

# **RESTRUCTURING STRATEGIES AND THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF KENYA COMMERCIAL BANK**

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## **ABSTRACT**

Bank restructuring is usually undertaken to address the problems the banks are experiencing internally as a result of changes in the business environment, make them better organized or with an aim to enhance the financial performance of the organizations. The objective of the study is to investigate the influence of restructuring strategies on the performance commercial banks in Kenya, with a focus on Kenya Commercial Bank (KCB). The study will specifically seek to examine the influence of financial restructuring, portfolio restructuring, organizational restructuring on performance of KCB. This study is guided by Contingency theory, Resource Based Theory and Transaction Cost Theory. The study adopted a descriptive design. The study targeted 235 employees in KCB headquarters in Nairobi. The sample size was 71 respondents who were picked using stratified random sampling technique. The study collected primary data through use of a questionnaire. The questionnaires were designed to answer the research questions and were administered to the staff of KCB bank. The questionnaires were first checked for validity and reliability. The validity was checked by subjecting the questionnaire to a panel of peers to assess whether each measurement question in the questionnaire was essential, useful or necessary. Reliability of the questionnaire was tested through Cronbach's alpha test. The collected

data was analysed through descriptive and inferential statistics. The descriptive statistics including means, standard deviation and frequency distribution were used to analyze the data. The inferential statistics included the use of a multiple linear regression model to establish the relationship between variables. The analysed data was presented using pie charts, bar charts, percentages and frequency tables. The study found out that the bank employed to a great extent financial restructuring strategies, portfolio restructuring strategies and organizational restructuring strategies. The study also found out that financial restructuring strategies, portfolio restructuring strategies and organizational restructuring strategies had a positive and significant relationship with performance of the bank. The study concludes that the three restructuring strategies significantly influences the performance of commercial banks. The study recommends that there is need for banks to have adequate resources, increased management efficiency, and strengthened operational capacity for continued success of restructuring programs or strategies. This study is expected to be of value to the management of Kenya commercial bank, to CBK as the regulator and policy maker in the banking sector in Kenya and to academicians and researchers.

**Key Words:** *restructuring strategies, performance, commercial banks, Kenya Commercial Bank*

## **INTRODUCTION**

In today's globalised economy, competitiveness and competitive advantage have become the buzzwords for corporate around the world. Corporate worldwide have been aggressively trying to build new competencies and capabilities, to remain competitive and grow profitably (Mantravadi & Reddy, 2008). The business environment is ever-changing and this has made organizations to react accordingly to these changes. These changes includes systemic changes, institutional reforms, changes in demand, technology or scarcity of resources which triggers organizations to adjust their behaviour and take advantage of the new circumstances—or ignore the new conditions and face the consequences (Stojcic, 2012). of the most high profile features of the globalised business and investment world is corporate restructuring. It can be construed as almost any change in capital structure, operations, or ownership that is outside the ordinary course of business (Oloyede & Sulaiman, 2013).

The competitiveness of industries/sectors (banking sector included) rests on the back of the individual organizations - whose ability to compete in turn depends on their behavior to responds to the changing business environment. Organizations' response to change in business environment holds the key to competitiveness of enterprises, industries and national economies. These changes provide the organizations with an opportunity to change their operations in order to expand their market share. Organizations which do not react to changes in their circumstances will ultimately suffer the consequence and may be driven out of the market. Restructuring is seen as a crucial strategy implemented to remain relevant in the business world. Organization restructuring is one of the process through which organization adjusts their behavior to changes in its circumstances arising from actions of rivals, changes in market conditions, technological changes, institutional reforms or economic policies (Stojcic, 2012).

## **STATEMENT OF THE PROBLEM**

Commercial banks in Kenya are being forced to align their operations to the changed environment in order to survive and protect their bottom lines. The key challenges currently facing banks in Kenya are, fragmented markets, reduced profits (due to non performing loans), and consumer expectations, increasing competition due to rapid technological changes and shifting regulatory frameworks (Muriuki, 2016). For instance the move to cap commercial banks' interest rates in Kenya has taken a toll on the financial institutions, forcing many of them to align their operations to the changed environment (Xinhua, 2017). A review of the Kenyan banks recent performance shows that, Equity Bank Kenya for instance recorded a 4 percent drop in profits after tax for the year ended 31st December 2016. The bank recorded 16.6 billion shillings in profits, a drop from 17.3 billion shillings in 2015. The bank indicated that the interest rates capping and changes

