment.

### 2.2 Concept of Strategy

The external environment of an organization is all those conditions and forces that affect its strategic options and determine its competitive situation (Porter 1985). Johnson et al (2008) stated that strategy is the direction and scope of an organization over the long-term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Strategic decisions are likely to be concerned with the scope of an organization's activities. For example, does the organization concentrate on one area of activity, or should it have a number. The issue of scope of activity is fundamental to strategy because it concerns the way in which those responsible for managing the organization conceive the organization's boundaries. This could include important decisions about product range or geographical coverage.

In particular, Chandler (1962) sees issues such as organizational structures, production processes and technology as being essentially strategic. In a volatile environment, it is important for management to identify the structural drivers of change because these are the forces likely to affect the structure of an industry, sector or market (Johnson et al, 2003). This definition encapsulates a number of pertinent issues like all organizations

are faced with challenges of managing strategy, configuration of resources, unstable environment, and stakeholders' pressure in meeting the respective expectations. Ansoff defined organizations as open systems that are dependent on the external environment.

Ansoff (1987) warned that strategy is a very elusive and somewhat abstract concept. This was advanced in the height of an era that was constantly evolving and developing. While it is generally accepted that there is no universal strategy definition, any successful organization manages its strategies in a number of frontiers that include organizations internal tangible and intangible resources, organization's external environment and the organization's value adding ability in its transformational process. Thus, Thompson and Strickland (2007) emphasized that strategy is the pattern of organizational objectives and to pursue the organization's mission. Planned moves and approaches signal how the prevailing strategy is to be embellished or changed.

Change is inevitable in the history of an organization, and organizations are environment dependent. More so as the external environment is depository of an organization's output. When the external environment of an organization changes or dictates changes significantly, it will create pressure for the change of an organizations strategy. Organizations must adapt their internal operations to reflect the new external realities (Ansoff, 1965). In the 1990's different firms faced different and changing challenges (Ansoff and McDonnell, 1990). Ansoff and McDonnell further stated that these challenges continue to change and are different with time. As a consequence each organization needs to diagnose its unique pattern of future challenges, threats and opportunities and advance its respective response to these challenges. They continue

to emphasize that strategic responses involve changes in organization behavior to assure success in the management of strategic change in line with demands of future environment. This is in line with alignment of the internal capabilities that include processes, structures and relationships.

Organizations that do not respond to the changing environment demand or do not adapt to keep pace with the change; and even in some situations fail to anticipate such change, are likely to suffer and become irrelevant. Porter (1985) noted that environmental turbulence calls for continuous change to keep pace with the first change. Strategy implementation and execution consists of seeing what it will take to make the strategy work and to meet the targeted performance on schedule. In the last two decades organizations have gone through reengineering, re-strategizing, mergers, downsizing, rightsizing, quality efforts and cultural renewal projects all to accommodate strategic change in one way or another (Kotter, 1996).

### **2.3 Strategy Implementation**

Implementing strategies successfully is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. With firms evolving in terms of structure it follows that the style of strategy implementation will differ depending on the style of organization and management. In general terms, the types of leadership style can play a critical role in overcoming barriers to implementation (Grant, 2005; Thompson and Vahim, 2007). Review of literature on strategy implementation shows that there is evidence of some recurring themes, including coordination which is essential to ensure that people across the organization know what to do and to ensure that they stay focused on the key targets under the everyday pressures.

Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (2004) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success (Drazin and Horward, 1984). Beyond the preoccupation of many authors with firm structures, a second wave of investigations advocated interpersonal processes and issues as crucial to any strategy implementation effort (Noble and Mokwa, 1999). According to Balogun and Johnson (2004), responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and doubtlessly the survival of the firm is the successful implementation of marketing strategies (Chebat, 2009). The role and tasks of employees charged with strategy implementation duties, the middle level managers, in these new restructured organizations is under scrutiny. Numerous researchers in strategic management bestowed great significance to the strategy formulation process and considered strategy implementation as a mere by product or invariable consequence of planning (Olson et al., 2005).

#### **2.4 Organization Structure and Design**

For organization to achieve its goals and objectives the work and business process of the organization must be divided among members. Some categorization or structure is eminent to facilitate the effective performance of core or key activities and to support the efforts of the human resources. A structure provides a framework of an organization and its patterns of management in addition to management style (Mullins, 2005). The purpose and work of an organization are carried out by means of a structure. This underscores the need of management to appreciate the importance and effects of an organization structure and design.



While design of jobs and work structures must take in to account the nature of the work and characteristics of the human resource, it should be consistent with philosophy of the management being followed. Thus, Child (1984) states that jobs structures need to match the appropriate design of organizational systems and the appropriate managerial style. This brings rise to the organization configuration that has been defined by Johnson and Scholes (2002) that the configuration is a triangle composed of structure, process and boundaries and relationships on the third side.

Organizations design range in variety from the highly structured and standardized bureaucracy to the loose and amorphous boundary less organization. There are teams and virtual designs that tend to exist somewhere between the two extremes. There are two extreme models of organizational design: mechanistic model-synonymous with bureaucracy in that it has extensive departmentalization, high formalization, limited information network (mostly downward communication), and little participation by low-level members in decision making; and organic models-close to boundary less organization, its flat, uses cross- hierarchical and cross functional teams, low formalization, and involves high participation in decision making (Court right and Fairhurst, 1989).

Some organizations are structured along more mechanistic lines whereas others follow organic characteristics. Pennings (1992) in his contingency theory approach to organization design identifies the major forces that are determinants of an organization structure to be: Strategy- if management makes significant change in its organization strategy, the structure will need to be modified to accommodate and support this

change. Most current strategy frameworks focus on three strategy dimensions- innovation, cost minimization, and imitation, and the structural design that works best with each; Organization size-significantly effects its structure as noted by Blau et al, (1971); Technology-refers to how an organization's transfer of inputs into outputs; Environment- this are the suppliers, customers, competitors, government and regulatory agents etc. rapid changes in any of the five forces ( Porter,1985) acting on the organization will need a structure that is capable of responding quickly; Centralization/decentralization decision-how much an organization want to control from the centre. This is driven by the nature of the business, style of chief executive, need for local responsiveness, and the need for local services; Culture- to which organization accepts change and the ambitions of the organization and its desire to experimentation are all elements to be considered.

## **2.5 Environment and Structure Relationship**

Mintzberg's six organizational configurations highlight the situational factors both environmental and internal, and the design parameters relating to key processes affecting development of organizational structures. They range from simple configuration with key process of direct supervision, to divisional configuration, to social control and performance targets as key processes. Environmental characteristics will influence the type of organizational structure befitting the situation. When an organization operates in a more dynamic environment, it needs be able to respond quickly to the rapid changes that occur. Lynch (1997) observes that in this type of environment, the structure and its people need to be flexible, well coordinated and able to respond quickly to outside influences. The dynamic environment implies a

more flexible, organic structure. The organization strategy under the dynamic environment should be dynamic and changeable responsive as the flexible structure. Under competitive situations markets become more hostile, and this usually needs more centralized structure for the central office to provide extra resources and even legal protection may be needed. Lynch (1997) states that complex environment will usually benefit from decentralized structure, while where market becomes more complex, there is usually need to division the organization as long as synergy or economies of scale are unaffected.

