ORGANIZATION RESTRUCTURING AND PERFORMANCE OF COMMERCIAL BANKS IN MOMBASA COUNTY, KENYA.

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DECLARATION

This research project is my original work and has not been presented to any university or institution for award of degree.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

Dedicated to my parents Mr. and Mrs. Mwangi for their unconditional love, support for my education and most of all their prayers which have made me come this far.

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I would like to extend my heartfelt gratitude to the Almighty God for the strength and inspiration He has gifted me in my life. It is through His grace that I was able to accomplish this work. I would also like to express my most sincere thanks and appreciation to my supervisor Mr. Maina Rugami for the patience, constant guidance as well as constructive criticism while doing this project. I am thankful for taking your time to supervise me and accommodation in your tight schedule. Many thanks are also extended to my mother Mrs. Mary Mwangi for her prayers and encouragement throughout my study. My friends Irene and Polly for their assistance which contributed to the success of this work in one way or another. Last but not least my friend and confidant Martin Kaaria for celebrating with me through every milestone.

May the Almighty God bless you.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACS – asset cleaning strategy

AGM - Annual general meeting

APS – Asset portfolio strategy

ATM – Automatic teller machine

CBK – Central Bank of Kenya

CMA - Capital money market

ICBC – Industrial and commercial Bank of China

IT – Information technology

NSE – Nairobi stock exchange

RBV – Resource based view

RIL- Reliance industries limited

SPSS-Statistical Package for social Science

STP – Straight through processing

OPERATIONAL DEFINITION OF KEY TERMS

Organization restructuring refers to the reorganization of the corporate operations to realize excellence in operating efficiency. It is a stage in strategy planning where management focus on reorganizing the prevailing organizational structure, leadership, cultures as well as compensation systems in order to attain cost advantages and excellence that can support the exclusive organizational strategies.

Financial performance is the degree of fiscal performance of a bank represented in terms of profit and loss as at a sdefined time period. The sssessment of a firm's financial performance enables management gauge the outcomes of strategies and operations in fiscal terms.

High Performance Organization refers to an entity that prospers in respect and an in-depth appreciation for it's people's significance. It has the characteristics of being cohesive and adaptable, with ideal strategies and an managerial understanding of the role good employees play towards giving the entity a competitive edge.

Departmentalization refers to reorganization of large complex organization into smaller flexible administrative units.

Decentralization of process refers the act of delegating authority of decision making to lower levels withing the organization hierarchy

Downsizing refers to the deliberate decision to effect permanent reductions of an organization's workforce.

Mergers and Acquisitions refers to when two separate firms come together to form a new organization.

ABSTRACT

Organizational restructuring is very important especially for firms that operate in a dynamic environment characterized by high competition. Implementation of restructuring strategies should be carried out carefully and with great keenness to ensure that it serves its intended purpose. This study aimed at determining what effects organization restructuring has on performance of commercial banks in Mombasa County. The subvariables included determining the effects of departmentation , HR restructuring, decentralization of processes and mergers and acquisitions on the performance of commercial banks that operate in the County of Mombasa. The reviewed literature on the relevant theories and perceptions brought forth several objectives that guided the research which included that of departmentation, human resource restructuring, decentralization of processes and mergers and acquisitions. With regards to research methodology, the research design adopted by this study was the survey research design and it was instrumental in bringing out structured perceptions of the respondents with regards to organizational restructuring. Collection of primary data was done in all banks located in Mombasa county, using structured questionnaires. Descriptive statistics was used to analyze the data collected and it included findng the mean and standard deviations as well as inferential statistics. The study was expected to contribute knowledge in areas of organization restructuring and organizational performance. The findings from the study established that the banks had adopted various restructuring strategies over the recent past where the organizational restructuring parameters that were adopted to a great extent included departmentalization, humanresource restructuring and decentralization of processes, with mergers and acquisition being adoted to a much lower extent. This research concluded that the commercial banks had adopted organizational restructuring in the recent past by implementing different parameters and that this had resulted in improved performance. From the findings, the researcher recommends the enhancement of communication channels as well as review their existing structures and culture to ensure that it supports the restructuring efforts that are being adopted by the organization.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Considering the scope, structure as well as size, organizations adopt various strategies towards achievement of the anticipated output levels. For the desired performance to be achieved, firms therefore ought to formulate and implement appropriate strategies. Among these strategies include diversification, acquisitions and mergers, corporate restructuring and divestitures. Firms which make the effort of actively managing their portfolios through acquisitions and divestitures acquire a substancial shareholder value as compared organizations that stick in a business line that is fixed (Thompson & Strickland, 2008). A restructuring firm as argued by Johnson and Scholes (2002), requires a restructurer that can identify and optimize oppurtunities that come with restructuring in business. This means that thay that they have the capability to point out issues together with their root causes, and also be able to design the most ideal solution to counter the issue.

Hane (2015) contends that organizations project particular symptoms that suggest a need to undergo an organizational restructuring process. These symptoms include significant understaffing or overstaffing in parts of the firm; inconsistencies in communications within and outside the organization arising from fragmentation and inefficiencies; workflow and the production process transitioning due to technology and innovation; need for improved skills and capabilities to enable the employees deliver on the current or expected operational guidelines; lack of clarity with regards to outcome accountability which results in subjectivity and biasness when doing performance appraisals; significant challenges with regards to retention of personnel as well as their turnover; low morale among the workforce which results to stagnant productivity. Organizational restructuring has been of great benefit to organizations in may ways including minimized costs of operations as well as aided in improved formulation of strategy and its implementation (Eby & Buch, 2017).

According to Johnson (2004), restructuring in financial institutions should align with the workplace environment that is continuously evolving, dynamic and characterized by cultural diversity so as to enhance performance. This, as Hayes (2002) contends, ensures that organizations are able to effectively move through change. Restructuring therefore refers to making decisions that are critical with regards to talent deployment or re-deployment talent and calls for insight on how to best tap talent and align to the jobs that await them. Cascio (2002) contends that it is not easy to comprehend individual needs in a firm but it is important in analysing that which is useful in coming up with solutions that are effective for all employees. Organization restructuring is considered in the case where there are changes in the reporting hierarchy of a company.

Banking mainly entails rendering a commodity service introducing changes within the organization will most definitely affect most of the consumers of financial services (Llewellyn, 2007). The number of new entrants in to the banking has increased over the last four years, which has forced banks to manage their costs and enhance efficiency by automating, rationalizing their prices as well as restructuring. According to Lee and Teo (2005), higher competitiveness within the banking industry has forced banks to start incorporating organizational restructuring in their operations.

Restructuring has assisted financial institutions worldwide to re-establish their competitiveness by enabling them to rapidly and effectively respond to emerging opportunities as well as manage unforeseen pressures. The competitiveness arises from the banks efforts towards realigning its business models and making sure that it is fit to compete in the industry and also adopting best practices and internal process which motivate it beyond the competitors'. This gradually enables organizations to promptly adapt and sets itself up for rapid competition with its competitors. Gibson (2010) extends the argument further by stating that firms restructure to support corporate strategy as well as grab business opportunities. Restructuring provides organizations with the necessary competencies necessary to grab emerging opportunities in the operating environment. Restructuring therefore entails greater levels of operating efficiency as well as firm effectiveness.

1.1.1 Organisational Performance

Organizational performance refers to the ultimate gains of a company and comprises of spects such as predetermined targets, defined period of time period to attain the set targets as well as processes that ensure the organization is efficient and effective (Gibson et al., 2014). Firm performance also refers to an organization's ability achieve goals such as higher profits, products of high quality, bigger share in the market, outstanding financial outcomes, as well as being able to survive for a pre-determined period while employing specific action strategies (Koontz and Donnell, 2008). The performance of a firm can as well be considered when determining the profit levels, the current market share and product quality as compared to similar enterprises within similar industry. Accordingly, it also reflects productivity where factors such as amount of revenue, profit levels, organizational growth, development as well as its rate of expansion are considered.

Firm performance comprises a number of activities which aide in goal setting, implementation and monitoring of progress as per the target (Johnson et al., 2011). It comes into play when modifications are necessary in order to ensure accomplishment of goals in a more efficient and effective way. Performance in firms is an aspect that worries owners of businesses as well as because despite employees working hard on the assigned tasks, it is not automatic that the organization will achieve the expected outcomes. Achievement or results is influenced by unforeseen events and good fortune and not necessarily from employee efforts. Even so, success for any business it is important the organizational functions are defined and then accomplished. This means that the strategies need to be formulated and designed considering the skills available which will result to superior organizational performance.

