RELATIONSHIP BETWEEN ORGANIZATIONAL STRUCTURE AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The banking sector is among the sectors expected to facilitate the realization of vision 2030, by ensuring that there is the provision of efficient financial services and investment opportunities that will create vibrant and globally competitive financial services in Kenya. This study will focus on the effect of structure on the organizational performance of commercial banks in Kenya since they provide an important contribution to the economy. The study is prompted by the increased number of commercial banks in the recent past facing financial difficulties. These difficulties resulted in low returns to the investors and in some cases, commercial banks put under statutory management thus threatening the wellbeing of the country's economy. The study adopted a descriptive research design where a census of 39 commercial banks regulated by CBK was carried out. The study targeted 4 respondents from each of the 39 commercial banks. The respondents were head of human resource department, operations department, finance department, research, and development department, information technology department, head of customer care department, and sales and marketing department. Primary data were collected through a questionnaire from the selected managers and were analyzed using SPSS version 26 for regression analysis and model specification tests. Correlation and multivariate regression analysis were used to test five hypotheses. The regression analysis results showed that organization structure influenced performance ($\beta = 0.287$; p-value >0.05). It was recommended the management of commercial banks in Kenya should put in place high organizational structure strategies as it leads to high performance. The banks should ensure they have a specialized organizational structure, high nature of the span of control, centralized structure, and have departmentalization in the company.

KEYWORDS: *Organizational Structure and Performance*

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1.0 INTRODUCTION

1.1 Background of the Study

Organizational structure determines how the roles, power, and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. Ahmady et al. (2016) hold that a structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision-making power and has tight control over departments and divisions. In a decentralized structure, the decision-making power is distributed and the departments and divisions may have different degrees of independence. The organizational structures can be used by any organization if the structure fits into the nature and the maturity of the organization. In most cases, organizations evolve through structures when they progress through and enhance their processes and manpower.

Therefore, Structure is not simply an organization chart. The structure is all the people, positions, procedures, processes, culture, technology, and related elements that comprise the organization. The contingency approach to management sees no one right structure for all organizations. Instead, the right structure depends on contingency factors. Contingency or situational factors may include the organization's strategy, size, technology and environment, type of industry, the organization's and industry's stage of development, and the latest organizational fad (Král & Králová, 2016).

In the commercial banks in Kenya and worldwide, the quest for the ideal organizational structure should be seen as a means of increasing business efficiency and effectiveness. When the commercial bank changes its structure and not its strategy, the strategy will change to fit the new structure. Suddenly, management realizes the commercial bank's strategy has shifted in an undesirable way and it appears to have done it on its own. However, in reality, an organization's structure (commercial banks included) is a powerful force that cannot be directed to do something for any length of time unless the structure is capable of supporting that strategy.

1.1.1 Banking Industry in Kenya

The banking industry in Kenya is governed by the Banking Act of Kenya Cap 488. The CBK which falls under the Minister of finance's docket is responsible for formulating and implementing monetary policy directed to achieving and maintaining stability in the general price levels and fostering liquidity, solvency, and proper functioning of a stable market-based financial system. As of the end of 31st December 2012, the number of financial institutions comprised 43 commercial banks, 1 mortgage finance company, 6 deposit-taking microfinance institutions, 4 representative offices of foreign banks, 112 foreign exchange bureaus, and 2 credit reference bureaus. The 43 commercial banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests and a forum to address issues affecting members.

The banking business is the accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice, the accepting from members of the public of money on current account and payment on and acceptance of cheques; and the employing of money held on deposit or current account, or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money. Apart from accepting deposits and making loans, the banking industry has a wide variety of other business lines. Banks today provide a broad range of products and services, such as underwriting and dealing in securities, selling and managing shares in mutual funds, and even insurance (Shapiro 1996).

A commercial bank is a profit-seeking business firm, dealing in money and credit. It is a financial institution dealing in money in the sense that it accepts deposits of money from the public to keep them in its custody for safety. It also deals in credit, whereby it creates credit by making advances out of the funds received as deposits to needy people. It thus functions as a mobilizer of saving in the economy. A bank is, therefore like a reservoir into which flow the savings, the idle surplus money of households and from which loans are given on interest to businessmen and others who need them for investment or productive uses. There are many types of commercial banks such as deposit banks, industrial banks, savings banks, agricultural banks, exchange banks, and miscellaneous banks (Shapiro 1996).

1.2 Statement of the Problem

Theorists look for critical factors in successful organizations and then try to generalize their findings to produce an ideal structure and success formula (Peters and Waterman, 1982). Unfortunately, what works in one company may not work in another owing to the slightest of differences. Waterman et al (1980) contend that the structure of an organization is an expression of the understanding of the organization on how the human resources can be aligned and coordinated to deliver on the strategic objectives of the organization. In other words, the organization structure is aimed at delivering the strategy of the organization as summarized in form of roles, responsibilities, duties, and accountabilities of employees concerning the overall strategic intent of the organization.