## **2.6 Strategy and Structure Alignment**

Strategy and structure alignment happens through various processes. One process that insures alignment between the strategy and structure is the flow of information. Within a typical organizational structure the flow of information moves vertically or horizontally. For a small business, the flow of information depends on the business owner and the number of employees and suppliers within the business structure (Rumelt, 1974). Also, the flow of information is critical because it determines what the employees and business owner understands and communicates about the business strategy and how this information will flow through the current structure.

An important management responsibility is to design and implement the strategic organizational form best suited to the demands of its marketplace, customers, and business model. Since your competitors essentially have access to the same information and may have developed similar strategies, it is important to consider organizational design as one of your most powerful strategic weapons (Wrigley, 1970). Strategy-Structure alignment is strategy-driven and performance-oriented. It

begins with a reaffirmation (and sometimes recalibration) of business strategy, explores the implications of that strategy for organizational structure, considers changing conditions in the environment, and through diagnosis identifies organizational problems and performance gaps. A sequential design process generates alternatives for organization design.

While some models of organization effectiveness go in and out of fashion, one that has persisted is the McKinsey 7s framework, developed by Tom Peters and Robert Waterman (1982), two consultants working at McKinsey and company consultancy firm. The basic premise of the model is that there are seven internal aspects of organization that need to be aligned if it is to be successful. The 7s can be distinguished in two hard S's (strategy and structure) which are relatively easy to identify and five soft S's (systems, shared values, skills, staff and style), which are more difficult to identify and influence because they are less tangible. The 7s model can be used in situations where alignment perspectives is useful. It can be helpful in improving the performance of the company align departments and processes, determine how best to implement a proposed strategy and examine the likely effect of future changes within a company.

## **2.7 Factors Influencing Organization Strategy and Structure**

The process of aligning strategy and structure cannot be viewed in isolation without considering other intervening factors that have impact on the formulation and implementation process. Structure even involves physical rearrangement which is 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 successful alignment process include technology, culture, type of organization, past experiences, level of employee autonomy, and previous experience of strategic change and strength of inter-staff relationships (McCalman and Paton, 1992).

The importance of strategy and structure alignment is that it gives a focus, integrates, enables delegation, provides a framework, and requires proactivity and demands data gathering and analysis (McCalman and Paton, 1992). Large organizations generally contain a great deal of vertical and horizontal differentiation more likely to require decentralized decision making. Size and bureaucratic structures go hand in hand and control by management requires more formal rules and regulations. Technology is the process of converting input to output. It is concerned with means by which an organization converts financial, human and physical resources into products and services. When organizations adopt new operational technology, they need to review their production and service facilities but also reorganize their hierarchy and support staff. Technology is the cause of organizational change (Robey, 1997), these implies that organizations aiming to be effective are required to adjust their structure to match the new technology adopted.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter discusses the research methodology that was used as the basis of this study. The chapter also discusses the research design, the method of data collection, data analysis and data presentation methods employed in the study.

### **3.2 Research Design**

A research design is a plan for selecting the sources and types of information used to answer the research questions. A case study research design was adopted for this study. A case study is an in depth investigation of an individual, group, institution or phenomenon. A case study was suitable for this research as it will involve a complete observation of a social unit emphasizing in depth rather than in breadth analysis. The design was relevant to the objectives of the study

A case study is also important for analyzing information in a systematic way to arrive at useful conclusions and recommendations (Mugenda and Mugenda, 2003). Furthermore, it allowed details to be secured from multiple sources of information and evidence to be verified through in depth probing (cooper and Emory, 1995). Aosa (1992) argued that a study with narrower focus would achieve a greater depth thereby providing further insight of the strategic change management practices in Kenya.

### **3.3 Data Collection**

This study employed the use of both primary and secondary data. Primary data will be collected by interviewing those involved with formulation and implementation of organization's strategies and consisted of ten senior managers at corporate level in Barclays bank of Kenya, this were considered key informants for this research. Secondary data was obtained from existing records at Barclays Bank of Kenya

including management accounts, Email cascades, strategic plans, corporate annual reports and accounts, organizational structures, newsletters, magazines, researches and studies done on the company and other relevant documents.

An interview guide was prepared to assist in the collection of the qualitative data on strategy and structure alignment employed by the bank during implementation of its strategic process. An interview guide comprised of a list of various questions the researcher sought to learn from the organization. This was found to be appropriate for the purpose of getting detailed information about the company under study. It involved asking participants questions on how they felt, what their views were, and what they had experienced in order to realize the objectives of the study.

A face to face interview was conducted with all the ten senior managers and departmental heads to establish various strategic and structural measures employed at departmental levels to enable the achievement of the overall corporate strategic goals. Appointments were sought with the departmental heads which ensured that the interview sessions were conducted conveniently and ensured adequate time to respond to the questions.

### **3.4 Data Analysis**

Data collected was thoroughly examined and checked for completeness and comprehensibility. It was analyzed using a content analysis which is a systematic qualitative description of the composition of the objects or materials of the study.

Content analysis involves observations and detailed description of objects, items, or things that comprise the sample (Mugenda and Mugenda, 2003). The use of this analysis saved on time and resources.

## **CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter covers the analysis of the data obtained and the findings of the study. The data analysis has been done in line with the objectives of the study, which were to establish the strategy and structure alignment at Barclays Bank of Kenya and also to establish the factors influencing strategy and structure alignment in the same organization. According to the data found, this study had targeted to interview the Directors, Heads of Departments, manager strategy and change, Chief operating officer as well as Executive director. The data required to achieve the objectives of the study was obtained after interviewing ten senior managers and departmental heads since the data collected was concurring.

### **4.2 Respondent Profile**

To achieve objectives of the study, the interview guide targeted ten senior managers and departmental heads at Barclays Bank of Kenya limited drawn from different departments. The study established that majority of respondents were male and female. The respondents were requested to indicate the positions they held in the organization. From the study findings, most of the interviewees' were senior managers at various departments. The researcher had also asked the number of years that the interviewees had worked in the organization (Barclays Bank of Kenya). According to the interviewees' response, all of them had worked in the organization for more than five years as most promotions were internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility



being that they were senior managers or departmental heads and had experience and aptitude owing to the years of experience in the organization.

The respondents had different roles in strategy formulation and implementation within the organization. Some of the roles include loans processing, cards processing, account opening, payment services, customer service, operations, internal control units, fraud management, safety health and environment , reconciliations, internal shared services, commercial operations, products innovations, learning and development , technological services and monitoring the implementation of the company's strategic objectives and formulation of key performance indicators and organization design.

#### **4.3 Strategy and Structure alignment at Barclays Bank of Kenya**

The study found out that the company has a five year strategic plan running from 2011 to 2015. This plan is reviewed annually by senior management. The strategic plan is formulated by all the business functions and the finance and accounting departments according to the respondents. The mission, vision and values of the company are clearly set out and communicated and members of staff are fully committed to the process of strategic planning practices at Barclays Bank of Kenya. While most of the respondents acknowledged that the directors and heads of functions locally initiate mission and vision, this has also been interpreted as a continuous process in the bank with the plans being at times dependent on situations. The plans are reviewed on quarterly basis but long term plans are reviewed yearly although they stretch to a period of five years.

