

**ASSESSMENT OF THE RELATIONSHIP BETWEEN ORGANIZATIONAL  
ALIGNMENT AND GROWTH OF FINANCIAL INSTITUTIONS IN  
KENYA  
A SURVEY OF COMMERCIAL BANKS IN NAKURU TOWN**

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Management) Degree of Kabarak University**

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## DECLARATION AND APPROVAL

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

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## **DEDICATION**

This work is dedicated to the glory of God. Special thanks to my dear wife Joyce and daughters Ruth, Jemie and Kezie for inspiration and encouragement to complete this project.

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## ABSTRACT

Since independence, Kenya's banking sector has continued to grow particularly in regard to inclusiveness, efficiency, and stability. However, in the recent past, the sector has witnessed a number of challenges manifesting in some commercial banks posting losses while others collapsing. Organizational alignment as an important factor can explain to a great extent the growth and survival or failure of the organizations in a competitive environment like the banking sector. The present study assessed the relationship between organizational alignment and growth of commercial banks in Nakuru town, Kenya. Specifically, the study examined the relationship between leadership alignment, organizational culture alignment, and organizational structure alignment on one hand and growth of commercial banks on the other. The study was guided by four theories which included contingency theory, trait theory, organizational theory, and Greiner's growth model. The study employed a cross-sectional survey and used census data. All the managers in charge of the 35 branches of commercial banks currently operating in Nakuru town comprised the target population. This study used a structured questionnaire to collect data from the respondents. The research questionnaire was subjected to a pilot test in order to determine its validity and reliability. The Statistical Package for Social Sciences computer software was used for data processing and analysis. Both descriptive and inferential statistics were used in the analysis. Descriptive statistics took the form of frequencies, percentages, and standard deviations. Inferential statistics took the form of correlation analysis and multiple regression analysis. The results of the analyses were presented in tables. The relationship between leadership alignment and organizational growth was found to be positive, weak and not significant ( $r = 0.034$ ;  $p > 0.05$ ). The relationship between organizational culture alignment and organizational growth was revealed to be positive, weak and not significant ( $r = 0.156$ ;  $p > 0.05$ ). The study found that the relationship between organizational structure alignment and organizational growth in commercial banks was positive, moderately strong and significant ( $r = 0.494$ ;  $p < 0.05$ ). The study also revealed that leadership alignment, organizational culture alignment and organizational structure alignment can explain 58.0% of organizational growth in commercial banks. The findings further indicated that organizational structure alignment was the most important facet of organizational alignment in as far as growth of commercial banks was concerned. It was concluded that leadership alignment was not very important in enhancing growth of commercial banks. The study further concluded that organizational culture alignment was the most important type of alignment in enhancing growth of commercial banks. The study also inferred that organizational structure alignment was important in enhancing growth of commercial banks in Nakuru town. The study recommended that commercial banks in Kenya ought to have measurable objectives against which they can benchmark their growth. It is advisable for commercial banks to have well-defined cultural dimensions that can distinguish them from their rivals in the banking sector. It is further recommended that the organizational structure of commercial banks should be flexible enough to mitigate the challenges emanating from bureaucratic bottlenecks.

**Key Words:** Leadership alignment, organizational alignment, organizational culture alignment, organizational growth, organizational structure alignment

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ANOVA:</b>	Analysis of variance
<b>BFID:</b>	Banking Fraud and Investigation Department
<b>CBK:</b>	Central Bank of Kenya
<b>FDI:</b>	Foreign Direct Investment
<b>ICT:</b>	Information and Communication Technologies
<b>IT:</b>	Information Technology
<b>NBK:</b>	National Bank of Kenya
<b>SPSS:</b>	Statistical Package for Social Sciences
<b>UK:</b>	United Kingdom

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The growth of financial institutions all over the world is crucial to the economic development of nations. As such, this is a subject that since time immemorial has generated a lot of interest amongst researchers. Organizational alignment is an important theme in strategic alignment and strategic management in general. The nexus between the foregoing subjects (organizational alignment and growth of financial institutions) is an area that invokes much interest. The background of these themes is hereby put into perspective.

#### **1.1.1 Global Perspective of Organizational Alignment**

Organizations across the world are dynamic and usually operate best when all their components are designed to function together effectively and efficiently. Therefore, changes introduced into organization systems ought to be aligned to fit to the organization system or model the system to incorporate the changes (Tosti & Jackson, 2003). The authors further maintain that organizational alignment occurs when the strategic goals and cultural values are mutually supportive and that the fundamental components of an organization such as values, objectives, daily activities, organizational leadership, and support systems among others are not only compatible but also consistent with each other.