Most commercial banks in Kenya have adopted a matrix organization structure based on geographical locations, functional areas, and specific project management. The organization structure at these banks changes almost regularly due to the introduction of new projects,separation and appointment of employees, creation of new business functions, merging of existingbusiness functions, entrance into new markets, and routine reviews of reporting lines to ensure quicker decision making, efficiency and proper utilization of resources. However, the banks' strategic intents remain unchanged because the laid down strategic objectives do not change in linewith the changes in the organization structures.

Locally studies that have been done include: Nyamasege (2012) researched the organizational structures adopted by KCB as a strategic response to competition within the banking industry in Kenya. He noted that there was no static organization structure KCB and the strategic objectives of the bank were determined by the strategic actions of the competitors which thereafter determined the type of organization structure to be adopted at KCB. Lastly, Munyoroku (2012) researched the role of organization structure on strategy implementation among food processing companies in Nairobi. He held that the structure of the food processing companies had a central role in determining the costs of operations, responsiveness to competitive forces, and the actual attainment of strategic objectives.

The above scholars have mainly focused on the relationships and alignments of organization structure and the strategic implementation of organizations. However, the researcher has not come across a specific study that tries to establish the role of organization structure on organizational performance of major banks in Kenya. Hence this study sought to undertake an in-depth evaluation of the effects of organization structure on organizational performance of commercial banks and fill the existing gap.

1.3 Research Hypothesis

The study sought to test the following hypothesis:

Ho1: There is no significant relationship between organizational structure and the performance of commercial banks in Kenya.

2.0 LITERATURE REVIEW

This section presented the theoretical and empirical review.

2.1 Theoretical Review

2.1.1 Contingency Theory

Contingency theory states there is no better approach to structure an organization to manage it or to make the decisions. Alternatively, the best approach contingent (depending on) on the environment. Contingent leaders are successfully adapting various types of leadership to the right circumstances. The concept was coined by Lawrence and Lorsch in 1967, they argued that the extent of uncertainty and the level of transition in the environment, affected the creation of features internally within entities. The theory provided a key blueprint for the research of organizational design. It maintains that the most efficient institutional structural design is where the system aligns with the contingencies. The limitation surrounding the theory is that it is static and does not address changes at the organizational level. The core of the theory is that it is static in the manner that it dwells with how the static nature of fit among structures and contingencies tends to cause high performance (Joseph & Gaba, 2020).

Contingency theory, nevertheless, assumes that varying solutions can prove beneficial under distinct contexts. This may be viewed as one of the key observations of the theory since rather than promoting widely accepted organizational management concepts, the theory aims to show that varying situations involve varying institutional structures The acknowledgment that Dobák (2010) adopted the contingency option (with an incentive for tactical decision) also illustrates the importance of the theory. The word 'contingency theory' was originally stated in the publication of Lawrence and Lorsch in 1967, in the sense of institutional structure. The theory of contingency did play a leading function in the corporate practice of the 1970s. It evaluated the correlation between the institutional structure and the operational parameters utilizing the comparative empirical analysis technique. Steiger et al. (2014) concluded that corporate bureaucratic systems were not streamlined and that separate institutions were organized in varying manners Contingency theories associated with institutional structure recognizes the strategy, the environment, and the organization size as contingency factors.

2.2 Empirical Review

2.2.1 Organizational Structure and performance

Organizational structure is considered as the anatomy of the organization, providing a foundation within which the organization functions. It is believed to affect the behavior of organizational members. This belief is based on a simple analogical observation. Buildings have halls, stairways, entries, exits, walls, and roofs. The structure is a major determinant of the activities of the people within it. The alignment mechanism is strategy, with the structure being the firms' functional activities. The traditional view of organizational structure describes the structure as the way an organization is configured as workgroups and the reporting, and authority relationship that interlink members of the organization (Joseph & Gaba, 2020).

The structure is typically described in different aspects: some schools of thought have sought to describe the structure as a formal configuration of roles and procedures. Yet according to Neis et al. (2017), the structure is the patterned regularities and processes of interaction in an organization for evaluation and control. In tandem with Max Weber's theory of bureaucracies' structure can be defined as a formal dimension of framework, depicted by precise and impersonal, tasks rules and authority relations. Bustinza et al. (2015) underscored the hierarchical dimensions of structure typologically, as complexity, formalization, and centralization. Any organization is a structure within a structure since the collaboration of others such as suppliers, customers, competitors, and the government is required if it is to function and survive.