1.1.2 Organizational Restructuring

Restructuring is the process of introducing significant alteration within the structutre of a firm. It entails cutting down on levels of management, altering constituents of the firm through divestiture and or acquisition, and also decreasing number of employees (Bartol and Martin, 1998). Restructuring an organozation becomes necessary whenever there has been significant growth and the current organizational structure is not able to ensure efficient managent of the organization. Organizational restructuring may mean that some departments are spinned off to become subsidiaries so as to create a management model that is effective, as well as embracing tax breaks that would see higher revenues channeled to the production process by the firm. Organizational restructuring is perceived to be a positive growth indicator and is most of the time received well by stakeholders hoping that the company would grow and gain a bigger share in the market and have improved competitiveness (Bowman, Singh, Useem, Badhury, 1999).

According to Mintzberg et al (1996), change in firms is often vocalized, yet often done incrementally . Organizational change is approached from two dimensions; strategically- which is all about the direction the firm is taking, and about firm- that is the current state the firm is in. These two dimensions have to be taken into consideration whenever change is being introduced in a firm. Changing a particular product or employee is less of a task since it can be done without altering other aspects, but changing a firm’s vision or a structure would require that other aspects of the organization be changed otherwise all the effort would end up in futility. This means that structural changes should go hand in hand with mergers and aquisiton as well as human resource restructuring, as well as redesigning of programs and products (Dong, Putterman and Unel, 2004).

Arguments by Pearce and Robinson (2011) present restructuring to be a term that reflects an important period in implementation of strategy where management tries to streamline and reorganize the structure of the firm, its leadership, the firm’s culture, as well as the compensation steucture so as to achieve acceptable levels of cost competitiveness, capability for responsive quality, as well as moulding all aspects in the firm to accommodate inimitable strategic aspects. Other terms used in place of restructuring that still refer to the critical stages in the process of implementing strategy include reengineering, downsizing, outsourcing, and empowerment.

Organizations need to restructure their activities so as to remain competitive while retain their existing customers as well as attracting new ones. Assurance of competitive advantage for a firm becomes apparent whenever other firms have tried but failed to duplicate their strategy. Still, as argued by Hitt, Ireland and Hoskinsson, (2017), an organization can only be able to sustain a competitive advantage momentarily. The determining factor is how long and fast it will take competitors to acquire the skills necessary to facilitate duplication of the capabilities owned by the firm's value-creating strategy. For a firm to be able to gain higher returns, then it is important that they understand how to exploit their competitive advantage.

1.1.3 Commercial banks in Mombasa County, Kenya

Companies classified as commercial banks entail firms that receive fiscal deposits from customers, offer credit to borrowers together with other fiscal services like cross national banking, recept and storage of valuable documents and financing trade activities and whose ownership varies from public to private, (Central Bank of Kenya, 2014). Licencing and regulation of commercial banks is done by the Central Banks of their operating jurisdictions (Charlotte, 2014). The Central Bank of Kenya (CBK) is granted the mandate to govern commercial banks by Banking Act (Cap 488) to licence, supervise as well as regulate commercial financial institutions that are operational in Kenya. The total number of licenced banks currently stands at 41 with the government of the day owning substancial stakes in three of the banks. The rest are largely privately while some being foreign owned with subsidiaries. Commercial banks in Kenya have a business model where they receive deposits from their clients and inturn create profits using the deposits to grant loans to borrowers and expecting that they will pay back with interest (Bank Supervision Annual Report, 2019).

Commercial banks contribute significantly in the Kenyan financial landscape due to the nature of their services. They are responsible of growing customer deposits and storing them safely and in liquid form as well as ensuring that they lend to qualifying clients ranging from commercial, to industrial, governmental and also nonprofit organizations. The banks facilitate a market in both the municipal, the government as well as corporate bonds. The institutions function as open systems considering that they run their activities in a very dynamic context and therefore their sustained survival will depend on the extent to which they are able to cope with their operating environment (CBK, 2019). Many risks face the banks in Kenya whereby failure to address them has led to occasional systemic crises. These include liquidity risk, credit risk, and interest rate risk ((CBK, 2018).

1.2 Statement of the Problem

Given the dynamic nature of the environment that organizations operate in, banks have constantly been forced to continuously redesign their strategies for them to maintain a competitive advantage. Strategic issues arise whenever the organizations fail to adapt successfully to the said strategies and these issues become apparent whenever there is a gap between the offering of the firm and the needs of the market (Kithinji, 2015). Having a successful turn around dictates that the firm employs varried set of skills to look into possible reasons for the company declining as well as formulation of ideal strategies that will facilitate transformation of the company to start on a new improved slate. Past research on organizational restructuring indicate varied performance outcomes and therefore posing a vague picture on the impact on performance. Despite most information indicating that organizational restructuring is important for commercial banks to realize a sustainable growth, there are still questions on the extent to which the various strategies of organizational restructuring affect performance(Roe, 2014).

Across the world the banking industry is seen to be playing a critical role in promoting the advancement of economies and Kenya is no exception (Haron et al, 2015). Additionally, of all the industries in Kenya, banking stands to be among the most profitable. Yet, several factors such as liberalization, high rates of globalization, advanced technological enhancement and an increased number of knowledgeable customers has seen banks face a growing number of non-performing loans, increased overheads as well as tough operating environment mostly as a result of the recent capping of lending interest. This has forced banks to restructure their businesses by downsizing, tailoring their products as well as restructuring of loans that are classified as non-performing so as to enhance their financial performance as well as grow the value of their shareholders (Schoenberg et al, 2016).

Several researches have been conducted that focus on the concepts of restructuring and implementation of strategic changes in numerous firms both internationally and locally. International studies include Yeh and Hoshino (2002) addressing how restructuring strategy affected bank’s operating performance with a focus on efficiency, profitability, and growth; Nicholson and Goh, (2003) who assessed the improvements in organizational performance of companies involved in restructuring; Xinliang Xu (2006) studying corporate restructuring of industrial and commercial bank of China (ICBC); Kumar (2013) who looked at corporate restructuring in India whose context was Reliance Industries Limited and Panchal and Singh (2014) whose focus was on how restructuring impacted the financial Performance Gujarat Power Sector.

Locally, various reseachers have studied the concept among them being Riany et al (2012) who looked at ways in which restructuring affected Mobile Phone Service Providers; Kiyai (2003), who studied the restructuring techniques of bad debts and non-performing loans in financial insitutions; Namatsi (2010) focusing on implementing restructuring strategy where the context was the airline industry; Munjuri (2011) who also focused on how restructuring and its impacts on employees and Betsy (2011) who looked at how restructuring affected employee’s motivation in Kenya Commercial Bank

Although many studies have been conducted focusing on organizational restructuring, there have been limited studies that have looked at impacts of organization restructuring in the aspects of departmentation, human resource restructuring, centralization of processes and mergers and aquisiton and how it affects performance. The researcher seeked to focus on this gap on organization restructuring in the banking sector. This research therefore explored ways in which organization restructuring impacted the performance of commercial banks in Mombasa County.

1.3 Research Objectives

The key objective for the study was organization restructuring and performance of Commercial Banks that operate in the County of Mombasa, Kenya.

Specific objectives included;

i. To determine the effects of departmentalization on performance of commercial banks that operate in County of Mombasa.

ii. To determine the effect of downsizing on performance of commercial banks that operate in the County of Mombasa.

iii. To find out the effect of decentralization of processes on performance of commercial banks that operate in the County of Mombasa.

iv. To determine the effect of mergers and acquisitions on performance of commercial banks that operate in the County of Mombasa.

1.4 Research questions

i. What are the effects of departmentalization on performance of commercial banks that operate in the County of Mombasa?

ii. What are the effects of downsizing on performance of commercial banks that operate in the County of Mombasa?

iii. What are the effects of decentralization of processes on performance of commercial banks that operate in the County of Mombasa?

iv. What are the effects of mergers and acquisitions on performance of commercial banks that operate in the County of Mombasa.

1.5 Significance of the Study

This research intended to interrogate how organizational restructuring impacted the performance of commercial banks that operate in Mombasa County. Results from this research provided the needed insights to commercial banks as well as enhanced the endeavor to meet current and long-term demands. In this regard the study was expected to be beneficial to the following set of entities:

The policymakers in the Government were expected to attain valuable information and knowledge of the commercial banks' forces at work and the relevant strategies applicable to their specific circumstances. They were expected to thus be guided by this research in the fiscal performance of commercial banks that operate in the county of Mombasa. Using the weaknesses indicated in the research, the government could apply the results to avoid challenges that have befallen the commercial banks in the country and strengthen its regulatory framework.

The study was also intended to offer information that would assist the top level management to assert whether organizational restructuring is an essential management tool and the benefits therein. The management would thus ascertain ways in which various elements of organizational restructuring practices influence the activities carried out by Commercial banks as well as establish the extent to which these as well as many other factors impacting operations of other commercial banks in Kenya.

Future researchers and scholars were also expected to find this study a valuable source of reference. The study would offer information to potential as well as current scholars with respect to the concepts of organizational restructuring and performance and how they relate in banking context. Additionally, researchers would benefit by attaining extra from the research due to its focus on commercial banks with a public leaning orientation.