in the business environment contributed immensely to the drop in profits. Barclays Bank of Kenya also realized a drop in profit by 10 percent to 10.8 billion shillings for the year ending 31st December 2016. The interest rates capping law and changing business environment too played a role in these results. The drop in profits especially for banks that are listed in the Nairobi Securities Exchange (NSE) have also led to a drop in profit in NSE by 40 percent (Juma, 2017). In a turbulent environment, strategic thinking enables organizations to be flexible enough to change accordingly (Thompson *et al.*, 2010). According to Hoenig and Morris (2012) bank restructuring should be undertaken to address the problems in individual banks experiencing banking crises to solve the problems affecting the entire banking system. Restructuring of banks is intended to restore and maintain faith and confidence in the banking system and profitability and efficiency in the individual banks (Nor *et al.*, 2009). This therefore shows that restructuring strategies can be employed to enhance the performance of commercial banks in Kenya, which are currently facing a myriad of challenges. A review of the existing studies conducted in Kenya shows that no notable study has investigated how the current business environment changes have restructuring strategies employed in the banking sector in Kenya, and how such strategies are influencing the performance of commercial banks in Kenya. For instance, Kithinji *et al.* (2017) conducted a study on bank restructuring and financial performance; this study however used secondary data and did not outline the restructuring strategies employed by the banks. Anyona (2017) conducted a study on effects of corporate restructuring on performance of insurance companies in Kenya. These findings however cannot be generalized to commercial banks. Mokaya (2016) also examined the effect of corporate restructuring on company performance; however, this study was conducted in East African Breweries Limited, which is a manufacturing firm. A review of the existing literature therefore shows none of this study has filled the gap that the proposed study seeks to fill. In light of the contextual and empirical gap this research study seeks to examine the influence of restructuring strategies on the performance of commercial banks in Kenya, with a focus on KCB which is one of the largest banks in Kenya. This is important to investigate as it will inform future restructuring in the banking sector in Kenya.

## **GENERAL OBJECTIVE**

The objective of the study was to investigate the influence of restructuring strategies on the performance of commercial banks in Kenya: a case of KCB.

## **SPECIFIC OBJECTIVES**

1. To examine the influence of financial restructuring on performance of Kenya Commercial bank.
2. To determine the influence of portfolio restructuring on performance of Kenya Commercial bank.

3. To establish the influence of organizational restructuring on performance of Kenya Commercial bank.

## **THEORETICAL REVIEW**

### **Contingency Theory**

Contingency theories were developed from the sociological functionalist theories of organization structure such as the structural approaches to organizational studies by Reid and Smith (2000), Chenhall (2003) and Woods (2009). These studies postulated that organizational structure was contingent on contextual factors such as technology, dimensions of task environment and organizational size. In some other literature, contingency theory was still regarded as a dominant paradigm in management accounting research (Fisher, 1995; Cadez & Guilding, 2008).

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations. Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system (Islam & Hu, 2012). As the environment changes, the structure of the organization undergoes change to meet the new environmental conditions and avert a decline in performance (Sisaye, 2006).

The contingency theory of organization views organizations as rational entities capable and willing to make internal changes to achieve a technical fit between environment and structure. Organizational success is contingent upon achieving the best match between an organization and its environment. This theory helps to explain why organizations adopt or employ restructuring strategies. The aim of restructuring is to enhance the financial performance of the organizations, or making the organizations better organized for its present needs. This theory therefore helps explain the concept of restructuring in commercial banks in Kenya.

### **Resource-Based Theory**

This theory was developed by Birge Wenefeldt in 1984; it is also called the Resource Based view. It is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization. The RBV's underlying premise is that a firm differs in fundamental ways because each firm possesses "unique" bundle

of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage (Pearce & Robinson, 2007). These competitive advantages in turn can help the organization enjoy strong profits (Barney, 1991).