According to Valaei (2017), the structure has two aspects namely: the lines of authority and communication between the different administrative offices and officers and the information and data that flow through these lines of communication and authority. An organization can achieve optimal performance when its structure matches the changes in its environment. Kenyan listed companies thus need to be structured in a way that most effectively handles the contingencies posed by the business environment. The traditional view of organizational structure describes the structure as the way an organization is configured into workgroups relationship that links them seamlessly, together. Organizational structure and processes should fit/match its environment to achieve its desired performance. There is empirical evidence that firms with good structural organization fit perform better than those without good fit (Joseph & Gaba, 2020).

Many empirical studies have advanced the findings that a higher degree of formalization leads to lower performance and that centralized decision-making may only work better in stable public sector conditions. They further concluded that decentralized decision-making in organic-oriented organizations works better in privately owned firms. Organic structure on the other hand manifests more flexibility, informality, fewer written processes, and rules, and is better suited for more dynamic conditions and innovation. Decision-making is distributed at all levels of the organization. The framework is likely to improve job satisfaction and particularly the performanceof individuals who have a high propensity for dominance, achievement, or autonomy (Rodinova et al., 2017).

In the case of matrix structure, it is essential to empower middle managers to make decisions or they will have to escalate constantly, which is likely to cause delays, cost, and customer dissatisfaction. The organization may not be able to define clear roles and processes as top management, due to bureaucratic red tape, have to manage constant ambiguity, tradeoffs, dilemmas, and changes in priorities. However, there are various assumptions to these conceptualizations. First, enormity in size leads to formalization, bureaucracy, and more mechanistic mode, and also that this style is suited to a stable environment. Secondly, in a more dynamic environment, the centralized and mechanistic structure may be unable to change and make timely and relevant decisions. It is imperative to note that even large organizations today need to be dynamic and centralized (Neis et al., 2017).

Strategic decision-making is almost impossible in an organization with hundreds or thousands of people in different cultures, time zones, and business units. Therefore even in a relatively stable and standardized environment, it is essential to decentralize decision-making for quality to inspire customer loyalty and spur business success, and hedge the firm against any contingencies. Organizations differentiate to handle a broader array of contingencies, encompass the requisite skills and resources necessary for adaptation and innovation, and include the diversity of personnel necessary for continued creativity and innovation. Successful competitors build their strategies, not around products, but deep knowledge of a few highly developed core skills. There appears to be a consensus that organizational integration across functional and disciplinary specialties drives superior firm capabilities, which ultimately leads to better performance. Consequently, it can be postulated that an elaborate fit between organizational structure and corporate strategy enables an organization to effectively confront environmental contingencies for the ultimate superior firm performance (Guadalupe et al., 2014).

Viewed as the way responsibility and power are allocated inside the organization and work procedures are carried out by organizational members, the organizational structure is the organization's internal pattern of relationships, authority, and communication. Similarly, Ferri et al. (2015) define organizational structure as "the network of relationships and roles existing throughout the organization". Specific working relationships among people and their jobs to efficiently and effectively achieve that purpose. Further, the structure is important as it helps people to understand their position and role in the organization's processes, who they work with, who works with them, to do the company's work. The central constructs in this research are four dimensions of organizational structure. The first and second organizational structure variables are layers in the hierarchy and the locus of decision-making. The number of layers in the hierarchy is the degree to which an organization has many versus few levels in a chain of command. The more layers in a firm will produce a more complex organizational structure. And, decisions that must be pushed through excessive layers take longer and are often made by people not directly in the trenches. The recent trend towards flatter organizations is a tacit acknowledgment that complexity will influence flexibility, and can frustrate an organization's ability to compete in a time-based environment (Kaufmann et al., 2019).

The locus of decision-making refers to the vertical locus of decision-making authority in the firm. The importance of lower locus of decision-making has been highlighted in recent years by the emphasis on employee empowerment or autonomy in both the academic and practitioner literature. Reducing layers and empowering low-level employees to make the decisions formerly made by hierarchies are often done together. The other organizational structure variable is the nature of formalization which refers to the degree to provide employees with rules and procedures that deprive but do not encourage creative, autonomous work and learning activity. Most organizations that have attempted to move toward process orientation agree that it does indeed provide numerous benefits, including cost savings through the more efficient execution of work, improved customer focus, better integration across the organization, etc. The main advantages of organizational structure, in comparison to a functional one, are in the economical design of business processes, as well as in reducing cycle time while there is also a dramatically increased flexibility of the firm along with improved customer satisfaction. Namely, even though processes don't appear on the balance sheet as such, managers intuitively recognize that they are assets, not expenses (Morris et al., 2015.