The respondents were of the opinion that the internal and external operating environments largely influence strategy and structural changes in the organization. Aspects of the operating environment that were significant influencers mentioned were competition, customer demand for quality, technological change, need for conformity to overall corporate structure, the organization culture and the micro economy. For instance, some of the respondents noted that in the micro economy, inflation, political position of the country and climatic conditions significantly affected the financial lending rates and credit policies of the organization.

Another respondent stated that the implementation of the Barclays bank of Kenya vision "LIMME" which means Lives Made Much Easier and its mission to be the 'Go- to Bank' was largely driven by the need to change the internal operating environment and the culture around its customers and this had impact on the realignment of processes and leadership changes with the One Africa one bank strategy. This change had to conform across all Barclays African countries. It was generally felt that the organization continuously assessed its operating environment in order to determine its positioning and areas that needed strategic as well as structural changes in an effort to remain relevant to its customers, maximize returns for shareholders while remaining profitable in the long run.

The respondents felt that while implementing strategy, job roles were affected in different ways and the review was necessary to align the job roles to the implemented strategy. Job roles were merged while others gained added responsibilities. Job redundancy also sufficed leading to loss of jobs. Some new roles were created while others became complex demanding a review of the skills required and in some

instances physical job transfer occurred all this being realignment of strategy to structure.

#### **4.3.1 Changes in strategy at Barclays Bank of Kenya over the last ten years**

The research findings indicated that formulation of strategies at Barclays Bank of Kenya was undertaken by management and departmental heads and uses top down approach. The strategies formulated were then cascaded to the employees to implement through the guidance and direction of the heads of departments. The interviewees' further said that strategic changes were necessitated by demands from the stakeholders, results of strength, weaknesses, opportunities and threats analysis, changes in business operating environment, or when deemed necessary and in response to changes in government regulations and policies. These environmental challenges continue to affect the company and it had devised a number of strategic changes to the challenges over the last ten years as revealed by the interviewees.

The study established that Barclays Bank of Kenya had made arrangements to mitigate the consequences. The various measures put in place to mitigate the consequences were branch network expansion into new regions and geographical locations, One bank one Africa strategy which has led to ongoing strengthening and alignment of critical functions, information technology strategy, restructuring, marketing, cultural changes, recapitalization and change in service delivery, introduction of new products in the market. In the process of strategy and structure alignment the ATOMIC (Africa Target Operating Model) program has led to consolidation of certain procurement functions across Africa region into a centralized

hub which is Barclays Bank of Kenya. Market segments have been redefined and the marketing function being reorganized into retail and corporate divisions.

The respondents also described that other efforts had been geared towards upgrading the Information Technology system from BRAINS to FLEXCUBE in the year 2010 and this year the launch of Sybrin system for workflow and imaging at a very high cost. This was done to align with the current needs in the market especially on customer demands and efficient processing on lending products. This year Barclays Bank of Kenya has gone a notch higher by introduction of straight through processing on cards and loans as well as workflow and imaging which will enhance processing of cards and loans for other African countries in line with one bank one African strategy. Recently the bank launched Barclays Pingit; this is a first of its kind in Kenya with regard to cross border mobile money transfer services. This marks a great milestone for Barclays in its quest to provide innovative banking solutions to its customers that are convenient, flexible and reliable. The company has invested on good Information Technology systems, and strong financial strategies aimed at reducing the overall operational cost.

The organization had considered strategies such as restructuring and outsourcing of non-core services. The outsourcing of some services in the account opening department , security services, cleaning, photocopier services and preparation of tea as opposed to employing own people to allow the management to concentrate on core businesses of the company. Priority had been accorded to areas such as product and technology innovations and invention of new product strategies and research and development ventures aimed at developing the relevant customer knowledge. The

bank has come up with new products to capture new markets such as offering Islamic banking products and services; the bank has introduced La Riba Alwahda and Al Hadaf products. The bank has gradually reviewed its management structure, this was due to the slow decision making process that existed before then and made them unable to respond effectively to the challenges.

The study further revealed that Barclays bank of Kenya has employed marketing strategies in different approaches. The marketing segments have been redefined and the marketing function being reorganized into retail, corporate, consumer, Small Business Enterprises, Local Business, Standard, Scheme, Premier, Premier life and payroll products divisions. Retail targets the mass markets and comprises of individuals as well as medium sized businesses. The corporate division services the specialized needs of large business organizations with respective corporate relationship managers being assigned to handle all their banking requirements at Barclays Bank of Kenya. In a bid to ensure the provision of products and services that meet the changing needs of the customer, the bank emphasizes the continuous development of new products and services hence the introduction of a products department as well as long opening and closing hours.

Barclays bank of Kenya has employed promotional strategies in marketing Publicity through educative public relations campaigns in mainstream media, educative interviews on Television, print and Radio as part of achieving its marketing objectives. Over the last six years the bank has managed to open branches all over the country. In 2006, the bank had 62 branches and 98 ATMs, currently the bank boasts of having a total of 117 branches and 234 ATMs nationwide. Most branches have extended opening hours from 9.00am to 8.00pm and some working even on Sundays and holidays which were positively welcomed by the customers.

The study revealed that Barclays at work (BAW) is a strategy by Barclays Bank of Kenya to open salary accounts at agreed corporate terms through which the corporate employees can get loans through the banks which have given the bank over 15 billion. Barclays Business club members have continued to grow with 10,000 member's country wide. The bank has organized trips for club members to Dubai, Canada; Germany among others in order to connect Kenyan entrepreneurs to international business, trade exports has also been organized for its members. The bank offers incentives to its members such as discount borrowing, long banking hours and special suites and counters at participating branches. This strategy has been very successful as it generated a competitive advantage looking at the likes of premier and prestige banking and business club growth.

The study further revealed that the bank has adopted a cost minimization strategy. In its move to reduce cost and increase revenues Barclays Bank of Kenya disposed off custodial services to Standard Chartered Bank in the year 2010 as well as retrenchment of some senior management staff owing to the increased operational costs in the bank, in February 2011, the bank successfully retrenched over 200 management staff. This increased the bank's profitability as witnessed in the year 2011 and quarter one and two of this year compared to previous years. The company's Information technology department has played a critical role in cost minimization. The introduction of teleconferencing, meetings are held without physical movement of staff from one function to the other hence saving on time and transport cost. Through internet, departments are able to exchange files with processing centers, this has been made possible through the new technology on Workflow and Imaging through SYBRIN system. This will also enable processing of work from other African countries in the one bank one African strategy. Flex cube system enables online

transactions, central view of customer information hence few number of staff required to execute transactions.

According to the interviewees, there were improvements in performance owing to improved customer service with the customer focus strategy. Barclays bank has a call centre which serves the customers throughout Kenya everyday of the week, twenty four hours a day. This move was designed to give Barclays Bank customers service around the clock. In the vision of Lives Made Much Easier (LIMME), this vision has been driven forward by introduction of innovative products like loans over phone and hello money and the twenty four hour customer support, advertising on media and Automated Teller Machines (ATMs) to enhance customer awareness. The Hello money service has greatly improved the customer convenience and efficiency by enabling the following services directly over the mobile phone, checking of bank account balances, transferring funds from one account to another, payment for utility bills, ordering of cheque books and statements, secure changing of pins and this has greatly improved Barclays Bank of Kenya Customer service. This is due to the reduced customer queues in the banking halls, reduced customer complaints and increased employee productivity.