Resources have been found to be important antecedents to products and ultimately to performance. Barney, Ketchen and Wright (2011) suggest that firms succeed through developing resources that provide unique sources of competitive advantage. These may include physical, financial, human, and organizational resources; and confer competitive advantages based on their value, rareness, uniqueness (inimitability), and how they are embedded in the organization fabric. Learned *et al.*, (1969) noted that the capability of an organization is its demonstrated and potential ability to accomplish against the opposition of circumstance or competition, whatever it sets out to do. Every organization has actual and potential strengths and weaknesses; it is important to try to determine what they are and to distinguish one from the other. Thus what a firm can do is not just a function of the opportunities it confronts; it also depends on what resources the organization can master.

The theory therefore suggests that organizations should look inside the company to find the sources of competitive advantage through the use of their resources. In the context of this study, resources (such as human capital, financial, infrastructure, etc) are key bundles of firm resources important to the firm for implementation of restructuring strategies, which in turn leads to improve performance and competitive advantage. RBV explains the performance differences among firms in relation to internal or firm-level factors. This study therefore informs the dependent variable (organization performance).

### **Transaction Cost Theory**

Transaction Cost Theory was first developed by Ronald Coase in 1937. Transaction Cost Theory explains why firms exist in the first place (to minimize transaction costs), how firms define their boundaries, and how they ought to govern operations (Daddi *et al.*, 2010). The theory also helps to determine the efficiency in producing goods and services at low cost to ensure low prices to customers (Lozano & Valles, 2013). According to Espino-Rodríguez and Padrón-Robaina (2006) the greater the transaction costs, that is the greater the costs that information, negotiation and supervision of compliance entail, the less the tendency to outsource the activity.

According to Lozano and Valles (2013) TCT was developed to help to determine the efficiency in producing goods and services at low cost to ensure low price to customers. Yet, Walker and Brammer (2009) already addressed the importance of

transaction costs in organizations when analyzing bidding process. Parties have to bid for the right quality of goods and services and the award has to go to the bidder offering the lowest price. Walker and Brammer, (2009) argues that the problems associated with contracting solutions in the types of environments encountered in manufacturing sector transactions are likely to be difficult to tackle. This theory is critical in guiding this study as it explains how the companies ought to govern operations and define their boundaries for the purposes of minimizing transaction costs.

Transaction cost theory deals with the question of economic organization by focusing on the transaction as the unit of analysis. A transaction occurs when a good or service is transferred across a technologically separable interface. The theory postulates that particular forms of economic organization will result from the attempt to reduce transaction costs. A firm can substantially reduce costs by way of restructuring by eliminating its slack, waste and bureaucracy.

### **Institutional Theory**

The institutional Theory by Scott (2004) contends that an organization's legitimacy explains survival. Institutional theory aids our understanding of the pressures for institutions to become more similar, which decreases institutional diversity. Organizations attempt to conform to easily recognizable and acceptable standards within the organizational field, which helps foster the organization's legitimacy (Meyer, Scott & Deal, 1981). Institutional theory describes how both deliberate and accidental choices lead institutions to mirror the norms, values, and ideologies of the organizational field (Toma, Dubrow & Hartley, 2005). The environment within an institutional theory framework limits the discretion of institutions to engage in certain strategic activities and pressures institutions toward conformity. Institutional theory emphasizes the normative impact of the environment on organizational activity (Morphew, 2009).

Institutions that have undergone change, such as a restructuring, achieve organizational control when the members of the organization have internalized newly defined objectives, and those goals are reflected in performance evaluations (Bealing, Riordann & Riordan, 2011). Institutional theory predicts that organizations will respond to environmental changes by engaging in strategies, such as restructuring and streamlining operations. Banks restructure to remain competitive and provide services to their clients as well as meet the needs of the shareholders. Through restructuring organizations are able to change their form and structure so that they can be more efficient. This theory therefore helps understand the pressures that force banks to undertake restructuring strategies.

## **EMPIRICAL REVIEW**

### **Financial Restructuring and Organization Performance**

A review of the existing empirical studies shows that Kithinji *et al.* (2017) conducted a study to establish the relationship between bank restructuring and financial performance of commercial banks in Kenya. The study was based on 39 commercial banks that were consistently in business for the period 2002 to 2014. Bank restructuring was disaggregated into financial restructuring, capital restructuring, operational restructuring and asset restructuring. The empirical findings were as follows: Commercial banks use all the four types of bank restructuring. There was a direct association between bank restructuring and financial performance. Capital restructuring and asset restructuring were the only variables found to have significant positive and negative influence respectively on the performance of commercial banks in Kenya. Financial and operational restructuring were found not to have a significant effect on financial performance of commercial banks in Kenya. The study concluded that banks should focus more on capital restructuring and asset restructuring so as to influence their profitability.