A key source of process benefit is improving hand-offs between functions, which can occur only when processes are broadly defined. A process orientation leads to cycle time reduction by doing a good job of coordinating work across functions. Also, some costs are reduced with a process organization. The faster time cycles mean reduced inventories and faster receipt of cash. The reduced working capital translates into reduced costs of carrying inventory and cash. Other costs are reduced because duplication of work across functions is eliminated. A process organization eliminates such redundant activities, verifying input once for all functions (Joseph & Gaba, 2020).

Implementing structures as a way of organizing and operating in an organization will improve internal coordination and break down the functional silos that exist in most companies. Research has shown that this increase in cooperation and decrease in conflict improve both short-and long-term performance of an organization. Furthermore, the more business process-oriented an organization is, the better it performs both from an overall perspective as well as from the perspective of the employees. Kim and Shin (2019), investigated the influence of various attributes of organizational structure and financial survival of 176 financially stressed firms of the Caribbean nations from 1988-1996 using regression analysis. Their study findings established that firms that replaced their CEO with an outside director were more than twice as likely to experience bankruptcy larger levels of insider ownership are positively associated with the likelihood of firm survival. A complex structure has a greater need for communication across many departments horizontally or between many levels vertically. The more complex an organization is, the greater the need for effective communication, coordination, and control.

Muriithi and Waweru (2017) documented the organizational structure and financial performance of state corporations, the case of the New KCC and concluded that better Organizational structure will improve financial performance in that respect he identified the following Organizational structure practices; appointment and leadership of the board structure of the organization, purpose, and values, balance of power in the board, corporate communication and the assessment of the performance of the board and its responsibilities.

Supported by evidence from China and Austria, Wu et al. (2015) carried out a study on the association between structure and organizational performance, the study particularly looked at innovation and organizational learning. The results confirmed the significance of positioning infrastructure-wise of organization-related structure on firm performance. Firstly, the organizational structure was found to be having fewer effects on innovation than on organizational learning, organizational learning effect on performance through innovation was indirect, except the direct effect of organization-related structure on performance. Secondly, in Austria the managers had in mind that structure had a more significant impact on performance; both technical and managerial innovation determined organizational performance, however, in China, it was established that managerial innovation was not significant.

2.3 Conceptualization of Variables

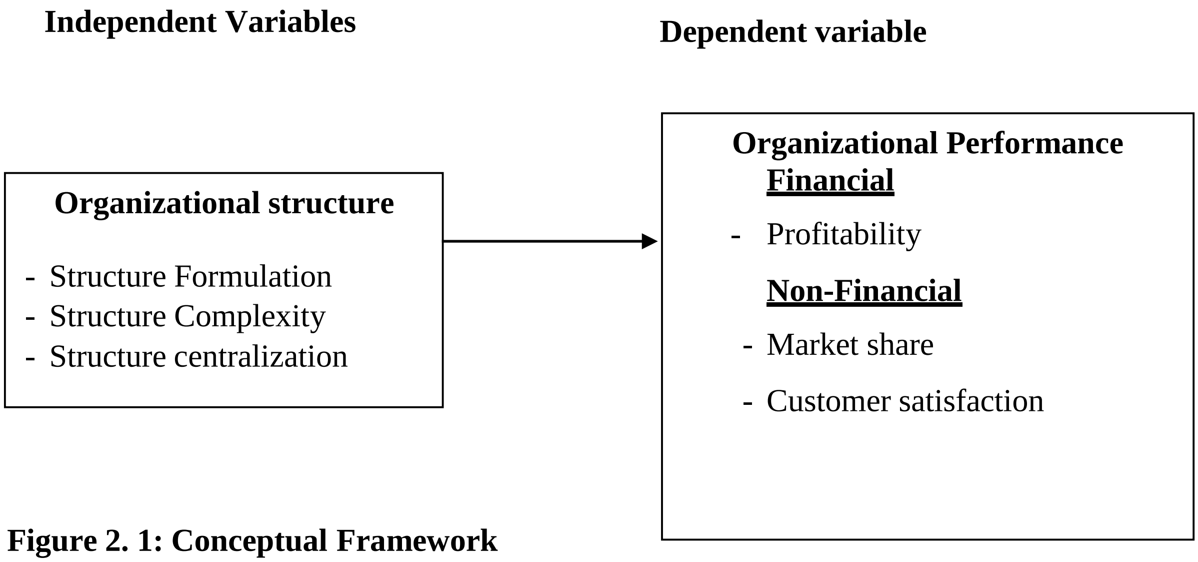

Figure 2. 1: Conceptual Framework

Source: Author (2021)

3.0 METHODOLOGY

3.1 Research Philosophy and Design

The study was based on the positivist research philosophy. The positivist approach was adopted because the study was objective, the researcher was independent of the study population and the results of the study were not shaped by the opinions of the researcher to find the exact situations of the relationship between organizational structure and performance of commercial banks in Kenya. This approach was also justified since it emphasizes quantifiable observations that can be used for statistical analysis and since the study seek to use quantifiable figures in a regression model to back up the findings, this philosophy was therefore appropriate.