The interviewees were in accord that the core business of Barclays bank of Kenya has changed over the last few years by adopting the LIMME strategy and now “ Go-to “ bank strategy in Africa which simply means Barclays will be the partner of choice for all of our stakeholders, the instinctive destination when an individual or an organization wants to engage with or do business with a bank. Barclays will be the first name which springs to mind-for all the right reasons. The importance of long term planning on strategic changes to increase competitive advantage for the

company's future was to enhance assessment of the relevant groups such as customers, competitors, consumers, suppliers, creditors and the government with an eye in the future. The study showed that responses such as risk management strategies where the company was issuing risk management approach to reduce number of frauds both from internal and external customers. The respondents were keen to point out that as companies were becoming socially aware and practicing Corporate Social Responsibility, Barclays Bank of Kenya was not left out. In the past three years the bank partnered with Friend of Karura and centre for environmental Action to nurture the youth on the importance of environmental sustainability. The company with its new Citizenship agenda a unique aspect of the banks community programs was the fact that the colleagues are able to integrate their key competences in financial management to impart financial literacy skills, enterprise skills and life skills to the youth, a service that is quite expensive if they were to charge for it.

The respondents went ahead to elaborate on how Barclays Bank of Kenya change or re-emphasized its strategy over the past few years. The Board and central management committee (CMC) that is the senior management team holds annual leadership summits to agree on deliverable every year. Some of the deliverable include, growing the business (Income and Balance sheet) through excellent customer service, better processes and innovative products. The other deliverable was to realize the One Barclays integration by finding more ways to leverage Barclays scale and expertise to improve productivity and cost efficiency. The senior management also looks at how the company will go about managing the risk exposure to ensure that the bank maintains a top quality business.



#### 4.3.2 Structural Changes at Barclays Bank of Kenya

Restructuring has taken the form of network expansion, modernization, separating of banking services into retail, business and corporate segments to effectively meet the needs of the respective market segments. Change in senior management bringing in staff with more knowledge and expertise, redesigning of jobs and relevant performance measures, process mapping and subsequent reduction of service level agreements (S.L.A's), shorter reporting lines and retrenchment, integration of subsidiary business with an example of partnering with Nakumatt in issuing cards, KPLC and Nairobi water company where BBK customers and non BBK customers can pay their water and electricity bills in any BBK branch, outsourcing of noncore services such as security and mail delivery, photocopier maintenance, outsourcing of staff services and cleaning services. The bank has also partnered with Safaricom where account holders can now deposit and withdraw money using M-pesa. The major form of restructuring which is happening is the merging of Barclays Africa with ABSA with the strategy of one bank one Africa.

Respondents felt that there has been many restructuring processes in the last ten years, the Barclays bank of Kenya Chief Executive Officer is the overall Managing Director for East and West Africa. According to the respondents this happened since there was only one Managing Director for Barclays Africa and challenges arose due to the wide scope and thus the creation of the position for managing director for East and West Africa, although this is bound to change due to the merger of Barclays Africa with Absa under "One Africa Strategy". Respondents also confirmed that the Barclays structure is now flat as compared to earlier structures; this is because of creation of few positions of Regional Managers as compared to earlier structure which had many heads of Retail Performances. With the current structure Barclays Bank of Kenya has

a Chief operations Officer compared to the earlier structure which had an Operations Director.

Barclays bank has reviewed its structures many times over the last ten years and this is mainly due to changes in their business and marketing practices in response to significant shift in business environment such as regulatory changes that have permanently altered the operating environment, the increasing prominence of the issue of social utility of business, changing the behavior and expectations from customers and clients, and how the technology is transforming the industry. It is observed that the structure in recent few years was largely informed by the span of control and centralization. Most of the emphasis was on tasks and functions with little evidence on customer service and processes and these have led to the adoption of divisional structure. The current structures are focusing on growth strategies on customer base and geographical expansion, products diversification and business functions. This current structure is based on customer service, re-engineering, sustainability, risk and value of doing business, transform programme which has three aspects turnaround, return acceptable numbers and sustaining forward momentum.

The respondents accorded that there has been a lot of changes in terms of business processes and environmental factors that have influenced the structural configurations of Barclays bank of Kenya over the last decade. The approach to core function, core business, cost minimization strategies and excellent customer service has greatly influenced the current structures. The respondents have attributed to shifting political, economical, social, technological and legal factors as the major issues in defining modern organization strategies and structures. The structure of Barclays bank of Kenya has changed tremendously in the past decade due to social political reforms,

ICT, decentralization, merging of functions and turnaround strategies. The bank has shortened reporting lines by grouping of tasks into specialized functions like the merging of Credit Operations with Know your customer department, recovery and collections team all under one departmental head instead of three. This has resulted in small divisions that reflected job holder responsibilities.

The study further revealed that the bank in its move to reduce cost and increase revenues Barclays Bank of Kenya disposed off custodial services to Standard Chartered Bank in the year 2010 as well as retrenchment of some senior management staff owing to the increased operational costs in the bank, in February 2011, the bank successfully retrenched over 200 management staff. This increased the bank's profitability as witnessed in the year 2011 and quarter one and two of this year compared to 2010. These greatly impacted on the company's structure and also reduction of management levels. The earlier network expansion program had increased the number of managers as well as creation of direct sales center in the year 2007 which was done away with last year as a result of cost reduction strategy.

The respondents also confirmed the creation of one Group CEO for Africa/Absa Barclays as initially they used to be two, Chief Executive Officer for Africa and a Chief Executive Officer for Absa and this will greatly impact on the Barclays Kenya Structure and reporting lines. Barclays Bank of Kenya has also created new positions in its structure such as Head of Lending, Head of Liabilities and Head of Business Banking. According to the respondents, these forms of restructuring were chosen because they were considered appropriate for attainment of the LIMME (Lives Made Much Easier) vision and the mission of becoming the 'Go -To' Bank by 2015 and attaining the goal of the TRASFORM programme framework and the three work

streams within it (namely, Turnaround, Return Acceptable Numbers and Sustain Forward Momentum).

The major restructuring being experienced in Barclays bank Kenya is the announcement by Barclays Plc about combining the majority of the Barclays African businesses with Absa. The proposed combination is expected to involve the Barclays businesses in Botswana, Ghana, Kenya, and Tanzania, Uganda, Zambia and the Indian Ocean. Barclays Plc would remain the majority shareholder of the combined African operations and the listings of Barclay's subsidiaries in Kenya and Botswana would be maintained. These changes are already being experienced in Kenya with the creation of Barclays Shared services (BSS) for loan processing in Africa, centralized hub for consolidation of procurement operations across Africa region in Barclays Bank of Kenya. The Barclays Kenya hub will serve as an outsourced function and entity of the Barclays Africa countries.

According to the respondents, the combination of the businesses was the next logical step in delivering the banks "One Africa Strategy" which was launched last year and which is key part of the banks growth strategy over the next 12 months. The respondent felt that the relocation of the Barclays Africa Regional office to Johannesburg has affected our reporting lines through the alignment of the management structures by setting a joint Africa Executive committee. Respondents also felt that the proposed combination was about growth and staff will benefit from expanded career prospects, including greater opportunities for international job mobility as well as accrued benefits to customer and clients, the shareholders and the communities.

According to the respondents, assessing training effectiveness in relation to business objective in a competitive environment is also part of banks restructuring program hence the introduction of Barclays University and Online training programs. Automation of back and front office processes through the new system Flex cube from Brains to avoid duplication has enhanced efficiency.