According to Smikle (2002) human resource is crucial in creating alignment between strategic intent and operational reality in an organization. The author reiterates that strong alignment leads to people sharing purpose and values of the organization and work collectively to translate organization vision into a reality. It is further noted that human resource provide infrastructure support, creates intentional congruence and links performance measurement to strategic goals in order to create a robust alignment in the organization.

It has been recognized that creating alignment in an organization is not easy (Cesere, 2013). While looking into the techniques of improving organizational alignment in manufacturing process and discrete industries, the author noted that such organizations were not properly aligned especially in the operations and sales functions. This suggests that such organizations are predisposed to poor performance as a result of ineffective operations and sales. The author identifies lack of process agreement, gaps in technology and incentives as contributing factors to gaps in alignment of operations and sales functions and poor organizational performance.

According to a report by Deloitte, misalignment in the organization may develop as a result of diversification, introduction of new products and services and changes in laws and regulations. It is also noted that lack of alignment especially in the financial institutions may predispose such institutions to risk and therefore not able to effectively and efficiently coordinate activities. In financial institutions, it is also argued that misalignment can hinder the organization's ability to manage enterprise risk and address regulatory demands as and when required (Deloitte, 2013).

Guldenberg and Konrath (2004) while citing Senge (2007) noted that the alignment on the organizational and individual levels is dependent on the ability of leaders to create shared values and mental models. It is also noted that organizational leaders ensure high degree of strategic alignment as part of organizational alignment. The authors further argue that stronger alignment between individuals and organization results to better organizational learning.

### **1.1.2 Regional Perspective of Organizational Alignment**

Jimoh and Danlami (2011) while citing Schuler and Jackson (1999) observed the essence of human resource management in the formulation and implementation of organizational strategies and more so, on the alignment of human resource management with the needs of an organization. The authors established that strategic human resource alignment with business objectives and strategies in the organization was a key factor in the performance of the organization when they examined strategic human resource management and organizational performance in Nigerian manufacturing sector.

According to Kekwaletswe and Mathebu (2014), alignment is effected by such aspects as the mutual support between business or organization and the information system management. In the banking sector of South Africa, the authors established the business and information system was poorly aligned in that information system managers were only involved in providing guidance on technology and systems but not consulted enough in business strategy development. This suggests that organizational alignment should be a

holistic process where all the elements in the organization should be involved and integrated for an organization to operate efficiently.

Kock, Roodt and Veldsman (2002) lamented that companies and firms in the banking and insurance sector in South Africa were unable to support the business strategies that were in line with the best practices in the organization. This was ascribed to poor alignment between people management best practices and business strategies. As such poor organizational performance was experienced. The authors saw the need for South African banking and insurance industry to realign the components of people management necessary to support important business strategies in order to enhance organizational performance.

It is observed that organizational alignment is an optimal state where the organizational strategies, the workforce, customers and other key processes work together to achieve organizational growth and profitability. As such, aligned organizations are not only able to enjoy customer and personnel satisfaction but also able to produce superior outcomes (Lear, 2012). Looking into the relationship between strategic leadership and strategic alignment in top-performing South African companies, the author ascertains that organizational alignment can produce organizational effectiveness which can be a source of competitive advantage.

### **1.1.3 Kenya's Perspective of Organizational Alignment**

Organizational alignment was put into perspective in a study on strategy and structure alignment at Barclays Bank of Kenya by Mutua (2012). He observed that organizational



alignment largely focuses on strategy and structure alignment. The latter alignment is posited to go through various processes. These include flow of information, vertical and/or horizontal. In the same breadth, it is held that the fundamental changes in the banking sector have resulted in strategy and structure alignment. In other words, there are changes in the regulatory framework, interest margins, technology, competition, ever changing customer demands, among others. In the case of Barclays Bank of Kenya (BBK), strategy and structure alignment process was significantly successful as a result of transformational processes that involved turnaround strategies. These strategies touched on improved customer service, expansionary strategies, reduction in operational costs, restructuring, and outsourcing non-core activities among other strategic interventions.

According to Kiptui (2014) there is a nexus between organizational strategy and performance of commercial banks in Kenya. Citing Walker (2013), Kiptui observed that strategy types such as defenders, prospectors, analyzers, and reactors which are responsive strategies to technology or market, reflect how organizations align themselves with their environments. Organizational alignment is part of strategic responses adopted by commercial banks as a result of competition, in Kenya, large commercial banks are noted to work together rather than adopting aggressive strategies of addressing competition. In the recent past, it is, however, noted that even these banks have started moving away towards competition rather than working together due to increasing dynamics in the banking sector.