This study employed a descriptive survey research design. Descriptive research is conducted to describe the present situation, what people currently believe, what people are doing at the moment, and so forth. The major purpose of descriptive survey research design is a description of the state of affairs as it exists at present (Rhee et al., 2017). This research design was suitable for answering the what, which and when questions which was the main question of this study as it sought to establish the relationship between contingency factors and the performance of commercial banks in Kenya. The choice of this research design was in line with the positivist research philosophy which emphasizes the need to formulate hypotheses that are tested and confirmed or disapproved by quantitative and statistical methods to answer the research objectives and accomplish the research purposes. This research design enabled quantitative data to be collected through questionnaires after which they were used to test the hypothesis as the positivist research philosophy demands.

3.2 Target Population and Sampling Procedure

A population is the total collection of all the elements about which the study wishes to make some inference (Blumberg et al., 2014). Other scholars such as Nachiamis and Nachamis (2012) define a population as the entire set of relevant units of analysis or data while Ott *et al* (2015) argue that a target population consists of a list of elements or individual members of the overall population from which a sample is drawn. The target population for this study was all the 39 licensed commercial banks operating in Kenya by the year 2017 as reported in the Bank Supervisory Report 2017. The unit of observation was the head of the operations department, finance department, research and development department, information technology department.

Sampling is the procedure a researcher uses to gather people, places, or things to study (Appice, 2018). It is the process of selecting several individuals or objects from a population such that the selected group contains elements representative of characteristics found in the entire group. This study however will conduct a census on all the commercial banks without adopting a sampling technique. The census approach was used because the sample size was not big enough for sampling. Furthermore, there is a need to have an in-depth opinion from the respondents. Joseph et al. (2016) argue that a census approach can be adopted for a population less than 200. The study targeted 4 respondents from each of the 39 commercial banks. The respondents were head of operations department, finance department, research, and development department, information technology department, giving a sample size of 156. The choice of the top-level respondents from the four departments was due to their role in strategy formulation and implementation.

3.3 Methods of Data Collection and Instrumentation

Burns and Grove (2010) define data collection as the precise, systematic gathering of information relevant to the research problems. Questionnaires were dropped and picked later to enable the respondents to have enough time to respond to them. The respondents were given one week to respond to the questionnaire. When they didn’t manage to fill the questionnaires within a week, they were given one more week. The use of drop and pick methodology enhanced the response rate of the study and that is why it was appropriate for this study (Allred & Ross-Davis, 2011). Data were collected at the headquarter branches of the commercial banks in Nairobi. For questionnaires that were not returned, the researcher enquired from the bank managers for an explanation.

Parahoo (2014) defines a research instrument as a tool used to collect data. An instrument is a tool designed to measure knowledge attitude and skills. The study used primary data. The primary data collection instrument in this study was a questionnaire. This is because questionnaires allow the respondent to present their feelings on the subject matter enabling a greater depth of response. The study collected primary data using structured questionnaires and captured information through a 5-point Likert scale type. Likert scale is an interval scale that specifically uses five anchors of strongly disagree, disagree, neutral, agree, and strongly agree. The Likert measures the level of agreement or disagreement. This type of questionnaire is more appropriate because it enables consistency in questions asked and the data yielded is easy to analyze. Likert scales are good in measuring perception, attitude, values, and behavior (Upagade & Shende, 2012). A questionnaire was more appropriate for this study as it enabled the researcher to collect first-hand information over a short period.

3.4 Methods of Data Analysis

Smith (2015) defines data analysis as a systematic manipulation, processing, arrangement, and organization of data to produce meaningful information. Data gathered using the questionnaires were analyzed quantitatively using analyzed by both descriptive statistics and inferential statistics. SPSS version 26 which generates both descriptive and inferential statistics were employed. Descriptive statistics including the mean and standard deviation were used to capture the characteristics of the variables under study. Descriptive analysis is defined by Abdullah and Siam (2014) as statistical procedures that are used to describe the population one is studying. They also contended that descriptive statistics use graphical and numerical summaries to give a picture of a data set. Inferential statistics were used in the study.