#### **4.3.3 Relationship between strategy and Structure**

The objective of this study was to investigate strategy and structure relationship by observing strategy and structure sequence with the aim of establishing whether it was a choice of structure or a choice of strategy. According to most respondents prior organization structures was greatly influenced by organizational culture and policies from the UK with major emphasis on tasks and functions. The strategies over the last few years have greatly influenced the organization structure that has addressed the market forces and impact of technology in improving business processes. It was the decentralization strategy which established the divisions and regions to cater for various business segments which include retail and corporate divisions.

Over the last decade the bank has realized improved performance, increased customer base, high employee morale all these being attributed to the business expansion strategy through the LIMME vision. The senior management has more than ever before responded with changes in organizational structure and response to market and growth dynamics. This is evident by introduction of few regional managers compared to many heads of performances, creation of a position of Chief operating officer initially were head of operations, Head of lending, Head of Liabilities and Head of business banking all in response to one bank one Africa operations strategy. Organization change can be described as incremental, continuous and punctuated

equilibrium. Barclay's change processes can be described as incremental which a series of step by step change process is. This has been due to globalization strategy, liberalization, regulations and increased customer awareness. Barclays bank of Kenya is deeply aware on the need for continuous improvement and response to emerging challenges. Strategy and change management department was formed to conceptualize and spearhead the banks growth with the transformational processes.

The study further revealed that Barclays bank of Kenya is divided into clusters. The clusters are divided geographically and headed by regional managers. The regions are not autonomous but have implications on influencing performance in terms of branch efficiency, business growth and resource mobilization. The introduction of these regions was recognized due to the need for delegating some of the head office functions to regional levels for efficiency and effective control mechanism consideration the large network of branches.

#### **4.4 Factors Influencing Strategy and Structure Alignment at Barclays Bank of Kenya**

The government through banking industry regulator central bank of Kenya adopted a monetary policy in 2003 that sought to support economic recovery while ensuring macroeconomic stability with particular focus on inflation, stable interest rates and the exchange rate. As a result, the measures created conditions for increased competition among commercial banks for a limited supply of government securities with low interest rates accruing from government securities. Banks have been forced to move back to their core business of lending money to the customers. The lending has mainly been in the form of lending money to customers.

The respondents were for the opinion that lending has mainly been in the form of personal loans and credit cards. In the face of increasing competition there is need for efficient development of products that can quickly satisfy a more demanding customer base a build long term customer trust. Meeting these challenges requires new business and marketing strategies and significant changes in structures that boost revenue, improve operational efficiency, cut costs and enhance overall management of the business. Up to ten years ago Barclays was not focusing a lot on individual depositors with minimum account opening balance set at ten thousand Kenya shillings. This has since changed with products introduced covering all customer segments at very competitive rate which include Premier centers, Payroll and standard customer segments.

Satisfying customers' needs and expectations is very challenging to banks since customers have become more demanding and their loyalties are diffused if they think a bank is not offering good services. Customer retention calls for customized services and hassle free flawless service delivery will influence their choice. Barclays has had to invest in consumer research to provide the basis for development of new service concepts to meet the targeted consumer needs. Barclays also has introduced a call centre which will serve customers throughout Kenya everyday of the week, twenty four hours a day. The move is designed to give Barclays customer service around the clock, and this has affected the structure by increasing the number of employee for the department.

The respondents stated that technology has greatly affected the banks strategies and structure. Barclays changed their core banking system from "BRAINS" to

“FLEXCUBE” at a cost of one billion Kenya shillings. The money was raised internally through stringent cost cutting and revenue reallocation over the last five years that left many priority areas severely affected. Cost cutting also meant a freeze on employment and promotions, management bonus reduction and other development projects kept on hold which affected staff morale and led to considerable amount of staff turnover and the bank retrenchment of over two hundred management staff early last year.

Stringent industry regulations provide a challenge to the banks; commercial banks are licensed and regulated by the central bank of Kenya under the banking Act, Cap 488 and prudential guidelines issued thereafter. The regulations govern minimum cash deposits by banks, the induplum rule dictating maximum interest rates on amounts borrowed as well as floor rates. This provides a challenge in that banks have minimum flexibility of operations. Besides the Kenyan regulations Barclays bank of Kenya being a wholly owned subsidiary by Barclays Bank Plc has to comply with United Kingdom’s financial services Authority requirements. These two bodies have strict control requirements that limit the banks operations. Barclays Bank of Kenya due to the above rules especially on interest rates has established a testing department referred to as (UAT) for testing the new rates before they are deployed in production environment and this ensure quick customer service and delivery especially on loan processing.

Strict internal controls are further challenging facing Barclays Bank of Kenya being a subsidiary of an international company and a lot of decisions have to be referred back to Head office outside Kenya. This slows down decision making and response time to strategic changes as well as structural changes. As such local banks respond faster to



changes in environment than Barclays Bank of Kenya. High staff turnover also affects the strategies and structure. Given the high number of commercial banks operating in the country there is a lot of staff movement within the industry caused by both monetary motivations and industry espionage. This puts a lot of strain on continuity, succession planning, staff costs and training programmes.

The respondents identified organization culture as a factor influencing alignment process. Culture can be a major strength if it rhymes with the strategy and can also delay implementation of organizational strategies. Barclays bank of Kenya has established value system and professional ethics which is important in achieving its objectives. Current organization structure is greatly influenced by customer service, driven by the objective of being the 'go-to' bank strategic goal as the key pillars. Culture change is a long process of changing behavior and values, structure and systems if used alone is unlikely to deliver the changes in strategy. Key changes should be linked to basic company vision and mission. Implementing strategy and structural adjustments requires sensitivity to the interaction between changes necessary to implement the new strategy or structure and the fit between this changes and organization culture

The study also showed that organization leadership and control affects the change of corporate strategies and how they are implemented. The major turnaround strategies in Barclays Bank of Kenya are influenced by leaders emphasizes strict adherence to rules, policies and regulations which forms basis for mechanistic structures which has clearly defined tasks and functions which is both in united Kingdom Barclays Plc and Kenyan leadership which is flexible and open to change. The modern business environment is dynamic and therefore the shift towards organic structures which

favors organization learning and adaptability in modern turbulent environment and at the same time ensures control.

The current structure of Barclays bank of Kenya has been influenced by size. Due to its large network of branches the company has created a COO ward, regional business were also established to decentralize activities of the head office considering the large net work expansion of branches, more powers granted to branch operations officers. The merging of majority of Barclays Africa businesses with ABSA will greatly impact on Barclays Kenya structure. Environment has changed tremendously hence the need to have proper structures that can fit into the environment for efficiency and effectiveness. The operating environment has shifted from a few local and international banks that were skewed towards corporate sector leaving the low income earners to cooperative societies and other financial institutions. The entry of local and multinational banks to cater for these sections of populace has changed the banking industry completely. The industry has also been influenced by government regulations. Legal issue, political and regional trading blocs which has harmonized business practices across member countries.

#### **4.5 Discussion of Results**

The objectives of the study were to establish the strategy and structure alignment at Barclays bank of Kenya and to identify the factors that influence strategy and structure alignment. The study found out that Barclays banks of Kenya has aligned its strategies and structure due to the changes in environment. This study presents findings similar to other theoretical and empirical studies.