1.6 Scope of the Study

The research looked at ways in which organization restructuring impacted performance of commercial banks more specifically those in Mombasa County. The organization restructuring issues covered or given more attention include centralization of activities, departmental realignment, human resourse restructuring and mergers and acquisition. The target population included those banks operating in the County of Mombasa.

1.7 Limitations of the Study

The researcher faced a number of limitations in the course of carrying out this research. First was the possibility of lack of cooperation from the staff members in Commercial banks caused by a reluctance to sharing information due to the fear of consequences that may be imposed on them in the case of giving out information that is sensitive and classified. The researcher addressed this limitation by obtaining consent from the involved persons early and build a rapport with them. The second limitation was with regards to the vastness of the targeted population (commercial banks staff) whose effect may have led to inadequate representation. The researcher addressed this particular limitation by making use of the questionnaires and having them be self-administered. This ensured that more respondents were reached out to within a short time.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented the literature studied with regards to organizational restructuring and performance of commercial banks. The theoretical framework together with the conceptual framework and review of previous texts and the identified knowledge gaps are also discussed. The study objectives which include organizational restructuring and performance and their relationship are discussed in depth in this chapter.

2.2 Theoretical framework

Mugenda & Mugenda (2008) contends that the riview of theoretical materials entails collecting relevant literature on existing theories and models which ground the conceptual framework and consequently provide information about the problem being addressed. This research study will adopt Strategy- Structure Contingency Theory and the Resource Based View.

2.2.1 Strategy- Structure Contingency Theory

The assertions of the strategy-structure contingency theory presents restructuring to be an essential and economically suitable strategy for firms to familiarize with their environment. Chandler (1962) indicated that when diversity in organizations increases, there arises a need for subsequent realignment especially on the firm’s structure to reinstate and even enhance performance. Organizational restructuring is also driven by the necessity to readjust their strategy to match with it’s structure so as to facilitate effective strategy implementation. The strategy-structure contingency theory is also referred to as information processing theory. It contends that ‘no one best way,’ exists which implies a no-one fit for all structure but rather organizations adopt structures that are most effective and fit specific factors, called contingencies.

The level of effectiveness resulting from adopting a specific structure will be dependent on how best it fits the contingencies. The contingencies with regards to organizational structure include extent of environmental uncertainty, the strategy adopted by the firm as well as its size. The main proposition in structural contingency theory is that no single best organizational structure exists but rather it is about the appropriateness of the organizational structure in relation to the contingencies that the organization experiences (Thompson, 1967).

This theory is important in this study both contextually and conceptually. With regards to context, banks are diverse with varied governance structures and product offering. The markets they serve also differ in their characteristics which therefore means that their operational strategies are different as well. The structure- strategy contingiency theory provides a basis for restructuring strategies by ensuring that the institutions put up the most ideal organizational structure that will support the strategies persued by the firm.

2.2.2 Resource Based View

The resource based view (RBV) was advanced in 1984 by Birger Wernerfelt (Kozlenkova, Samaha & Palmatier, 2014). RBV is an inside-out process of formulating strategy. Thus, the theory creates assumptions that resources exhibit the characteristic of being imperfectly mobile and that they are heterogeneously spread between organizations. It also emphasizes that internal resources within an organization are essential in inventing the ideal strategy tha will enable the firm attain and sustain competitive advantage in the environment it operates in (Barney, 2001). Resource Based View tenets also show that organizations acquire resources as well as capabilities which are considered to be valuable and rare and then exploits them in a manner that gives them a competitive advantage in the market place. Kozlenkova, Samaha & Palmatier, (2014) points out that, RBV theory seeks to explain market dynamics that can result to the sustainable growth of the firm.

Smart (2008) observed that resource availability has the potential to influence restructuring and its outcomes. In summary, a firm’s internal capabilities will dictate the strategic choice that that organization settles on with regards to competing in the external environment. Firm capabilities entail human resource skills, tangible assets and organizational processes, the physical assets the firm owns, and also the information avenues and incentives that improve performance within specific aspects. The resource-based theory is applicable in this study since it informs efforts by organizations such as Commercial banks that want to maintain a distinctive product that possesses a competitive advantage to focus in both resources and capabilities, in the most cost-effective approach (Priem, Butler, 2001). Thus, internal resources such as human resources with Commercial banks are the principal driver of a commercial bank profitability and strategic advantage.

Resource-Based view Theory does have strengths and weaknesses. Its main strength is that it is self-verifying such that with competitive advantage as its main strength, the theory is able to create a value-adding strategy which is built around the firm's resources. The theory has limited focus on capabilities hence making it be limited to prescriptive implications. The main strength of the theory is within competitive advantage which creates value. However, varying resource formations can produce the identical value for the entities and therefore would fall short of being a competitive advantage (Priem and Butler, 2001).

2.3 Organizational Restructuring

Restructuring is an important strategy that organizations implement to make sure that they do not loose their relevance within the business world. The term restructuring is defined by Gibbs (2007) as a modification of the corporate structure in several aspects including operational, investment, financing and governance. Still, Sterman (2012) defines restructuring to refer to diverse activities that a firm engages in such as acquisitions, divesting, stock repurchases, spin-offs and debt swaps, as well as adaptation of structural variations introduced in daily business management functions. Restructuring is also seen to be more concerned with altering structures in an effort to achieve positive gains immediately as well as in the future. Bowman & Singh (2013) contend that organizational restructuring can be grouped into four major kinds which include departmentalization, human resource restructuring, centralization of processes and also mergers and acquisitions.

2.3.1 Departmentalization

Departmentalization entails reorganization of large and complex firms into smaller flexible administrative divisions (Nimalathasan, 2012). It entails the re-organization of activities into different convenient units, departments to facilitate the accomplishment of the organization objectives. It permits a firm to embrace specialization and simplify functions such as communication, coordination and control which results in overall organizational success (Hari, 2009) Departmentalization can be by function, by customer or by product. Functionally, departmentalization enables firms to group actions by shared function whereby each functional unit is characteris by divergent set of duties and responsibilities. Depending on the type of business, these set of function can include marketing, operation, retail, finance, communication, information technology or procurement (Rao, 2009).

Departmentalization by product is applied in a case where the firm handles diverse product. The organization is broken down into a number of units that are independent so as to ensure that no products is either neglected or over-emphasized. This could be classified by appointing heads of the various products. On the other hand, departmentalization by customer enables firms to to satisfy the various customers' needs. Examples include advantage banking for high end customers, mortgage, small and medium enterprise department or corporate department and also segmentation of type of customers based on their cultures or religion for example introduction of Islamic banking segment by banks to serve the muslim customers (Rao, 2009).

2.3.2 Decentralization of Processes

Decentralization in organizational resuturcturing refers to the act of delegating authority of decision making to lower levels of employees within the organization. Gururajan & Hafeez-Baig (2012), contend that organization end up decentralizing when there is reduced quality movement and also faced challenges in delegating responsibility. According to Holtmann (2000), decentralization is anchored on the principle of subsidiary which holds that efficiency can be achieved when larger organizations support smaller firms to perform functions that are closer to consumers. The benefits of decentralization according to Sblynkis (2003) include improved speed in solving problems as well as inclusivity in decision making which makes employees feel less alienated from the organizationthus owning their actions. Past studies have indicate that decentralized organizations foster an environment of trust and respect for employees thus encouraging them to be more active in contributing towards organizational goals and objectives which consequently leads to improved organizational performance (Anderson & Pulich, 2000).

The past decades has seen financial instituions focus more on decentralization and liberalization in an effort towards reforming the industry. This has resulted to the sector easing regulations and embracing a market oriented system, with a greater authority to make decisions resting on the local management. This transition has enabled the banking institutions to compete more effectively in the market as they are able to better exploit the local information in making decisions and resource allocation (Stephen & Timothy, 2012).

2.3.3 Downsizing

Organizational restructuring may also be in the form of Human Resource restructuring. The most common action is downsizing which represents a specific kind of restructuring in organizations. The definition given by Budros (2014) presents downsizing to be a deliberate decision to effect permanent reductions by a company in an effort to enhance efficiency and/or effectiveness. Generally, downsizing is distinguished from other non-deliberate methods of reducing the size of the company because of the deliberate action to cut down on the size of the organization's workforce. Laying off workers is the most common avenue though other options followed can include implementing hiring freezes and offering existing employees early retirement programmes. The implementation of a downsizing strategy is often a proactive effort towards enhancing organizational competitiveness and past research indicates significant investment in labour saving technologies often precedes downsizing. Although its original purpose was to be used in organisations facing challenges, downsizing has overtime been opted as a strategy to achieve a leaner organization (Fisher and White, 2000).

De Vries and Balazs (1997) contend that downsizing is becoming a norm especially given the global economy that forces companies to continually readjust their strategies, products, services as well as labour costs so as to remain competitive. Bowman and Singh (2013) found that letting go of employees represented an organizational change that could possibly have a negative effect performance levels. Minimizing communication related to such organizational restructuring is likely to reduce the effect of the negative effetcs, though in very insignificant extent. Organizations function in extremely dynamic environments that vary and therefore it is advisable that managers are always on the know about new ways in which they can structure and finance their enterprise. Burnes (2004) argues that the current pay structure should be rationalized so as to internal as well as external employee equity is maintained.