Recently, Murai and Kirima (2015) examined the alignment of Kenya's financial system with inclusive green investment. It is observed that one of the requirements of enhancing

inclusive green investment in Kenya is aligning foreign direct investment (FDI) objectives with the green growth agenda. The authors further reported that Kenya's domestic investment authority ought to lay a leading role in supporting the alignment of FDIs with sustainable development. The theme of organizational alignment particularly in the context of the banking sector, however, has hitherto lacked in-depth focus in Kenya.

#### **1.1.4 Growth of Financial Institutions**

The growth of financial institutions and financial sector in general is vital for the economic health of a given country. According to Lee and Phoon (2014) Singapore has emerged to be one of the leading financial sector in the world. It is further noted that the growth of the sector has outperformed the overall gross domestic product of the country in the recent past. The success story of the financial sector and financial institutions in particular is pegged on prudence and competitive advantages the sector has enjoyed over other globally. The financial sector in the country has been able to withstand the volatile financial markets probably due to the regulators good understanding of the counties' financial markets and to leverage on competitive strengths. It is noted that financial sector in the foreseeable future will benefit from the growth in consumption and trade in Asia and increase in the use of the Renminbi currency in investment transactions.

It is posited that financial institutions have benefitted from the strong growth in the recent past in Africa. It is further averred that several factors have contributed to the growth of financial institutions in Africa. The strong increase in national gross domestic product

across most African countries especially from 2001 through 2011 coupled with the increases in the prices of commodities and improving trade and investment flows has largely contributed to the growth of the institutions. Good corporate governance and sharp rise in urbanization have all resulted to growth of the institution (African Development Bank, 2012). It is also noted that such specific economic trends such as development of new financial services markets that are based on innovative infrastructure and products for instance mobile phone based financial services have spurred the growth and expansion of financial institutions. It is also acknowledged that the growth of financial sector in Uganda is mainly propelled by the development of mobile payment services. Other countries such as South Africa and Mauritius have registered tremendous growth due to deep established and mature financial services markets (Accenture, 2011)

According to Aduda and Kingoo (2012) the transformation experienced in the banking industry in Kenya has been as a result of innovation in information technology. This can be argued that the banks' adoption of technologies such as agency banking, mobile banking, use of automate teller machines coupled with policies and deregulations in the financial environment have contributed to the continued growth of the Kenyan financial institutions. Sumiyu (2013) contends that the financial innovation adopted by commercial banks such as creating and nurturing strong brands, customer satisfaction through redefining and repackaging products, environmental analysis and response to changes in the market have not only helped banks to increase their profitability and productivity but also fostered faster business growth.

### **1.1.5 Commercial Banks in Kenya**

Commercial banks are financial institutions that render banking services such as accepting deposits, advancing loans, advisory services on investment products and decisions among other functions. According to Central bank of Kenya (2012), there are 43 commercial banks in Kenya. Presently, a total of 41 are in operation while two (Imperial Bank and Dubai Bank) are under statutory management. The banking industry is regulated by the Companies Act, the central bank of Kenya as mandated by the Banking Act (Cap 488). The Acts are used together with other prudential rules and guidelines furnished by the central bank.

The banking sector in Kenya has witnessed innovation in the recent past particularly the financial innovation. This has been as a result of changes in customer tastes and preferences and the ever challenging business environment within the banking sector. With the advent of information technology, banks in Kenya have designed new competitive products, re-engineered their way of doing business for better customer service and has enhanced financial inclusion. Such notable innovations in the banking sector include the fast and efficient clearance of cheques by use of the magnetic ink character recognition and the Kenya electronic payments and settlement system aimed at modernizing the country's payment system to match the global trends (Cherotich, Sang, Shisia & Mutung'u, 2015).

The banking sector in Kenya has registered an improved performance with increases in assets, loan and advances, deposit base and profit before taxes. It is anticipated that the commercial banks and the banking sector at large will maintain its growth due to the

efforts put in place to enhance transparency and disclosure, entrenchment of full file credit information sharing, regional integration initiatives among other mechanisms (CBK, 2015).

## **1.2 Statement of the Problem**

Despite a robust legal, regulatory and supervisory framework under which the banking sector in Kenya operates, the players in the sector have witnessed several challenges that threaten the growth of the sector (CBK, 2014). A report of 2014, by the supervisory committee of the Central Bank of Kenya revealed that the banking sector has been facing crucial challenges. Online fraud following the adoption of information and communication technologies (ICT) that has led to increased use of mobile and internet banking has been on the increase, (CBK, 2014).

A study by Mutua's (2012) which delved into the performance of commercial banks revealed that commercial banks and other financial institutions have been facing challenges occasioned by declining interest rates due to inflation, ICT, downsizing of employees as a cost cutting measure, amongst others. The increase of the overall inflation from 5.82% in the quarter to March 2015 to 7.0% in the quarter to June, 2015 further compounded the situation, CBK report 2015. In addition, the strengthening of the US Dollar against the Kenyan Shilling has ultimately affected the performance of commercial banks.