#### 4.5.1 Comparison with Theory

Mckinsey's (1982) framework described the seven factors critical for effective strategy execution. Strategy, structure, shared values (attitudes and philosophy), Staffing (approach to staffing the organization and its overall "people orientation"). Systems (administrative systems, practice and procedures used to run the organization on a day to day basis including the reward structure formal and informal policies, budgeting and programs, training, cost accounting, financial controls). Skills ( the organization skills, capabilities and distinctive competence); Style ( how top management allocate their time and attention, symbolic action, their leadership skills, the way management team comes across to the rest of the organization). The 7-s framework is a simple way to illustrate that job of implementation strategy is one of bringing all the 7s's in harmony. When the 7's are in good alignment, organization is poised and energized to execute strategy to the best of its abilities (Thompson and Strickland, 2007). This was in line with the findings at Barclays Bank of Kenya on strategy and structure alignment process evidenced in the transformational processes.

Strategic position is concerned with impact on strategy of other mediating factors including internal and external environment, resources, competencies and the expectation and influences of the stakeholders (Johnson et al, 2003). The reforms are therefore intended to maximize internal competencies and minimize external threats. Environmental turbulence and their impact on organization together with available resources and competencies determine competitive advantage which can be utilized to minimize the effects of internal weaknesses and external threats it is the responsibility of the management to identify key strategies and allocate resources in order to leverage on competitive advantage. Porter (1985) noted that environmental turbulence calls for continuous change to keep pace with the first change, strategy

implementation and execution consist of seeing what it will take to make the strategy work and to meet the targeted performance on schedule. This was in line with the findings at Barclays bank of Kenya strategy alignment process evidenced in the transformational process.

Contingency theory is emerging as an important organizing concept in organizational research including strategic management. This concepts relevance to strategic management stems from a view that organization design identifies the major forces that are determinants of an organizations structure to be: Strategy- if management makes significant change in its organization strategy, the structure will need to be modified to accommodate and support this change. Most current strategy frameworks focus on three strategy dimensions-innovation, cost minimization, and imitation, and the structural design that works best with each, according to the research findings Barclays has adopted all of this strategies.

Organization size-significantly affects its structure as noted by Blau et al, (1971), the extensive expansion of more branch networking and creation of Barclays shared services has greatly affected the structure. Technology-refers to how an organization's transfer of inputs into outputs; Environment- this are the suppliers, customers, competitors, government and regulatory agents etc. rapid changes in any of the five forces ( Porter,1985) acting on the organization will need a structure that is capable of responding quickly; Centralization/decentralization decision-how much an organization want to control from the centre. This is driven by the nature of the business, style of chief executive, need for local responsiveness, and the need for local services; Culture- to which organization accepts change and the ambitions of the organization and its desire to experimentation are all elements to be considered. This

was in line with the findings at Barclays bank of Kenya as factors influencing strategy and structure alignment process.

The study too revealed that Barclays Bank of Kenya reforms included review of corporate mission and vision, governance structures, business model, job roles and people replacement, risk management and mitigation mechanisms, employee performance management and reward frameworks as well as its IT infrastructure. The company needed to employ more strategies to remain competitive. These were efficient customer service; engaging more on corporate social responsibility to give back to the society, and enhancing customer loyalty were identified. The findings of this study also concur findings with what Johnson and Scholes (2003) recommended that for companies to remain competitive, they should adopt strategies directed at improving the effectiveness of basic operations within company, such as production, marketing, materials management, research and development, and human resource management.

#### **4.5.2 Comparison with other Studies**

In the study of Kenyan Banking industry, Otieno (2011) carried out a study on Strategy and Structure alignment at Kenya Commercial Bank and found out that indeed there has been a relationship between strategy and structure at KCB though there was a slight lag between the two due to risk and cost factors, he also found out that sometimes strategies change and effect on structure is insignificant. The findings that there was a relationship between strategy and structure concur with findings at Barclays Bank of Kenya. Mwangi (2003) looked at strategy and structure relationship at pharmaceutical manufacturing companies and found out that structure followed

strategy. This finding concurs with this research findings since at Barclays Bank of Kenya, structure follows strategy.

Organization restructuring at Barclays bank of Kenya has been going on in stages in the last decade. The 2007 restructure of expansion and high employment rate of staff and creation of Direct sales centers was intended to improve the company's profitability by redefining core business of the bank, cost efficiency and improved liquidity. Further improvements in the year 2011 o adopted turnaround strategies by cost minimization strategies of disposing of custodial services to Standard Chartered Bank as well as retrenchment of 200 management staff followed by none renewal of contracts for employees who were on contract through emphasizing on business process reengineering. These findings are in line with the findings of Ogolla and Awino (2009), they looked at broader configuration of structure, strategy, environment and performance.

The study also found out that in all the restructuring processes that have undertaken successful reforms were as a result of aligning strategy and structure and also taking into consideration the influence of intervening factors. The relationship between strategy and structure in the period of study was found to be strategy influences structure. These findings concurred with findings of Muthoka (2008) who carried out a survey of strategy-structure relationship in Multinational Banks operating in Kenya.

# CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations were drawn in the quest of addressing the research question or achieving the objectives of the study. The chapter is thus outlined into summary of the findings, conclusions, and recommendations, limitations of the study and suggestions for further research.

## 5.2 Summary of the Findings

The researcher interviewed ten senior managers and departmental heads and the data collected was concurring and thus sufficient to achieve the objectives of the study. The interviewees were both male and female who had worked in the company for over five years. From the findings, it was evident that the company had a five year strategic plan which was formulated and reviewed annually to enable it to respond to the competitive challenges in the banking industry. The researcher also confirmed that the banking industry was very turbulent with several challenges making the industry to be very competitive. On the other hand, the study further confirmed that Barclays bank has corporate strategies which lead to changes in structure which enables the organization maintain its success in the industry.

### 5.2.1 Strategy and Structure Alignment at Barclays Bank of Kenya

The study revealed the relationship between strategy and structure at Barclays Bank of Kenya, trend and changes showed that there have been many structural changes

corresponding to changes in strategy. The intent of this study was to find whether strategy influences structure, structure influences strategy and strategy and structure influences each other or they are independent. Barclays has evolved for the past ten years to form a strong financial intuition for all customers. It has grown from task and functions based organization to strategy driven business entity.

The study revealed that Barclays bank of Kenya has revealed effectively the number of employees through retrenchment and non renewal of contract staff contracts, divestiture by selling of custodial services to Standard Chartered bank to reduce operational costs. To increase efficiency and profitability through rightsizing offered voluntary retirement in the previous years as well as non-core asset disposal. The strategies yielded expected results since there was fit between strategies adopted and the new structures. Despite improved benefits of restructuring, the bank's strategy was mostly directed towards product diversification, market share growth, new markets and technology. This was in spite of stiff competition brought by new entrants in the market who shifted the market dynamics towards low cost products, mass markets, lower segment market and technological efficiency.

The bank had to adopt incremental changes in the structure to match its strategies. There are structures that do not support business strategies, it is therefore important to have structures that are consistent with strategies being implemented. The current Barclays Bank structure is designed to improve customer service and get maximum value from the customers through improved product quality, shorter processes and a one-stop-shop for excellent services.