Some of the ways that organizations accomplish staff reduction include disposing off or closing down of units that are registered losses over time, as well as by consolidating or outsourcing some functions like payroll, human capital, and training, or security services. Shared functions when it comes to restructuring includes alterations in management, disposing off assets considered to be underutilized, outsourcing of functions for example manufacturing to lower-cost locations, function reorganization as well as refinancing the corporate debt to lower the amounts of interest paid (Hill & Jones, 2004).

2.3.4 Mergers and Acquisitions

Banks persue mergers and acquisitions as a restructuring strategy to address issues faced by individual banks or as a measure to solve issues that affect the banking system in its entirety (Hoenig & Morris, 2012). Apart from banks persuing restructuring as a survival strategy, Central Bank of Kenya may also call on banks that are undergoing a crisis to restructure in order to minimize costs so as to enhance the bank's financial performance (CBK, 2016). This has seen an increased number of banks restructuring through mergers and acquisitions which has given rise to bigger and complex institutions which work towards improving profitability of the merged banks (Ithiri, 2003). The intention is to ensure restoration and maintainance of faith and confidence in the banking system as well as to propel individual banks to be profitable and efficient (Nor, et. al., 2009). Mario

(2014) argues that restructuring in banks also entails increased surveillance aided by prudential regulation which increases the financial system's intermediation process.

Bank restructuring through mergers and acquisitions is considered when there is need to improve financial performance and also to reduce the likelihood of a national financial crisis (Birchil & Simmons, 2010). Emilia, Gupta and Weisin (2007) argue that when individual banks fail to recognize looming problems they may fail to take action early which may result to a build up of systemic problems which call for restructuring). Diagonising banking problems before banking crisis ensue is necessary for ensuring a sound financial system (Hawkins & Turner, 1999).

Organizational restructuring in banks is reflected in their offerings such as product and services where new product and service schemes are introduced (like credit cards, hassle-free housing loan schemes, educational loans as well as flex-deposit schemes); integrating the branch network using superior networking technology and programs that support client personalization. So as to survive and grow in a globalized economy, businesses need to look out and respond to key trends that reshaping markets (Sidikat & Ayanda, 2008). Therefore, the dynamics of the background forces working require a renewed drive on departmental realignment to ensure management and diversification of growth horizons by focusing on productivity and profitability (Appelbaum, et al, 2010).

Based on this argument, restructuring has proved to sustainably enhance firm performance and the banking sector has in recent times undergone significant restructuring (Cascio, 2002). Important among these restructuring includes the directives by the Central Banks on bank with regards to recapitalization. The opportunities offered by IT have also bee explored by commercial banks in a bid to automate and enhance its service quality for higher levels ofcustomer satisfaction, electronic banking, installation of ATMs, integrating their branch networks etc (Sidikat & Ayanda, 2015). The current operating environment is characterized by heightened competition both on a local context and global context; hand therefore, restructuring becomes a proper engine for firm survival. Besides a company that is dependent on arm chair business processes risks redundancy or even decline in the current technological paradigm.

Therefore, an organization that has undergone restructuring successfully will be lean, operating in a more efficient manner, organized in a better way, and also be highly focused on its core business. Hayes (2002) suggests that the change results from three related trends, transience, novelty as well as diversity. The current environment is characterized by impermanence and transience resulting form globalization as well as and increased changes. This leads to shortened time spans of people‘s connection with possessions, places, colleagues, firms as well as concepts. This transformation in turn demands enhanced adaptation stages to ensure sustainability. The more adaptable individuals and organizations are, the more likely they are to cope and vice versa.

2.3.5 Organizational Restructuring and Organizational Performance

Organizational restructuring influences organizations to achieve enhanced operational efficiency. As presented by Pearce and Robinson (2010) the restructuring strategy entails firms recasting their structures, company culture, their management as well as compensation levels to get cost effectiveness while maintaining quality demanded by customer requirements to enhance firm performance. The benefits of organizational restructuring include inceased revenues due to growth of market share, reduction of costs as well as accelerated growth of the organization..

The main point of contention in favour of restructuring is their idealness to enhance industrial efficiency thus removing the fear of loosing their companies. As suggested by Boen (2006), restructuring strategy entails leaders coming up with decisions on on the new aspirations and how the new structure will aide its realization. Among the goals for restructuring includes increasing productivity, growing sales, enhance service quality, minimize on costs, do away with responsibility overlaps, exploit the critical skills possessed b employees, create other units or even decentralization of the decision making process. Further, managers need to decide on the ideal structures to be adopted. Byars and Lloyd (2001) contend that a restructuring strategyis necessary to deal with growth of firm size and products diversity or client base. Restructuring strategy leads to improved profitability, enhanced productivity, effective competition, improved balance sheet ratio as well as an improved rate of firm growth.

2.4 Summary of empirical review and Research Gaps

Pietro Giorgio and Alberto (2006) conducted a study to assess how asset restructuring impacted strategies in Bank Acquisitions whereby the research population was financial institutions in Italy and the period under review being 1993 to 2003. The research design for this study was the causal and effects research design. Findings indicated that restructuring strategy, asset portfolio strategy (APS) impacted positively on financial performance of the Italian banks.

Jin, Dehuan, and Zhigang (2004) looked at restructuring strategy and the impact it had on the operations of China's listed organizations. The parameters monitored for change included the revenue, the total return on the organizations' assets, profit margins, and the turnover ratio prior to and post restructuring as representatives the firms' performance and did an analysis to ascertain if at all restructuring led to substantial variations. Findings indicated major enhancements in the overall revenue, profits, and return on total assets after restructuring with no indication of any major effect on asset turnover ratio. Findings indicated a noteworthy eagerness in the market and over reaction towards the restructuring strategy.

A research conducted by Munjuri (2011), that focused on the impact of restructuring on employees indicated that majority of the financial institutions in Kenya implemented staff retrenchment as a restructuring strategy, to cut on costs and ensure profitability. Riany (2012) also carried out a srudy which looked at restructuring and how it impacted the performance of providers of mobile phone services. The research methodology adopted in the study was causal research design whereby the instrument used to gather information from respondents was a structured questionnaire. Data was collected from relevant departments of selected firms that provide mobile phone services. Findings indicated that restructuring influenced an organization's performance.

Ngige (2012) conducted a research that focused on the banking sector where the goal was to find the relationship between restructuring and performance and how this relationship contributes to the long-term competitiveness of Kenyan banks. The study further looked at how significant various restructuring strategies aembraced by the banking institutions were impacting performance. The research indicated that in overall, restructuring led to enhanced performance with regards to growth of the market share, competitive advantage, achieving superior quality in products, geographical spread and retention of customers. The research findings further indicated that banks adopted different strategies of restructuring to exert different effect on performance. With regards to organizational restructuring findings from the study indicated a growth in performance in the subsequent years after restructuring.

Mbogo & Waweru (2014), conducted a study that focused on the corporate turnaround response by NSE listed companies that were financially distressed where they focused on organizations that were listed throughout the research period (2002-2008). Findings indicated the most preffered course of action by firms was employee layoff being carried out by 63% of the firms. This was followed by asset restructuring coming in as the second most preferred strategy being practiced by half the number of the firms. The least preffered restructuring forms were Financial restructuring and top management change as indicated in the study.

Different empirical researches have been conducted by several researchers from public as well as private sectors on the effects of organizational restructuring on commercial banks performance. However, limitations arise in the context, scope and contribution of these researches in providing answers to the question of organizational restructuring on performance of commercial banks that operate in the County of Mombasa. These gaps therefore raise the need to analyze the effects of organization restructuring on performance of commercial banks that operate in the County of Mombasa. Identified gaps are as indicated in the table 2.1.