Osoro (2014) conducted a study on the effect of financial restructuring on the financial performance of commercial banks in Kenya. The study was conducted on 11 commercial banks in Kenya, listed in the Nairobi Securities Exchange and which were in operation in Kenya during the six-year period of the study that is from 2008 to 2013. Debt ratio, dividend payout and equity ratio were used as measures of financial restructuring. The study found out there exists a positive effect of financial restructuring on the financial performance of commercial banks in Kenya.

### **Portfolio Restructuring and Organization Performance**

Riany *et al.* (2012) conducted a study to examine the effect of restructuring on an organization's performance specifically inquiring the frequency with which an organization carries out portfolio, financial and organization restructuring. The study was conducted in four mobile phone service providers in Kenya. The study adopted a causal research design using questionnaires to collect data from the finance, human resources, information communication technology and marketing departments of the major mobile phone service providers. Data was analyzed using descriptive statistics and the findings reveal that changes in the firm's objectives, technological change and economic factors influence the decision to restructure. The study found out that firm's decision to restructure is influenced by a change in the firm's objectives, political/legal, technological, economic and socio-cultural factors. The results showed that all the companies conducted restructuring with portfolio restructuring being undertaken more often as compared to the other types of restructuring. This could be due to the mobile phone service providing industry clientele being more service oriented and



thus only subscribe to the network that has the best deals; and also due to change in the market and market growth impacted by the change in a firm's portfolio. The study concluded that financial restructuring had the greatest impact on a company's market share followed by portfolio restructuring and organization restructuring. It is distinct that organizational restructuring had the greatest impact on market growth rate.

Muiruri (2015) conducted a study to establish the impact of strategic partnerships on performance of commercial banks with a focus on Equity Bank. The study adopted descriptive research design. Primary data was used in the study and was obtained by use of an interview guide that was administered to managers who were interviewed at Equity Bank and partner organizations. The study findings established that strategic partnerships between Equity Bank and its partner organizations improve the staff capacity and thus enables it to be well equipped in handling the challenges they experienced and therefore improving on its service delivery. It was found out that partnerships enhance new customer acquisition through the creation of portfolio funds where customers can take loans and pay back. It was concluded that strategic partnerships have benefits in major ways and that this concept should be employed by organizations in order to survive and sustain their operations in the competitive environment.

### **Organizational Restructuring and Organization Performance**

Harwood, Nakola and Nyaana (2016) conducted a study to examine the effect of organization restructuring on performance of National Bank of Kenya. The specific objectives were to: find out the effects of organizational restructuring on firm performance, determine the relationship between organizational restructuring and firm performance. The study used an explanatory research design in data collection. A target population of 54 respondents was considered in the study. Stratified and simple random sampling were used in the collection of data from the sample. The data was then analyzed using simple linear regression model and Pearson product moment correlation. The study found that organization restructuring positively affects firm performance although not statistically significant. The conclusion of the study was that organization restructuring positively affects firm performance although not statistically significant. The study recommended that National Bank of Kenya should ensure at all times that none of the parts of the organization are significantly over or under staffed, stagnant workforce productivity should be phased out completely.

Mokaya (2016) conducted a study on the effect of corporate restructuring on performance of East African Breweries Limited. The design adopted descriptive research design. The population for this study was 270 employees of EABL. Stratified sampling was used to give each department an equal chance of being selected in the study. The study used primary data that was collected through a questionnaire and analyzed through descriptive statistics. The study found out that restructuring at EABL involved cutting out and merging some departments and this had

significantly changed the company's business model. Restructuring within the organization had been carried out with the aim of improving the competitive position of the organization which had been achieved, as the company was being driven by the global competition. From the study, it can be concluded that the survival and growth of EABL in its environment depends on its ability to pool all of its resources and use them to the optimum and that restructuring exercise is usually carried out to enable companies to focus on core strengths, operational synergy and efficient allocation of managerial capabilities and infrastructure. The study concludes that EABL restructured to improve value and enhance its competitive edge in the market.