### **5.2.2 Factors influencing Strategy and Structure alignment at Barclays**

Business environment continues to greatly affect the company and these calls for constant formulation and implementation of strategies and structural changes to mitigate these threats. Findings of this study show that Barclays bank of Kenya has adopted a more proactive approach in addressing changes in operating environment. The study found that effects of competition continues to greatly affect the company in comparison to other changes as it has led the organization to lower the lending rates and loss of key staff to the competitors and this has great effect on structure and performance.

The study also found out that other factors influencing strategy and structure include, heavy regulations from government and United Kingdom and ABSA financial services policies and regulations, frauds management strategies, industry reputation on lending rates, change in organization leadership, organization structure flexibility especially with the merger of Barclays African businesses with Absa, political interference, economic issues, scarcity of skilled personnel, organization culture alignment, transformational technology and entrants of new players. The study found out that the changes that had taken place due to political instability were entry of new competitors due to liberation of the economy and government regulations in the industry. The researcher noted that with the continuation of One Bank in Africa strategy there will be a lot of strengthening and alignment of critical functions such as cash solutions, internal control unit and business operations control, Card issuing and acquiring, Home loans, Reconciliations, Customer complaints and Payments across Africa and this will greatly influence the Barclays Bank of Kenya Structure.

### 5.3 Conclusions

The study revealed that indeed there has been a relationship between strategy and structure at Barclays Bank of Kenya. The factors influencing the strategy and structure alignment process include, cost of implementation, technological challenges and the risk analysis on the business implications. The researcher also concluded that sometimes changes in strategies have minimal impact on structure, especially when it does not involve major business processes and functions.

The banking sector has become competitive and volatile over the last decade. New entrants with enticing offers have joined the market, consumer awareness has increased, knowledge and information process has improved, risk preparedness has been enhanced and government became strict in the regulations. The environment has become unpredictable. Managers are leading more through uncertainty than ever before. The goal is to build flexibility into the strategy process, with a portfolio of initiatives from which best choices shall be made adaptable to the new environment pattern. Organizations which are able to achieve a fit between their strategy and structure can create a competitive advantage, while firms that do not have a fit are left vulnerable to external threats of competition and internal inefficiencies.

The study further concludes that Barclays Bank of Kenya had adopted various measures to curb environmental changes. These included, expansion into new regions , Barclays Bank Plc acquisition of Amalgamated Bank of South Africa (ABSA) in 2006 and the current move of the merger of Barclays Bank African businesses with ABSA with one Africa one bank strategy, investing into modern information technology to improve on processing speed and customer service delivery, reducing operation cost and service fees, hiring and maintaining experienced and qualified staff, enhancing the risk management strategies, development of new products,

concentrating on the niche market, enhancing proper code of conduct to improve the organizations image among others.

#### **5.4 Recommendations**

The study recommends Barclays bank of Kenya limited to involve all its stakeholders in decision making processes on changes in strategy and its implementation. The bank needs to perfect coordination of activities to better its performance and to come up with ways of dealing with distractions from competing activities that inhibit implementation of strategies and structural changes. Managers and executives need to improve on communication and awareness of strategy and focus on building competencies in the organization during strategy implementation phases to increase the chances of successful strategy implementation, their visibility, importance and credibility.

Managers and executives need to ensure that structures are in place, which align skills development activities with strategic goals, while continuously enhancing and renewing skills of the workforce, to create a pool of resources. To align strategy and structure Barclays bank should establish an organization structure committee that will enhance proper flow of power in the organization. At the same time power given to the directors should be clearly defined. This will ensure that managers have power to establish and implement the strategies that they come up with.

To increase organization performance to a large extent, Barclays Bank of Kenya should come up with a system that ensures 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 support strategy/plans that are

developed by the management. Therefore, organization structure of Barclays bank of Kenya should be changed accordingly to support both employees' and organization's interest. Performance of business relatively influences change in structure due to the important relationship between business strategy and organization structure. However changes in organization structure should be done with ownership and the area of operation in mind since these factors mainly influence strategy implementation

The implication for managers is that in order to have increased performance and to avoid friction in the organization function, it is important for the organization to ensure consistency between strategy and structure. More and more organizations are taking up diversification strategies, or geographic diversification and the reason for this may be due to the organization need to spread the business risk or to increase the return on assets with which the management has been entrusted. By adopting multidivisional structures then these organization can successfully have harmony between their strategies and structure.

Government policy formulations need to recognize that in today's dynamic business environment when there are increased technological advancements and also a need by companies to operate more effectively it should encourage increase in investments in the region by organizations which are now focusing on both local markets and the regional markets. In an open economy with increased opportunity to acquire necessary resources from countries with more economic sources, the government policy objectives should be the enhancement of investments locally for the development of profitable local industries. The government need to recognize that, the organizations operational environment is changing and organizations are now seeking profitable

growth outside the traditional business and therefore resource allocation by governments must be made on the basis of expected return on investments.

### **5.5 Limitations of the study**

This was a case study of one company and the data collected may differ from that found in other banking organizations since they use different strategies to respond to the challenges posed by the competitive environment and the effect on organization structure. This is because each company is unique and would therefore employ different strategies and organization designs to distinguish it from the competitors. However the researcher made an effort to construct an effective research instrument that sought to elicit general and specific information on the strategy and structure alignment and the factors influencing their relationship.

The researcher faced difficulties in obtaining the data since the information required on the organizations strategy and structure alignment was considered more sensitive and the management was unwilling to share it fully and mostly focused on the general view in some aspects to avoid betraying the banks confidentiality thus answered the questions cautiously. The limitation was reduced by looking for other sources of data like secondary sources from the internet and related links comparing the data with the information provided.

The study faced both time and financial limitations. The study was conducted within short period and hence exhaustive and extremely comprehensive research could not be carried on the company's strategy and structure alignment. Due to limited finances and time the study could not be carried extensively in all functions of Barclays Bank

of Kenya. Never the less, researcher minimized this by conducting the interview with a good number of head of functions and senior managers since they are involved in strategy formulation.

### **5.6 Suggestions for Further Research**

The study should also be conducted in other financial institutions to test their strategy and structure alignment. The study concentrated on the strategy and structure alignment at Barclays Bank of Kenya. Replica study can also be carried out targeting management level employees after completion of the Merger of the Barclays African businesses with ABSA in countries such as Botswana, Egypt, Ghana, Uganda, Seychelles and Zambia.

A replica study can also be carried out in countries where Only ABSA existed before the merger. The research did not identify the challenges associated with structural change and how this would affect probably affect strategy implementation. At the same time, the study should extent to other multinational and local banks for better comparisons.

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## APPENDICES

### Appendix 1: Interview Guide

#### INTERVIEW GUIDE FOR MBA RESEARCH ON STRATEGY AND STRUCTURE ALIGNMENT AT BARCLAYS BANK OF KENYA

Date .....

Interviewee name: ..... (Optional)

Job title: .....

This interview guide has been prepared in relation to the objectives of this study. It seeks to establish the strategy and structure relationship at Barclays bank of Kenya, as well as the factors that influence the organization's strategy and structure alignment. The information provided in this interview guide will be exclusively used for academic purposes and will be treated with utmost confidentiality.

#### **SECTION A: General information**

1. In which department do you currently work?
2. What is your position in the department?
3. How long have been working in Barclays bank of Kenya?
4. What is your principle role in this position as far as corporate strategic planning is concerned?