Table 2. 1: Summary of Past Studies and Research Gaps

AUTHOR	TITLE	FINDINGS	GAPS
Srivasta & Mushtag, (2011)	Impact of restructuring on the operational aspects of listed organizations in China	There were significant improvements in total revenues, profit margin and return on assets after restructuring	The study concentrated on operational indicators of the organizations and not performance as a whole which makes it difficult to conclude the general performance in relation to structuring
Pietro, Georgio & Alberto, (2016)	Impact of asset restructuring strategies in bank acquisitions	Asset restructuring impacted positively on profitability of the banks	Looked at portfolio restructuring without considering other forms of restructuring which may be contributing to the overall performance to a greater extent
Jin, Dehuan & Zhigang, 2014	Impact of restructuring strategy on operational aspects of publicly traded companies in China	There was proof of substantial market anticipation and over reaction towards the restructuring	The scope of the research was limited to listed companies which may not necessarily be applicable to non listed companies
Munjuri, 2011	Impact of restructuring on employees in commercial banks	Common restructuring practices by banks involved retrenchment of employees to reduce costs	Focused on human resource restructuring leaving out other forms of organizational restructuring that may actually impact on performance
Ngige 2012	Implication of restructuring on performance and long term competitiveness within the Kenyan banking sector	Banking institutions used varied restructuring strategies that had diverse motives in influencing performance	The focus was quite narrow and general rather than being specific thus making it difficult to conclude on which strategy had the most impact on performance.
Mbogo and Waweru, (2014)	Corporate turn around response by financially distressed firms listed in the NSE	Employee layoffs followed by asset restructuring were the most preffered course of action by companies during restructuring	The study context was limited to listed companies thus making the findings hard to apply to other contexts

2.5 Conceptual framework

The conceptual framework presents an illustration on organizational restructuring and performance. The parameters of the independent variable include departmentalization, downsizing, centralization of processes and systems restructuring and bank performance froms the dependent variable. This is illustrated in the figure 2.1.

Independent Variable **Dependent Variable**

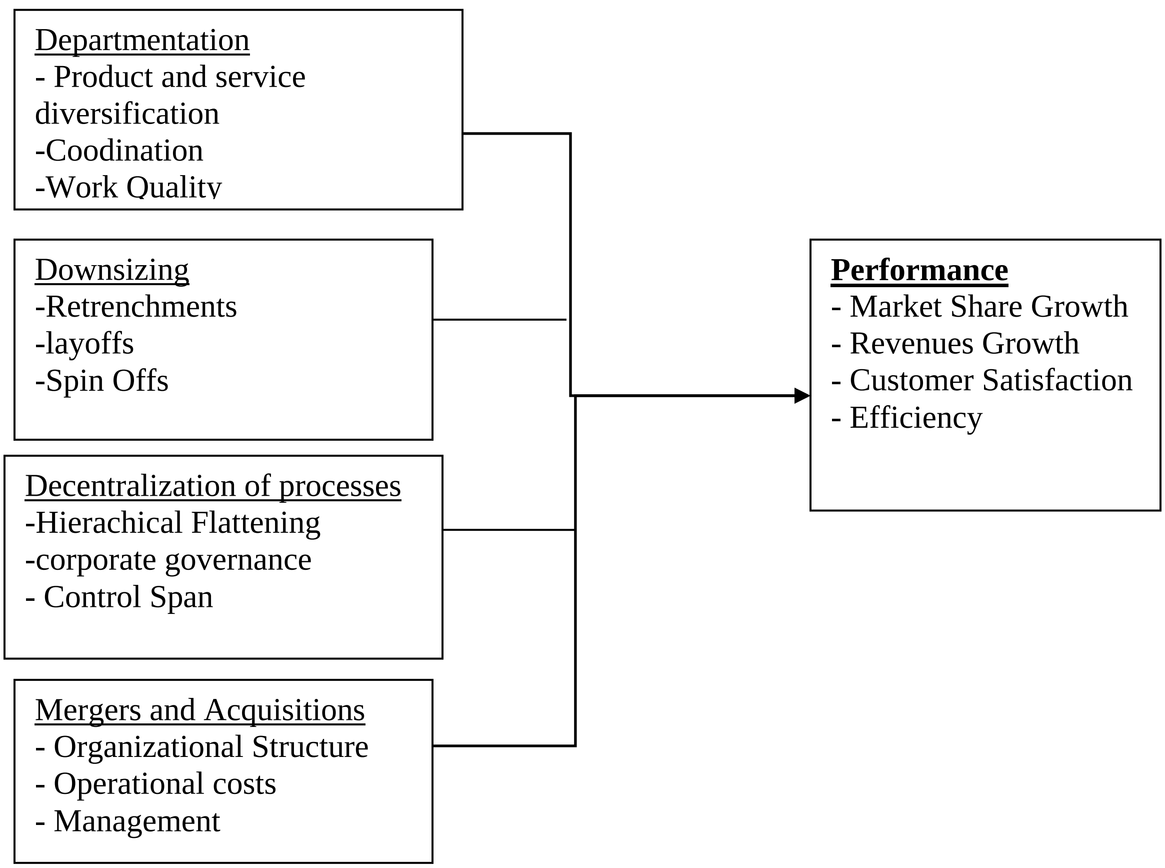

Figure 2 1: Conceptual Framework **Source: Researcher, 2020**

Organizational restructuring requires that it be approved from the highest level of management and also be supported by the rest of the stakeholders within the firm. Developing relevant mechanisms that will ensure that the strategies pursued are supported by the structure and capabilities of the firm is key if the end goal is to be achieved. The organizational structure is characterized by interlated roles and relationships which ensure the collective effort is funneled towards achievement of specified goals. Management which is comprised of planning, leading, organizing directing, staffing and controlling is purposeful for accomplishment organizational goals in an efficient anf effective way. The workfoce also greatly determines the competitiveness of a firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the research methodology that was adopted by the researcher in conducting this study i.e. the selected research design, research population, collection of data and description of the instruments that were used, the validity and reliability of the data collection tool and instrument as well as techniques that were used for analyzing the data collected.

3.2 Research Design

Research design refers to the methodology that the research adopted so as to be able to meet the research objectives. It is perceived to be a master plan or a blue print which specifies methods, the techniques and procedures that will guide the researcher in collecting data as well as analysing or put in simpler terms, the study's plan of action (Bibeault, 2014).

The research design that this study adopted was the cross sectional descriptive survey design. This design was deemed suitable for this research since it enabled the researcher to conduct evaluations depending on the demographical variations of research population. The design also provided more realistic responses as it could capture reality (Hodkinson & Hodkinson, 2001). This design was therefore found useful in gathering the data needed in this study.

3.3 Target Population

Research target population is presented by Carr (2015) to be a definite group of things or households that is being researched on. On the other hand Mugenda and Mugenda (2003), describes population to be a whole group of individuals' events or objects that have similar characteristics. The target population refers to the bigger group to which the findings will be inferred upon. The population in this research included all the 42 Commercial banks that operate in the county of Mombasa.

3.4 Sample and Sampling Method

Kombo and Tromp (2010) contend that the selected sample should be diversified, reliable, representative, accessible and knowledgable. These aspect was considered in selecting the sample as it comprised of the total population targeted for the study. Purposive sampling was employed in determining on who was to be approached to respond to the research questionnaires. This method was ideal for this study as it enabled the researcher to deliberately select the respondents who were more likely to possess information that was relevant for this study. The sampling is as illustrated on the table 3.1.

Table3. 1: Sampling table

Total Number of Banks	42
Total number of respondents per bank	1
Total Number of target respondents	42

Source: Researcher, 2020

3.5 Data Collection Procedure

Data collection refers to the process of reaching out to respondents and gathering data that is relevant to answer research questions. The data collection methods will vary depending the adopted research design (Kothari, 2004). This research utilized primary data which was gathered using semi structured questionnaires that had questions that were both open as well as closed-ended forms to allow the respondent give relevant information. The close ended questions prompted the respondent to provide a more structured response which enabled the researcher to give tangible recommendations. Open-ended questions prompted the respondent to provide more information and clarify further. Walliman (2016) notes that among the benefits of using questionnaires, assured confidentiality, time saving and are ease od administrateion are the top. Each of the respondents who were senior manager in each bank or their equivalent were given a questionnaire to fill with the required information.

3.6 Reliability and Validity of Research Instruments

According to Abel (2014), reliability in research denotes the degree to which a research tool or instrument provides consistency in the measures used whenever it is administered. Observations by Mugenda and Mugenda (2003) indicate that getting the same output from a subject after administering same instrument twice at separate times implies greater reliability for the adopted instrument. Using a measure multiple times and finding that it is reliable implies that the scores would be approximately the same.

The collection instruments were piloted using 20% of the respondents. Determination of instrument reliability was done using Cronbach's alpha method using Statistical Package for Social Sciences (SPSS). The resulting value was 0.86 which fell within the accepted levels of at least 0.7 or above. The instruments was thus considered reliable.

The test of validity is used to show to what degree a research instrument is ideal in measuring the aspects it is meant to gauge. There exists three types of validities including content, predictive and construct validity (Ogula, 1998). In order to guarantee content validity the researcher consulted with two research supervisors who verified the instrument’s validity.Each statement in the questionnaire was reviewed and assessed by these supervisors to ascertain whether these items reflected the concept being investigated. Validity was then decided when the experts agreed that the questions were indeed relevant. The researcher also reviewed the questionnaire accordingly as more input was given by the supervisors to enhance its validity.

3.7 Data Analysis

Upon the successful completion of data collection, the data was edited to ensure accuracy and consistency of the information. Data analysis was done using the statistical package for social sciences (SPSS). Descriptive statistics was used to summarize the responses which included means, standard deviations, percentages and frequency distribution. They also assisted to show similarities as well as differences and to what magnitude. These findings were be represented in graphs and tables.