3.4.2 Effect of Organizational structure on Firm performance

To test the effect of organizational structure on performance inferential statistics namely; regression analysis and correlation analysis were used. The following linear regression model was used in the determination of coefficients of the predictor variable (organizational structure) in relation to the dependent variable (performance).

$$\mathbf{Y = \beta_0 + \beta_1 X_1} + \varepsilon$$

Where:

Y = Performance; X_1 = Organizational structure; and ε = Error term

In the model, $\beta 0$ = the constant term while the coefficient β_ii was used to measure the sensitivity of the dependent variable (Y) to a unit change in the predictor variable while ε is the error term that captures the unexplained variations in the model. Results were presented in form of tables and figures. T-test and F- Statistic at 5% level of significance was used to examine the significance of the model.

4.0 RESULTS

4.1 Response Rate

The number of questionnaires, administered to all the respondents, was 156. A total of 127 questionnaires were properly filled and returned from the bank employees. The results were presented in Table 1. The results in Table 1 represented an overall successful response rate of 81.41%. According to Mugenda (2008), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Therefore the researcher accepted the response rate as being appropriate for further analysis.

Table 1: ***Response Rate***

Response rate	Frequency	Percent
Returned	127	81.41
Unreturned	29	18.59
Total	**156**	**100.00**

4.2 Organization Structure Analysis Results

4.2.1 Sample Adequacy for Organization structure Factors

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as factor analysis, regression analysis, and other statistical tests, two main tests were performed, namely: Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Clark & Watson, 2019).

Findings in Table 2 showed that the KMO statistic was 0.837 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Sandhu & Kulik, 2019). In addition to the KMO test, Bartlett's Test of Sphericity was also highly significant (Chi-square = 1295.85 with 153 degrees of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 2. These results provide an excellent justification for further statistical analysis to be conducted.

Table 2: KMO and Bartlett's Test for Organization Structure Factors

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.786
Bartlett's Test of Sphericity	Approx. Chi-Square	605.052
	df	91
	Sig	.000

4.2.2 Factor Analysis for Organization Structure

The study sought to establish whether all the item statements had the appropriate factor loading to be included in the analysis. The results were presented in Table 3. All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Clark and Watson (2019), a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Shrestha (2021) who asserts that a factor loading of 0.4 has good factor stability and is deemed to lead to desirable and acceptable solutions.

Table 3: Thresholds of the independent Variable Organization Structure

	Organization Structure indicators	**Factor loadings**
OS1	Sections/departments' formal meetings/briefings are conducted regularly.	0.776
OS2	There are formal guidelines on how to deal with every operational activity/situation and the guidelines are available to staff.	0.763
OS3	Written formal communications through established channels must be used on every engagement to be undertaken by the corporation.	0.761
OS4	Every position in this corporation has a written job description.	0.761

OS5	There is a formal orientation program for new members of staff.	0.74
OS6	The policies and procedures manual is readily available to all staff.	0.729
OS7	There are few levels of hierarchy before a decision is made.	0.571
OS8	For every corporation mandate, there is an established department/division to deal with it.	0.510
OS9	There is more than one income-generating activity/more than one mandate.	0.448
OS10	Department/divisional decisions are approved by the head of the department/division.	0.441
OS11	Sub-ordinate staff participates in decision-making on matters relating to the day-to-day operations of the corporation.	0.440
OS12	All investment decisions must be approved by the board of directors before being undertaken by the corporation.	0.408
OS13	All operation activities to be undertaken by the corporation are approved by the Chief Executive officer.	0.355
OS14	Staff is asked to give their input on the adoption of new policies and procedures.	0.283
OS15	No or little action can be taken by staff on any matter without supervisor permission.	0.199

From the results in Table 3, " All operation activities to be undertaken by the corporation are approved by Chief Executive officer as denoted by OS13, Staffs are asked to give their input on the adoption of new policies and procedures as denoted by SO14 and No or little action can be taken by staff on any matter without supervisor permission as denoted by SO15 were eliminated because they had factor loading below 0.4, all the other factors registered thresholds of 0.4 and were thus considered for further statistical analysis.

4.2.3 Organization structure _ Descriptive Analysis Results

The first objective of the study was to determine the influence of organizational structure on the performance of commercial banks in Kenya. The study used 15 statement items to establish the influence of each item on the other. The researcher used a 5 point Likert 'scale to assess the views and opinions of the respondents on each statement item. Where the higher score of 5 (very high) represented strongly agreed, 4 (high) represented agree, 3 (neither agree nor disagree) represented neutral, 2 (low) represented disagree and 1 (very low) represented strongly disagree. For analysis, the strongly agree and agree responses were summed up to mean that the respondents agreed while the strongly disagree and disagree responses were summed up to show disagreement. The frequency and percentages used to summarize the responses were presented in Table 4.28.

Table 4 shows that 79.5% of the respondents agreed that sections/departments formal meetings/ briefings were conducted regularly, 65.4% agreed that written formal communications through established channels must be used on every engagement to be undertaken by the corporation, 74.1% agreed that every position at the bank had a written job description. Additionally, 61.5% agreed that policies and procedures manual is readily available to all staff, 81.9% agreed that there are few levels of hierarchy before a decision is made, 78.8% agreed that for every corporation mandate, there is an established department/division to deal with it.