## **SECTION B: Organization Strategy**

1. Does your organization have business strategy/strategies and if yes what are they?
2. How are you implementing them?
3. How often do you review your strategy, when and who are involved in the review process
4. Briefly describe how the core business of Barclays bank of Kenya has changed over the last few years?
5. What will you consider to be the key drivers of the change?
6. How was the change communicated to staff?
7. Has Barclays bank of Kenya changed or re-emphasized its strategy in the past few years?

## **SECTION C: Organization Structure**

1. How would you describe the corporate structure of Barclays bank of Kenya?
2. How many restructuring can you recall since 2001?
3. What triggered the changes in structure?
4. After the changes in structure in the structure, what can you describe your organization structure?

## **SECTION D: Relationship between strategy and structure**

1. What can you describe as the major milestone of Barclays bank of Kenya and Banking sector since the year 2001 to date?
2. Why do you consider this as major changes?
3. Who are the main stakeholders in Barclays bank of Kenya?

4. What is your vision and mission?
5. How have you achieved your mission for the last decade?
6. Have you reviewed your mission and vision to address this change?
7. What are the major factors that influence strategy and structure in your organization?
8. What is the impact of environment on strategy and structural design you have adopted?
9. It is noted that recently you are undergoing restructuring, what effect will this have on your management approach both operational and strategically.
10. How would you describe the level of service standards in the past few years?
11. Briefly describe the impact of technology on strategy and structure of your organization
12. What process was used to draw the current or earlier structures?
13. What are the major factors that influence the type of structural configuration in your organization?
14. Are there any structural barriers that affect the implementation of organization's strategies
15. Can you share with me how organization strategies have influenced the structure?
16. In your own perspective can you say how structure has influenced the choice of strategy?
17. What are the reasons for adopting transformational process?
18. In your own opinion is the structure sufficient enough to support the business strategies?

19. What are some of the constraints you have encountered in aligning structure and strategy?

Thank you for your time.

## Appendix 2: Introduction Letter



**UNIVERSITY OF NAIROBI**

**SCHOOL OF BUSINESS**

**MBA PROGRAMME**

Telephone 020-2019162  
Telegrams "Varsity", Nairobi  
Telex 22083 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 07/09/12

### TO WHOM IT MAY CONCERN

The bearer of this letter ANNA MURITHA MUTUA

Registration No. D61/70559/2009

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



JIMMACULATE OUMA  
MBA ADMINISTRATOR  
MBA OFFICE, AMBANK HOUSE



### Appendix 3: Cover letter

Mutua Anne Munyiva

Barclays Bank of Kenya Ltd,

Credit operations (CROP)

August 2012

Dear Respondent,

#### REQUEST FOR RESEARCH PROPOSAL DATA

I am a postgraduate student at the University of Nairobi, School of Business. I am carrying out a research on “Strategy and Structure Alignment at Barclays Bank of Kenya”. This is in partial fulfillment of the requirement for the degree of Master in Business Administration, (Strategic Management) option Degree program at the University of Nairobi.

This study uses Barclays Bank of Kenya as a case study from which you have been selected as a respondent. The success of this research substantially depends on your help and cooperation.

Kindly respond to the questions as honestly as possible and to the best of your knowledge. The information provided will exclusively be treated with utmost confidentiality and will be used surely and solely for academic purposes and neither your name nor any other details shall appear in my report.

Should you require a copy of the research paper I will gladly oblige.

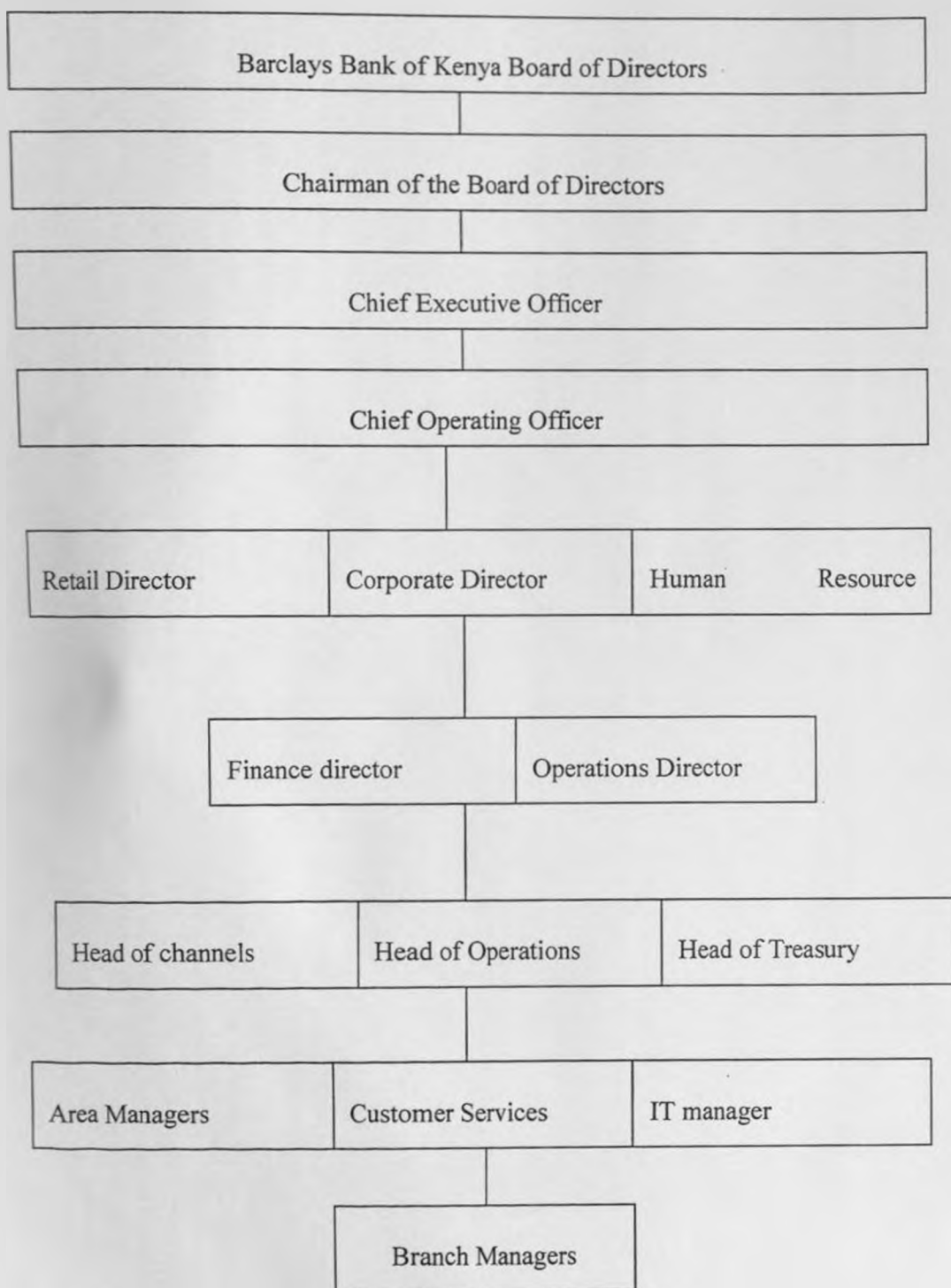
Yours sincerely,

Mutua Anne

Cc

Prof. Evans Aosa

#### Appendix 4: Organizational structure for Barclays Bank



Source: Barclays Internal Memo (2012)