Regression analysis was also performed to determine how organization restructuring affected performance of commercial banks. A multiple regression equation was thus stated to be: $Y' = A + \beta_1X_1 + \beta_2X_2 + \beta_3X_3, + \beta_4X_4 + \mathcal{E},$

where A is constant,

β is beta coefficient,

X_1 = departmentalization

X_2 = Downsizing

X_3= Centralization of processes

X_4 = Mergers and acquisitions

Y = Performance

$\mathcal{E}$ = error term

3.8 Ethical Considerations

The use of suitable ethical principles is key in research. The researcher therefore observed the existing ethical guidelines when handling respondents as well as collecting and analysis of data. These included obtaining all the relevant permits including referral letter from the school and the Nacosti permit which were required to enable the researcher gather data, informing the respondents on the nature and intended use of the data being collected and getting their consent to take part in the research. Anonymity and confidentiality was also preserved in data collection, analysis and reporting.

All data collected was also handled and stored with utmost care and protected from any possible mishandle. The data was only shared with authorized persons and used for academic purposes alone. The researcher adhered to good research practices and observed the ethical regulations.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

The discussion presented on this chapter was centred around the findings of this research which were derived from analysis of the information gathered from the respondents during the data collection period. The findings are presented in tables whereby the sections entail rate of response, frequencies and descriptives as well as regression analysis.

4.2 Rate of Response

The total number of questionnaires issued to respondents were 42 where 34 were dully filled and returned for analysis. This translated to a 72.72% response rate. Jorde (2008) contend that a response rate of 50% and above is ideal to subject it to analysis and therefore according to this argument, this response rate is sufficient to conduct analysis processes and generate intepretations.

4.3 General Information

This section presents the results from the analysis of the demographic characteristics as presented by the respondents that took part in the research.

4.3.1 Gender of Respondents

The respondents were required to specify the gender they identified with and the results showed that out of the total respondents who took part in filling the questionnares the male were 74 % and female were 26.5%. From thi outcome it can be stated that the male respondents were the the majority.

Table 4. 1 Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	25	73.5	73.5	73.5
	Female	9	26.5	26.5	100.0

	Total	34	100.0	100.0	

Source: Research data, 2020

4.3.2 Age of Respondents

The study sought to find out the age distribution of the respondents that were taking part in the study. The results indicated that the bulk of the respondents had their age fall in the bracket of 30- 31 years as represented by a value of 56 %. Those below 30 years were represented by a figure of 32% while those between 41-50 years were represented by a figure of 12%. The findings are as showed in the table 4.2.

Table 4. 2: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30 years	11	32.4	32.4	32.4
	31-40 years	19	55.9	55.9	88.2
	41-50 years	4	11.8	11.8	100.0
	Total	34	100.0	100.0	

Source: Research data, 2020

4.3.3 Level of Education

The literacy levels of the respondents was ascertained by them indicating the level of education they possessed. Finding revealed that majority of the respondents had a bachelors degree as indicated by a figure of 71%, followed by masters degree which accounted for 21% of the respondents and those with diploma accounted for 8% of the total respondents. These results are shown in table 4.3.

Table 4. 3: Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	3	8.8	8.8	8.8
	Bachelors degree	24	70.6	70.6	79.4

	Masters Degree	7	20.6	20.6	100.0
	Total	34	100.0	100.0	

Source: Survey data, 2020

4.3.4 Number of years worked

The researcher sought to ascertain the experience levels among the respondents by asking them to indicate the period they had been working in their respective companies. According to the results, respondents who had worked for a period of between 5 to 10 years represented the majority as reflected by a value of 59%. Respondents who had worked for a period of between 10 to 15 years represented 38% of the respondents and respondents who had worked for over 15 years accounted for 3% of the respondents. This meant that the respondents had suitable work experience that would enable them give the required data for the research. The results are as illustrated in the Table 4.4

Table 4. 4: Number of Years Worked

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5 to 10 years	20	58.8	58.8	58.8
	10 to 15 years	13	38.2	38.2	97.1
	15 to 20 years	1	2.9	2.9	100.0
	Total	34	100.0	100.0	

Source: Research data, 2020

4.4 Descriptive Statistics

This section addressed the adoption of organizational restructuring parameters by the organizations. The scale used was a five point likert scale. Results are as illustrated in the table 4.5.

Table 4. 5: Organizational Restructuring Parameters

	Minimum	Maximum	Mean	Std. Deviation

Departmentalization	2.00	5.00	4.0294	.71712
Decentralization of processes	2.00	5.00	4.1765	.93649
Mergers and aquisition	1.00	5.00	2.2647	1.21378
Human resource restructuring	3.00	5.00	4.6176	.55129
Valid N (listwise)				

Source: Survey data, 2020

The table 4.5 indicate agreement by the respondents that departmentalization, decentralization and human resource restructuring had to a great extent been adopted in organizational restructuring as represented by means of 4.0294, 4.1765 and 4.6176 with SDs of 0.71712, 0.93649 and 0.55129 respectively. Mergers and acquisition was however less adopted as a restructuring parameter as indicated by mean of 2.2647 with SD of 1.21378.

4.4.1 Departmentalization

The respondents were also asked to show their level of agreement on departmentalization as a restructuring strategy. The scale used was a five point likert scale. Results from the analysis were as illustrated in the table 4.6.

Table 4. 6: Departmentalization

	Minimum	Maximum	Mean	Std. Deviation
The bank has designated different departments to handle different products and services	3.00	5.00	4.6176	.55129
There is easier coordination between departments	3.00	5.00	4.6471	.54397
There is improved effectiveness and efficiency	3.00	5.00	4.5588	.70458
Service quality has improved over the recent past	2.00	4.00	3.3235	.63821
The is personalized service to banks customers	1.00	5.00	3.7353	.82788
Valid N (listwise)				

Source: Survey data, 2020

The analysis output as indicated in Table 4.6 indicate collective agreement that the bank had designated different departments to handle different products and services with a mean of 4.6176 with SD of 0.55129. Easier coordination between departments indicated a mean of 4.6471 with SD of 0.54397 where as on improved effectiveness and efficiency the respondents agreed posting a mean of 4.5588 with a SD of 0.70458. Regarding whether or not there was improved service quality over the recent past and personalized bank customer service as a result of departmentalization, the respondents agreed to a great extent posting means of 3.3525 and 3.7353 and SDs of 0.63821 and 0.82788 in that order.

4.4.2 Downsizing

This section addressed the respondents perception of downsizing as a restructuring strategy used in banks. The scale used was a five point likert scale. The outcome of analysis is as illustrated in the table 4.7.

Table 4. 7: Downsizing

	Minimum	Maximum	Mean	Std. Deviation
The company has recently implemented a downsizing exercise	2.00	5.00	4.3235	.63821
The employee motivational structure is accepted by employees	2.00	5.00	4.0000	.69631
Outsourcing of HR functions has saved the bank significant costs	2.00	4.00	3.1471	.60964
Downsizing has enabled the bank to be more lean thus saving on costs	2.00	5.00	3.8824	.68599
Matching of employees to tasks that fit their skills has resulted to improved performance	1.00	5.00	3.5882	.92499
Valid N (listwise)				

Source: Research data, 2020

The findings as illustrated in the table 4.7 indicate that there was collective agreement that the organizations had recently implemented a downsizing exercise with a mean of

4.3235 and SD of 0.63821. Employee motivational structure acceptance by employees posted a mean of 4.0000 with SD of 0.69631 while saving costs through outsourcing HR functions and achieving a lean organization due downsizing the results indicated means of 3.1471 and 3.8824 with SDs of 0.60964 and 0.68599 in that order. On enhanced performance resulting from correctly matching employees to tasks that fit their skills, the the mean mean was 3.5882 with SD of 0.92499.

4.4.3 Decentralization of Processes

This section sourced for responses with regards to decentralization of processes in banks. The scale used was a five point likert scale. Results were as illustrated in the table 4.8.

Table 4. 8: Decentralization of Processes

	Min	Max	Mean	Std. Deviation
The decentralization of processes in the bank has eased decision making	1.00	5.00	3.5000	1.05169
The decentralization of processes by the bank has enhanced the control function in the bank	1.00	5.00	3.5294	1.28477
The decentralization process has reduced resource wastage	1.00	5.00	3.1471	1.13170
There is eased coordination due to clear communication structure	2.00	5.00	3.6471	.98110
There is a heightened sense of responsibility among staff as a result of flattened organizational hierarchy	2.00	5.00	3.8529	.98880
Valid N (listwise)				

Source: Survey data, 2020

The results in the table 4.8 indicate that the bulk of the respondents agreed that decentralization of processes in the bank had eased decision making as evidenced by a mean of 3.5000 and SD of 1.05169. Enhanced control function as a result of decentralization of processes by the bank the mean was 3.5294 and SD of 1.28474. Results also indicated collective agreement that decentralization process had reduced resource wastage and that there was eased coordination resulting from clear communication structures, posting means of 3.1471 and 3.6471 with SDs of 1.13170 and

0.98110 in that order. On staff having heightened sense of responsibility resulting from flattened organizational hierarchy, the results posted a mean of 3.8529 and standard deviation of 0.98880.