Ongwae and Moronge (2016) examined the influence of organizational restructuring on performance of commercial banks in Kenya. The scope of the study spanned from the year 2001 to 2014. That was the period within which the commercial banks in Kenya had incurred high operating expenses and also went through restructuring to reduce cost and promote efficiency. The target population included employees of the commercial banks at the head office. The sample size was 462 staff taken from commercial banks head office units. The study used stratified random sampling techniques to select the sample. Primary data was collected through a questionnaire and data was analysed through descriptive and inferential statistics. The study established that there had been system upgrade in the organization in the last 10 years and it affected organizational performance. The study also found out that system upgrade has led to a reduction in time taken to offer a service in the organization has improved the organization competitiveness and has facilitated more and unique products and services. The study established that that there had been downsizing in the commercial banks, to a very high extent, which improved the performance of the banks. It was also found out that commercial banks had centralized their processes and it enhanced controls in the organization to a great very great extent. The study recommended that to improve organizational restructuring to enhance performance of the banking sector, the management should make sure that all the respective heads of departments had full and clear information on time to enhance easy decision making on organizational restructuring to enhance performance.

## **RESEARCH METHODOLOGY**

### **Research Design**

Research design is the blueprint that enables the investigator to come up with solutions to problems and guides in the various stages of the research (McLaughlin, 2012). The study adopted a descriptive design. Descriptive designs allow for the gathering of information, summarize, present and interpret it for the purpose of clarification. It also involves large numbers and describes population characteristics by the selection of unbiased sample. The descriptive research design is one of the best methods for conducting research in human contexts because of portraying accurate current facts through data collection for testing hypothesis or answering questions to conclude

the study (Creswell, 2014). The design was appropriate for this study since it helped in collecting data in order to answer the questions of the current status and describe the nature of existing conditions of the subject under study. The design also facilitated the use of a questionnaire to collect both quantitative and qualitative data for the study.

### **Target Population**

Target population is defined as a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result (Bryman, 2012). The study targeted 235 employees in KCB headquarters in Nairobi. The staff included both the management and general operational staff.

### **Sample Size and Sampling Design**

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study. It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Kothari, 2007). On the other hand, Bernard (2013) defines a sample as a small proportion of an entire population; a selection from the population. Stratified random sampling technique was used to select the sample. Stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance (Latham, 2007). The study grouped the population into three strata, that is, senior management staff, middle/low level management and general operational staff. From each stratum the study took a 30% sample. This is guided by Mugenda (2008), who says that when the population is 1000 and over, 10% of the population should be sampled, while when the population is less than 1000, a 30% sample should be taken. The sample size will therefore be 71 respondents.

### **Data Collection Instrument**

The study collected primary data through use of a questionnaire. The questionnaires were designed to answer the research questions and were administered to the staff of KCB bank. The questionnaire had a combination of both open and closed questions. The closed ended questions enabled the researcher to collect quantitative data while open ended questions helped collect qualitative data. The questionnaire was divided into five sections. Section one gathered information on demographic information of the respondents while section two to section five covered questions on the specific research objectives.

Questionnaires have been observed by researchers to be the ideal instrument for data collection in survey studies. The questionnaires were considered as the appropriate data collection instrument for this study since they provide a high degree of data standardization, they are relatively quick to collect information from people in a non-threatening way and they are cheap to administer. Questionnaires are also able to give a detailed answer to complex problems (Kombo & Tromp, 2009).

### **Data Collection Procedure**

After receiving an introductory letter from the university and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI), the researcher wrote a letter to all the targeted institutions and respondents requesting for permission to use the subjects as respondents in this study. Once permission was obtained, the researcher, with the help of research assistants administered the questionnaire and conducted interviews to the respective respondents. Each questionnaire was accompanied by a letter covering the purpose of the research and was explained to the prospective respondent. A lead contact person in each of the sections of the respondents was identified. The lead contact person's constantly reminded the respondents to complete the questionnaire and to collect the same.