Furthermore, 75.6% agreed that department/divisional decisions are approved by the head of the department/division, 78.6% agreed that sub-ordinate staffs participated in decision making on matters relating to day to day operations of the corporation, 70.7% agreed that all investment decisions must be approved by the board of directors before they are undertaken by the corporation. Finally, 62.2% agreed that staff is asked to give their input on the adoption of new policies and procedures. The mean score for the responses was 3.9 which indicates that the majority of the respondents agreed to the statements regarding organization structure and performance.

Table 4: Organization Structure Descriptive Results

		SD	D	N	A	SA	Mean	STD
OS1	Sections/departments' formal meetings/ briefings are conducted regularly.	0.8%	1.6%	18.1%	37.0%	42.5%	4.2	.84
OS3	Written formal communications through established channels must be used on every engagement to be undertaken by the corporation.	0.8%	10.2%	23.6%	44.1%	21.3%	3.7	.93
OS4	Every position in this corporation has a written job description.	2.4%	9.4%	14.2%	52.8%	21.3%	3.8	.96
OS5	There is a formal orientation program for new members of staff.	1.6%	6.3%	30.7%	40.2%	21.3%	3.7	.92
OS6	The policies and procedures manual is readily available to all staff.	2.4%	7.9%	22.0%	43.3%	24.4%	3.8	.98
OS7	There are few levels of hierarchy before a decision is made.	1.6%	1.6%	15.0%	33.9%	48.0%	4.3	.88
OS8	For every corporation mandate, there is an established department/division to deal with it.	.8%	2.4%	18.1%	42.5%	36.2%	4.1	.84
OS10	Department/divisional decisions are approved by the head of the department/division.	.8%	3.1%	20.5%	50.4%	25.2%	4.0	.81
OS11	Sub-ordinate staffs participate in decision making on matters relating to day to day operations of the corporation.	.8%	2.4%	18.1%	40.2%	38.6%	4.1	.85
OS12	All investment decisions must be approved by the board of directors before being undertaken by the corporation.	7.1%	5.5%	26.8%	33.1%	27.6%	3.7	1.15
OS14	Staff is asked to give their input on the adoption of new policies and procedures.	5.5%	7.9%	24.4%	45.7%	16.5%	3.6	1.03
	Composite mean						3.9	

4.2.4 Content analysis for interviews and open-ended questions on organization structure

Respondents reported that to achieve optimum performance the top banks' management set clear targets to specific individuals. Further, the banks' leaderships do all they can to create the best outcomes for their banks' clients and also prudently manage risk. Managements indicated that they were accountable for ensuring strategic plans are in place and for measuring progress against these plans. The top bank management has put in place mechanisms for the roles and competencies of employees to be aligned to the banks' objectives. They ensure high levels of employee satisfaction through offering fair terms of engagement which includes payment of a competitive remuneration to stimulate superior performance. The banks' top management has also ensured excellent customer service to retain and delight their customers. Banks have corporate governance structures in place; respondents stated that this is critical towards the maintenance of business integrity and stakeholders' trust. The corporate governance values are based on the pillars of responsibility, accountability, fairness, and transparency. The top management (the board of directors) is responsible for banks' corporate governance practices and has in place mechanisms to ensure observance and compliance following prudential guidelines from the Central Bank of Kenya. Respondents stated that top management has developed a work environment that promotes teamwork spirit, generation of new ideas, and sense of responsibility. Bank managements are accessible to all employees and other stakeholders because they operate open-door systems.

4.2.5 Organization Structure - Correlation Analysis

To establish whether there is a linear relationship, the study adopted the Pearson product of moment's correlation coefficients. Which are presented in Table 5. The results indicate that the variables organization structure and performance had a weak positive relationship as indicated by a correlation coefficient of 0.330. This implies that there is a linear positive relationship. Thus an increase in organizational structure would result in improved performance.

Table 5: Correlation Analyses for organization structure versus performance

		Organization Structure	Performance
Organization Structure	Pearson Correlation	1	.330**
	Sig. (2-tailed)		.000
Performance	Pearson Correlation	.330**	1
	Sig. (2-tailed)	.000	
**. Correlation is significant at the 0.01 level (2-tailed). N = 127			

Source: Researcher (2020)

4.2.6 Regression Analysis Results for Organization Structure and Performance

The regression analysis shows a relationship R=0.248 and R^2 =0.061. This meant that 5.4% of the variation in organizational performance can be explained by a unit change in the organization structure. The remaining percentage of 93.9% is explained by other variables not captured in the study. This is shown in Table 6.