4.4.4 Mergers and Acquisition

This section required responses from the respondents about mergers and acquisitions adopted as a restructuring strategy adopted by banks. The scale used was a five point likert scale. Results from the analysis were as illustrated in the table 4.9.

Table 4. 9: Mergers and Acquisitions

	Min	Max	Mean	Std. Deviation
Restructuring through mergers and acquisitions helps lower operational costs	2.00	5.00	2.9706	.99955
Through mergers and acquisitions, the banks' organizational structure is enhanced and aligned with strategy	2.00	5.00	3.4118	.92499
Restructuring through Mergers and acquisitions enables the bank reconfigure management style for better governance	1.00	5.00	2.6765	.87803
The bank has recorded more transactions	2.00	5.00	3.2647	.96323
The resources and capabilities acquired as a result of mergers and acquisition match the market needs	2.00	5.00	2.9118	.86577
Valid N (listwise)				

Source: Research data, 2020

Findings from the analysis as illustrated in the table 4.9 indicate lower means on statements with rehards to mergers and acquisitions in when restructuring in banks. With regards to lowered operational costs through mergers and acquisitions the findings indicated a mean of 2.9706 and SD of 0.99955. Enhancing and aligning the banks organizational structures to strategy through mergers and acquisitions as well as enabling better governance through reconfiguration of management style recorded means of 3.4118 and 2.6765 with SDs of 0.92499 and 0.87803 in that order. The respondents also agreed that the bank had recorded more transactions as a consequent of restructuring through mergers and acquisitions posting a mean of 3.2647 with SD of 0.96323. Regarding resources and capabilities acquired as a result of mergers and acquisition matching the market needs, the findings indicated a mean of 2.9118 with SD of 0.86577.

4.5 Regression Analysis

The study analyzed the link existing between organizational restructuring and performance. The parameters of the independent variables included departmentalization, decentralization of processes, departmentalization, downsizing and mergers and acquisition. The regression model that was adopted was;

$$Y' = A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3, + \beta_4 X_4 + \mathcal{E},$$

where A is constant,

β is beta coefficient,

X_1 = departmentalization

X_2 = Downsizing

X_3= Centralization of processes

X_4 = Mergers and acquisitions

Y = Performance

$\mathcal{E}$ = error term

Table 4. 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.306[a]	.094	.031	.33909

a. Predictors: (Constant), Mergers and Acquisitions, Downsizing, Decentralization of Processes, Departmentalization

Source: Research data, 2020

The table 4.10 indicates that the determination coefficient R^2 is 0.094 and R is 0.306. This results mean that the prediction of the variable organizational performance can be done up to 30.6% by organizational restructuring with a standard error of 0.339. Further the output indicate 9.4 % variance in organizational performance is described by changes in the organizational restructuring parameters adopted by the company. Therefore this means that the remaining 90.6% of organizational performance is determined by other factors that this study did not cover.

Table 4. 11: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.345	4	.086	.751	.046[b]
	Residual	3.334	29	.115		
	Total	3.680	33			

a. Dependent Variable: Performance
b. Predictors: (Constant), Mergers and Acquisitions, Human Resource Restructuring, Decentralization of Processes, Departmentalization
Source: Survey data, 2020

In testing the coefficient of determination' s significance, the ANOVA output illustrates at α= 5%, f statistic records a value of 0.751. P value of 0.046< 0.05 and is significant is recorded as well. The implication is organizational restructuring parameters are significant in predicting organizational performance.

Table 4. 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.981	.937		4.250	.000
	Departmentalization	.033	.219	.031	.150	.048
	Downsizing	.161	.174	-.192	-.922	.036
	Decentralization of Processes	.095	.090	.205	1.063	.029
	Mergers and Acquisitions	.079	.185	.083	.428	.032

a. Dependent Variable: Performance Source: Survey data, 2020

According to the table of coefficients 4.12, there is a relationship between the parameters of organizational restructuring and performance whereby departmentalization posted $p=0.048 < 0.05$. Downsizing posted $p=0.036 <0.05$, decentralization of processes posted $p= 0.029 < 0.05$ while mergers and acquisitions posted $p=0.032 < 0.05$. In this particular study, the significance occured when p registered a value less than 0.05. These findings imply that all the parameters for organizational restructuring relate significantly with performance of commercial banks.

The presentation of the linear model thus stands as;

$Y= 3.981 +0.033X_1 + 0.161X_2 + 0.095X_3 + 0.079X_4 + \varepsilon$

Where Y stands for performance, X_1 symbolized departmentalization, X_2 symbolized downsizing, X_3 symbolized decentralization of processes and X_4 for mergers and acqusitions.

These findings indicate that considering other factors at a constant, the growth of departmentalization parameter by a unit leads to a 0.033 alteration in organizational performance of banks, the growth of downsizing paramenter by a unit leads to a 0.161 conversion in organizational performance, increasing decentralization of processes paramenter by a unit leads to a 0.095 alteration in organizational performance and finally increasing mergers and acquisitions paramenter by a unit leads to a 0.079 alteration in organizational performance.

4.6 Discussion of Findings

Working to enhance the competitiveness of institutions as well as enhance their overall performance, majority of the banks were found to have implemented a restructuring strategy the most common being human resource restructuring strategy while the least adopted strategy being mergers and acquisitions. These findings are supported by Erickson (2009), who found that in an effort to enhance performance and be more competitive, majority of multinational organizations had adopted various restructructuring strategies.

With regards to the organizational restructuring strategies, the research results indicated that the financial institutions adopted strategies that involved transforming organizational sytems to achieve efficiency as well as minimize costs and clearly defining fucntions by forming clearer organizational structures. The findings also indicated that the restructuring decisions mostly involved top management who sought to create a better organization that would be more productive through increased sales, enhanced financial services, better controls, maximized utilization of resources including human resource, clearer defined functional units as well as a decentralized decision making process. These findings are reinforced by the works of Jimmieson et al (2004) whose study showed organizational restructuring entailed firms modifying their reporting structures, reorganization of employees to ensure their skills and expertise are matched with the tasks assigned and abolition of unnecessary management positions.

The findings in this study are supported by various studies as showed in the literature review section. The findings indicated a positive connection between organizational restructuring and organizational performance. The results are reinforced by the assertions of Cascio (2002) who argued that restructuring has overtime proved to sustainably enhance the performance of organizations. The findings are also supported by Ngige (2012) who found that generally restructuring leads to better performance of firms with regards to market share growth, competitiveness, enhanced operations and acquisition and retention of customers. Other studies that agree with the findings of this study include Mbogo and Waweru (2014) who found that human resource restructuring was the most preferred form of restructuring by companies that are listed in NSE, and the study by Drucker (2007), who indicated that on organization will select a restructuring strategy that will best sort the issues the firm wants to address or improve such as performance, profitability or operations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The discussion on this chapter covers the summary, the conclusion and recommendation by the researcher in reference to the study findings. It will also present the areas that the researcher identified further gaps that could not be addressed by the study thus needing further research. The focus of this study was on the types of organizational restructuring and their impacts on performance of commercial banks in Mombasa County.

5.2 Summary

The study was able to establish that the banks had adopted various restructuring strategies over the recent past as indicated by the means and that it impacted the bank's performance. The organizational restructuring parameters that were adopted to a great extent included departmentalization, humanresource restructuring and decentralization of processes, with mergers and acquisition being adoted to a much lower degree.

It was established by this research that the bulk of the banks had designated different departments to manage the different products and services offered by the banks which enhanced the coordination of activities between the departments. To a great extent, departmentation was shown to enhance the quality of service provided which inturn led to enhanced organizational efficiency as well as effectiveness. Findings further established that organizational restructuring through departmentalization positively influenced the performance of banks and that it met the threshold of significance at the 5% significance level.

The research established that majority of the companies had done downsizing and the figures indicate that it was to a high extent. The downsizing of staff, developing a motivational structure that was accepted by staffand matching the staff to roles that fitted their skills positives showed to affected the performance of the organization to a large extent. The research findings show that human resource restructuring positively influenced the performance of the banks and that it was statistically significant at 5% level of significance. This means that an increase in human resource restructuring will result to improved performance by the banks.

With regards to decentralization of processes, the study established that majority of the organizations had decentralized their processes which as indicated by the respondents had eased their decision making, thus enhancing their control functions. Findings established that decentralization of processes had led to s reduction of resource leakage, which inturn saved on the bank's costs. The findings established that decentralization of processes had a positive influence on banks' performance and was statistically significant at 5% significance level. This therefore implies that enhanced decentralization of processes improved the performance of the banks.