### **Data Analysis and Presentation**

Data analysis seeks to fulfill the research objectives and to provide answers to research questions (Kothari, 2008). The collected data was thoroughly examined and checked for completeness and comprehensibility. Data was cleaned and entered into the Statistical Package for Social Sciences (SPSS Version 20) for analysis. Both descriptive and inferential statistics were used to analyze the findings. The descriptive statistics included as means, standard deviation and frequency distribution were used to analyze the data. The inferential statistics included the use of a multiple linear regression model to establish the relationship between variables. The regression model took the following form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where: Y = Performance; X<sub>1</sub> = Financial restructuring; X<sub>2</sub> = Portfolio restructuring; X<sub>3</sub> = Organizational restructuring; β<sub>0</sub> = the intercept (value of EY when X = 0); β<sub>1-n</sub> = the regression coefficient or change included in Y by each X; ε<sub>i</sub> = error term

The quantitative data was presented using pie charts, bar charts, percentages and frequency tables. The qualitative data generated from the open ended questions were categorized in themes in accordance with research objectives and reported in narrative form along with quantitative presentation.

## **RESEARCH RESULTS**

### **Financial Restructuring and Performance of KCB**

The first objective of the study was to examine the influence of financial restructuring on performance of Kenya Commercial Bank. The study found out that KCB had adopted financial restructuring strategies hence boosting performance to a great extent. The respondents revealed that the bank continually reorganized their capital structure to enhance financial health, restructured/ redesigned long-term and short term borrowings and that the management had restructured and reorganized the whole debt capital of the bank. The study also found out that the bank had injected more capital through rights issue or follow-on public issue, undertook asset restructuring in the last 5 years for strategic reasons and were continually looking for sources to provide capital needed structural improvements, expansion, and other value-added projects. On overall, the study found out that there is a positive and statistically significant relationship between financial restructuring and performance of KCB.

### **Portfolio Restructuring and the Performance of KCB**

The second objective of the study was to determine the influence of portfolio restructuring on performance of Kenya Commercial Bank. The study found out that Kenya Commercial Bank had employed portfolio restructuring strategies in their operations to a great extent. In this regard, the study revealed that that the bank had diversified (opened branches) across different geographic regions in order to reduce the overall risk and improve returns, and merged or acquired other entities for strategic reasons. The bank had established business relationships, strategic alliances with other organizations. The study also found out that the the bank had established business partnerships with other organizations to rationalize its business operations, spinned-off business units to raise more capital and had sold off some business units that drew down operations. On overall, the study found out that portfolio restructuring has a positive and statistically significant relationship with performance of KCB.

### **Organization Restructuring and the Performance of KCB**

The third objective if the study was to establish the influence of organizational restructuring on performance of Kenya Commercial Bank. The study found out that the banks had employed organization restructuring strategies at the bank to a great extent. On this regard, the study found out that bank had added more products and services to their pool of products that it offers, expanded their products mix/diversified their product offering and had modified some products to match with the customers' demands and needs. The respondents revealed that the bank had shut down some branches to cut on operational costs and rimmed (downsize) their workforce in the last few years to cut on cost. On overall, the study established that there is a postive and statistically significant relationship between organization restructuring and KCB performance.

## **Performance of Kenya Commercial Bank (KCB)**

The fourth objective of the study was to investigate the influence of restructuring strategies on the performance of commercial banks in Kenya. The study established that the restructuring strategies adopted by the bank had led to increase in net profit margins and sales over the years. The respondents also indicated that the restructuring in the bank had reduced the cost of operations and the overall risk of the institution. The respondents further indicated that restructuring strategies at Kenya Commercial Bank had led to high rate of return on assets and increased profitability. The regression results showed that all the three restructuring strategies (financial restructuring, portfolio restructuring, organization restructuring) had a positive and significant relationship with performance of KCB.

## **REGRESSION RESULTS**

A multivariate regression model was applied to determine the relative importance of each of the variables (financial restructuring, portfolio restructuring, organization restructuring) with respect to performance of KCB. The regression results are presented below.

**Table 1: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.812(a)	0.660	0.642	0.24619
a. Predictors: (Constant), financial restructuring, portfolio restructuring, organization restructuring				

The R is correlation coefficient which measures the strength of a linear relationship between variables. The results in Table 1 show an R value of 0.812 implies that there is a strong relationship between the variables in the study. R-Squared is the coefficient of determination which explains how well the model predicts the observation; is a statistical measure of how close the data is to the fitted regression line. The results show an Adjusted R Square of 0.642. This implies that the three restructuring strategies (financial restructuring, portfolio restructuring, organization restructuring) explained 64.2% of performance in KCB. The remaining percentage of 35.8% can be explained by other variable/predictors.