Table 6: Model Summary for Organization Structure versus Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.248[a]	.061	.054	.95070	1.938
a. Predictors: (Constant), Organization Structure					
b. Dependent Variable: Performance					

F-test was carried out to test the null hypothesis that there is no relationship between organization structure and organizational performance. The ANOVA test in Table 7 shows that the significance of the F-statistic 0.000 is less than 0.05 meaning that the null hypothesis is rejected and concludes that there is a relationship between organization structure and organizational performance. This indicates that the variable regulations statistically and significantly predicted the performance of commercial banks in Kenya, F (1, 125) = 11.326, $p< .05$, $R^2 = .083$. The large difference between the residual mean square and the regression mean square indicated that the effect between organizational structure and performance was not just by chance.

Table 7: ANOVA (F-Test) Analysis for Organization Structure

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.383	1	7.383	8.169	.005[b]
	Residual	112.979	125	.904		
	Total	120.362	126			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Organization Structure						

Further, to test the significance of the regression relationship between organization structure and organizational performance, the regression coefficients (ß), the intercept (a), and the significance of all coefficients in the model were subjected to the t-test to test the null hypothesis that the coefficient is zero. The null hypothesis state that, ß (beta) = 0, meaning there is no relationship between organization structure and organizational performance as the slope ß (beta) = 0 (no relationship between the two variables). The results on the beta coefficient of the resulting model in Table 8, show that the constant $\alpha = 8.428$ is significantly different from 0 since the p-value = 0.000 is less than 0.05. The coefficient *ß* = 0.184 is also significantly different from 0 with a p-value = 0.000 which is less than 0.05.

This implies that the null hypothesis $ß_1 = 0$ is rejected and the alternative hypothesis $ß1 \neq 0$ is taken to hold implying that the model Y= 2.726 + 0.287 (organization structure) + e, is significantly fit. The model organizational Performance = a + *ß* (organization structure) holds as suggested by the test above. This confirms that there is a positive linear relationship between organization structure and organizational performance. The results from the analysis agree with the findings of the studies by Jennings and Hindle (2014), Nandakumar et al. (2015), and Jogaratnam et al (2016) who have concluded that organization structure is a key determinant of organizational performance. All these studies confirmed a positive relationship between organization structure and organizational performance.

Table 8: Relationship between Organization Structure and Performance Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.726	.429		6.348	.000
	Organization structure	0.287	.101	.248	2.858	.005

5.0 DISCUSSION

The results indicated that organization structure influenced the performance of commercial banks in Kenya ($\beta = 0.287$; P-value < 0.05). The findings concur with Nandakumar et al. (2015) that organization structure positively influenced bank performance. The results further indicated that their study findings established that firms that replaced their CEO with an outside director were more than twice as likely to experience bankruptcy larger levels of insider ownership are positively associated with the likelihood of firm survival. Jennings et al. (2014) discussed ways many of those parts are related to one another and therefore affect organizational structure. A complex structure has a greater need for communication across many departments horizontally or between many levels vertically. The more complex an organization is, the greater the need for effective communication, coordination, and control.

The findings are also in tandem with Levina et al. (2017) who carried out a study on the effect of ownership structure on bank performance in Europe both before and during the recent financial crisis. Findings indicated that there existed strong heterogeneity in firm performance among various stakeholder ownership groups, except in private savings banks. Loan quality and profitability improved relative to that of general shareholder-banks during the years of crisis. Findings showed that stakeholder model survival was a result of the competitive edges. The study outcome supported those arguing that organizational structure diversity is worth keeping. Pluralism in ownership must become a policy goal in the sector. Similarly, Muriithi and Waweru (2017) documented the organizational structure and financial performance of state corporations, the case of the New KCC and established that better organizational structure will improve financial performance in that respect he identified the following Organizational structure practices; appointment and leadership of the board structure of the organization, purpose, and values, balance of power in the board, corporate communication and the assessment of the performance of the board and its responsibilities.

6.0 CONCLUSION

The study aimed to fill the existing research gaps and contribute to the body of knowledge concerning the effect of organizational structure on the organizational performance of commercial banks in Kenya. The study concludes that the organizational structure and performance of commercial banks in Kenya were positively correlated. The study also concludes that 5.4% of the variation in organizational performance can be explained by a unit change in the organization structure. The study recommended that the management of commercial banks in Kenya should put in place high organizational structure strategies as it leads to high performance. The banks should ensure they have a specialized organizational structure, high nature of the span of control, centralized structure, and have departmentalization in the company. The study also recommends that future scholars and researchers should aim to test the relationship between organizational structure and performance using different sub-constructs apart from organization structure, a span of control, centralization, and departmentalization.

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