The study established that only a few banks had adopted mergers and acquisitions as a restructuring strategy as indicated by the means. However from the findings, the research established that mergers and acquisitions helped lower operational costs as well as assisting the banks to enhance and align their organizational structure with their corporate strategies. It also enabled the organizations enhance their competitiveness by facilitating the acquisition of more resources and capabilities which according to the findings enabled the banks to increase their market share thus improve their profits and performance in the long run. This study established that mergers and acquisitions in organizational restructuring positively influenced performance and was statistically significant at 5% level of significance.

5.3 Conclusion

This research concluded that the commercial banks had adopted organizational restructuring in the recent past by implementing different parameters including departmentalization, human resource restructuring , decentralization of processes and mergers and acquisitions. The study also concluded that organizational restructuring enhanced the performance of these organizations to a significant extent. Majority of the banks had implemented departmentalization where different departments handled different products and services thus enhancing coordination of activities within the organization which in turn has improved quality of services offered and enhanced the organizational efficiency and effectiveness.

The study has also established that downsizing had been implemented in majority of the banks thus improving the overall performance of the banking institutions. The research has also established that a large number of the banks have decentralized their processes which in turn has enhanced their internal controls and helped reduce wastage of resources. Further, the study had established that not many banks have adoted mergers and acquisitions as a restructuring strategy but for those who have adopted, it has enabled them enhance their competitivess through improved resources and capabilities as well as aligning of organizational structure to corporate strategy thus enhancing their performance.

5.4 Recommendations

Basing on the results from the study, the researcher recommends that the organizations can enhance their communication channels to further be aware of ways in which decentralization of processes can enhance their performance. For organizations that would choose to restructure through mergers and acquisition, this study recommends that they should thoroughly review their strategic goals and directions to ensure that they choose the ideal companies to merge with that will enhance their strategic position in the market.

Adoption of effective policies when conducting downsizing is also recommended so as to ensure that the organizations achieve a positive outcome out of the practice. This will enhance the performance of the staff which in turn will improve the organizational performance as a whole. Finally, the study recommends that the banks should establish better coordination between the departments which will ensure that quality is upheld and that the departments are working together towards a common goal. This will ensure that fragmentation within the organization is avoided and the activities in the different departmets are in sync.

5.5 Suggestions for Further Research

The literature review found out that the topic of restructuring is not extensively covered especially the concept of organizational restructuring. The available literature is very limited especially with regards to the Kenyan context. This study therefore calls for the study to be replicated on different contexts so that generalization of findings can be applicable. This study focused on the banking sector in Mombasa County. A comparative study can therefore be conducted to enable validation or enhancement of the findings of this study.

The study also highlights several restructuring strategies that organizations can adopt to improve their performance. Further research can be conducted on the specific strategies in an effort ascertain their level of impact on organizational performance. Similarly, further studies can be conducted while adopting a different methodology such as longitudinal research design, which will enable monitoring of the effects of restructuring strategies adopted in the longterm.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent,

REF: <u>QUESTIONNAIRE ON EFFECTS OF ORGANIZATION RESTRUCTURING AND PERFORMANCE OF COMMERCIAL BANKS IN MOMBASA COUNTY, KENYA.</u>

I am a student currently persuing Masters of Business Adminisration at Kenyatta University. My research project focuses on the effects of organization restructuring on the performance of commercial banks: a case study of Commercial banks. Having been identified as a respondent for this study, your parcticipation by responding to the questionnaire will be highly appreciated. Confidentiality and integrity in handling of participants identity and information will be upheld and the information gathered will be strictly used for academic purposes only. Thank you in advance.

Yours sincerely,

Pauline Nyambura

Appendix II: QUESTIONNAIRE

Section I: Background Information

1. Gender

a) Male [ ] b) Female [ ]

2. Age bracket

a) Below 30 years [ ] b) 31-40 years [ ]

c) 31-40 years [ ] c) 51 years and above [ ]

3. Education Level

a) University [ ] c) Secondary [ ]

b) College [ ] d) Primary [ ]

4. Number of years you have worked in Commercial banks

a) 1 year and below [ ] b) 2-5 years [ ]

c) 6-10 years [ ] c) 11 years and above [ ]

Section II: Organizational Restructuring

To what extent has the following organizational restructuring parameters been adopted by your institution in the recent past? The scale is from I-V whereby I- Very low, II-Low, III-Moderate, IV- Great, V- Very great

Parameters	**Very Low**	**Low**	**Moderate**	**Great**	**Very Great**
Departmentalization					

Downsizing					
Centralization of processes					
D					

To what extent do you agree with the following statements with regards to organizational restructuring? The scale is from I-V whereby I- Very low, II-Low, III-Moderate, IV-Great, V- Very great

Departmentalization	**Very Low**	**Low**	**Moderate**	**Great**	**Very Great**
The institution has designated different departments to handle different responsibilities					
There is easier coordination between departments					
There is improved effectiveness and efficiency					
Service quality has improved over the recent past					
The is personalized service to banks customers					
Downsizing	**1**	**2**	**3**	**4**	**5**
The company has recently implemented a downsizing exercise					
The employee motivational structure is accepted by employees					
Outsourcing of HR functions has saved the bank significant costs					
Downsizing has enabled the bank to be more lean thus saving on costs					
Matching of employees to tasks that fit their skills has					

resulted to improved performance					
Decentralization of processes	**1**	**2**	**3**	**4**	**5**
The decentralization of processes in the bank has eased decision making					
The decentralization of processes by the bank has enhanced the control function in the bank					
The decentralization process has reduced resource wastage					
There is eased coordination due to clear communication structure					
There is a heightened sense of responsibility among staff as a result of flattened organizational hierarchy					
Mergers and Acquisitions	**1**	**2**	**3**	**4**	**5**
Restructuring through mergers and acquisitions helps lower operational costs					
Through mergers and acquisitions, the banks' organizational structure is enhanced and aligned with strategy					
Restructuring through Mergers and acquisitions enables the bank reconfigure management style for better governance					
The bank has recorded more transactions					
The resources and capabilities acquired as a result of mergers and acquisition match the market needs					

Performance of Commercial Banks

Please show to what degree the measures of firm performance outlined have been impacted by the restructuring strategies adopted by the bank. The scale stands for The scale is from I-V whereby I- Very low, II-Low, III-Moderate, IV- Great, V- Very great

.

Performance Indicators	**Very Low**	**Low**	**Moderate**	**Great**	**Very Great**
Enhanced customer satisfaction					
Efficacy in attending to clients					
Learning and Innovation					
enhanced bank profits					
Improved sales volume and bank’s market share					
Enhanced interest of bank products					

10. In your view is organizational restructuring effective in enhancing performance?

Yes ( ) No ( )

11. Any other comments ………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………..…..

Appendix III: Work Plan

Research Activities	February To March 2020	July 2020 to September 2020	October 2020	November, 2020	January, to April 2021
Proposal writing submission					
Validation of Instruments, Data Collection,					
Data Cleaning and Coding					
Data Analysis and Review					
Compilation of Report, submission and Review					

Appendix IV: Budget Estimate

The following is the estimated budget of the proposed research project:

Item		TOTAL (KSHS.)
Proposal		25,000
Piloting of Instruments		10,000
Data Collection		30,000
Data Analysis		10,000
Compilation of Report		5,000
Miscellaneous		5,000
Total		85,000
Details	*Proposal:* Literature resources retrieval, typing, printing (at least 6 drafts) *Piloting:* Research Assistants, communication, transport Data Collection: *Photocopying, Research Assistants, communication, transport* *Data Analysis and report compilation*: Data entry, transcribing, typing, printing photocopying	

Appendix V: List of Commercial Banks in Mombasa County

Africa Banking Corp Ltd.
Absa Kenya Ltd
Bank of Africa Kenya Ltd.
Bank of India
Bank of Baroda (K) Ltd.
CfC Stanbic Bank Ltd.
NCBA Bank
Citibank
Commercial Bank of Africa Limited.
Consolidated Bank of Kenya Limited.
Co-operative Bank of Kenya Limited.
Credit Bank Limited.
Development Bank (K) Ltd.
Diamond Trust Bank (K) Ltd.
Dubai Bank Ltd.
Ecobank Limited
Equatorial Commercial Bank Ltd.
Equity Bank Limited.
Family Bank Limited.
Faulu Bank
Fidelity Commercial Bank Limited.
Fina Bank Limited.
First Community Bank Limited.
Giro Commercial Bank Limited.
Guardian Bank Limited.
Gulf African Bank Limited.
Habib Bank A.G. Zurich
Habib Bank Limited.
Imperial Bank Limited.
I & M Bank Limited.
Jamii Bora Bank Limited.
Sidian Bank Limited.
Kenya Commercial Bank Limited.
National Bank of Kenya Limited.
Oriental Bank Limited.
Paramount Universal Bank Limited
Prime Bank Limited.
Postbank
Standard Chartered Bank (K) Limited.
Transnational Bank Limited.
UBA Kenya Bank Limited.
Victoria Commercial Bank Limited.