**Table 2: ANOVA(b)**

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	6.795	3	2.265	37.378	0.000(a)
	Residual	3.66	60	0.061		
	Total	10.455	63			

a Predictors: (Constant), Financial Restructuring, Portfolio Restructuring, Organization Restructuring

b Dependent Variable: Performance

The ANOVA shows the output of the ANOVA analysis and whether there is a statistically significant difference between the variables means. The results in Table 2 shows the significance value is  $p=0.000$ , which is below 0.05. Therefore, there is a statistically significant difference. The results show that the regression model has a 0.001 (0.1%) probability of giving a wrong prediction. This therefore means that the regression model results are reliable.

**Table 3: Regression Coefficients(a)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.564	0.408		1.382	0.171
Financial Restructuring	0.410	0.058	0.576	7.085	0.000
Portfolio Restructuring	0.449	0.094	0.359	4.763	0.000
Organization Restructuring	0.404	0.056	0.568	7.203	0.000

a Dependent Variable: Performance

The results in Table 3 show that there is a positive and statistically significant relationship between financial restructuring and performance of KCB as shown by  $\beta = 0.410$  and  $p=0.000<0.05$ ). These findings are in agreement with those of Osoro (2014) who conducted a study on the effect of financial restructuring on the financial performance of commercial banks in Kenya, and found out that there exists a positive effect of financial restructuring on the performance of commercial banks in Kenya.

There is also a positive and statistically significant relationship between portfolio restructuring and performance of KCB as shown by  $\beta = 0.449$  and  $p= 0.000<0.05$ . The findings are in agreement with those of Riany et al. (2012) who found out that portfolio restructuring undertaken more often in many companies as compared to the other types of restructuring and that it had a positive influence on the performance of organizations.

The findings further show that there is a positive and statistically significant relationship between organization restructuring and KCB performance as shown by  $\beta = 0.404$ , and  $p= 0.000$ , which is less than 0.05. The study findings are in agreement with those of Srivastava and Mushtaq (2011) who found that organization restructuring significantly improved performance of organization. These findings however disagree with those of Harwood et al. (2016) who found that organization restructuring positively affects firm performance although not statistically significant.

## CONCLUSIONS

The study concludes that financial restructuring has a positive and statistically significant relationship with performance of commercial banks. Financial restructuring strategies have the potential to enhance financial health of commercial banks. Banks can inject more capital into

their business through financial restructuring such as rights issue or follow-on public issue or undertake asset restructuring. Increased capital to the business enhances structural improvements, expansion, and other value-added projects which further enhances the banks performance.

The study concludes that portfolio restructuring has a positive and significant relationship on performance of commercial banks. Some of the portfolio restructuring strategies that can improve the performance of banks include diversifying to other markets and regions, merging with other entities or acquiring other entities as well as establishing business relationships and strategic alliances with other organizations. This has the potential to reduce the banks risks, help raise more capital, improve staff capacity and enhance acquisition of new customers and market which eventually boosted the performance of the bank.

The study also concludes that organization restructuring has a positive and statistically significant relationship with performance of banks. Downsizing of workforce seems to be one of the most used strategy cut on staff costs and reduce the operational costs. Organization restructuring in banks can also be effected by introducing and innovating new products and services that match with the demands and needs of customers. By reducing the cost of operations and expanding the product mix, banks are able to improve their performance

Therefore, it can be concluded that financial, portfolio and organizational restructuring strategies have a significant influence on performance of banks. The three restructuring strategies in employed effectively have the potential enhance performance of commercial banks through reduced operating costs, non-performing loans and growth in shareholder value.

## **RECOMMENDATIONS**

Restructuring is aimed at increasing efficiency, enhancing competitive advantage, achieving synergy and improving firm value. It was also realized that restructuring played a significant role on the profitability, shareholders value and solvency position of the banks. Therefore the study recommends that there is need for banks to have adequate resources, increased management efficiency, and strengthened operational capacity (through skilled staff) for continued success of restructuring programs or strategies.

The study recommend that management in commercial bank institution should adopt downsizing strategy at it would led to reduction in operating expenses, increase efficiency and profitability, reduction portfolio risks, led reduction in operation cost , reduced expenses, increased sales, increased customer satisfaction and improve bank profitability. The study recommend that banks should adopt mergers and acquisitions restructuring in as this would led to increase in management efficiency, lower cost of operations, which increases the banks profits.



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