While some commercial banks have recorded substantive profits, a significant number have registered huge losses. The National Bank of Kenya (NBK) reported a loss of more than Ksh 1billion. Four commercial banks operating in Kenya namely Dubai Bank, Imperial Bank, Chase Bank and NBK have been in the limelight for their poor performance. The top leadership of these financial institutions has been accused by the Central Bank of Kenya for failing to offer the requisite leadership. They have been accused of abusing their leadership positions and engaging in insider trading. The scenario is a clear indication of misalignment of various essential components in the organization with expected growth outcomes. Investigations on these issues are ongoing. (CBK, 2016)

These challenges can only be expected to keep on increasing, given the ever changing business environment. This sector can be grossly affected if it is not established how the alignment of the following organizational elements are related to organizational growth. This study therefore seeks to assess the relationship between organizational alignment and its influence on growth of financial institution.

### **1.3 Objectives of the Study**

The study was guided by one general objective and a set of three specific objectives as stated hereunder.

#### **1.3.1 General Objective**

The general objective of the study was to assess the relationship between organizational alignment and growth of commercial banks in Nakuru town, Kenya.

### **1.3.2 Specific Objectives**

- i. To examine the relationship between leadership alignment and growth of commercial banks in Nakuru town
- ii. To analyze the relationship between organizational culture alignment and growth of commercial banks in Nakuru town
- iii. To determine the relationship between organizational structure alignment and growth of commercial banks in Nakuru town

### **1.4 Research Hypotheses**

**H<sub>01</sub>:** There is no significant relationship between leadership alignment and growth of commercial banks in Nakuru town.

**H<sub>02</sub>:** There is no significant relationship between organizational culture alignment and growth of commercial banks in Nakuru town

**H<sub>03</sub>:** There is no significant relationship between organizational structure alignment and growth of commercial banks in Nakuru town

### **1.5 Justification of the Study**

The fundamental importance of the role played by the financial institutions particularly commercial banks not only in Kenya but also in the economic growth of any nation is indeed indisputable. As such, the performance of these institutions is a subject that ought

to invoke interest amongst the citizenry. Given that these entities are credited for financing thousands of entrepreneurial ventures and millions of households across the country every year, is point to reckon with. There have been perpetual dynamics in the banking sector occasioned by ever-changing environment due to disruptive innovations, changing demand among other factors. The foregoing necessitates organizational alignment amongst financial institutions.

This study is anticipated to have a lot of benefits to three clusters of entities; that is, policy makers, practitioners, and scholars. Policy makers are hoped to find the findings herein crucial in formulating policies that will likely enable them to better align commercial banks for better performance. Practitioners in financial institutions will likely be in a better position, courtesy of this study's findings, to come up with strategies that will address challenges of poor performance arising from poor organizational alignment. Scholars in the field of strategic management are hoped to find the findings herein as a suitable point of reference in their further research and literary works.

### **1.6 Limitations and delimitations of the Study**

The study faced a number of challenges which touched on the research instrument, area of study, and respondents. The research instrument contained close-ended questions which posed the risk of failure to capture data that would have been possible if the respondents were allowed to give their open opinions. In respect to this challenge, it was ensured that the questionnaire was structured in such a way that it facilitated collection of data that sufficiently addressed the research objectives. The study was carried out



amongst commercial banks in Nakuru town. The findings of the study might have failed to be an accurate representation of situation in other banks based in other regions. In view of the foregoing, the study targeted the management staff (branch managers) that were believed to be very conversant with strategic issues pertinent to their banks. More so, some of the targeted respondents were unwilling to participate in the study. This was due to their ignorance of the importance of the study or because of harbouring fear of being victimized for divulging information regarding their banks. This limitation was addressed by assuring them that their identity and data collected would be confidential and that the study would be purely academic. Moreover, the importance of the study to the banking sector was explained. In addition, the banks were invited to have a share of the findings of the study.

### **1.7 Scope of the Study**

The study was carried out across the commercial banks in Nakuru town where the point of focus was the branch managers of these banks. Managers were chosen on the premise that they were believed to be the most privy to issues revolving around organizational alignment and also growth in their respective banks. The study was delimited to a set of four variables; three independent and one dependent. The independent variables included leadership alignment, organizational culture alignment, and organizational structure alignment while growth of commercial banks was the dependent variable. The independent variables characterized organizational alignment. The study was carried out over a period of approximately three months.

## **1.8 Operational definition of Terms**

**Commercial banks:** These are financial institutions that render banking services such as accepting deposits, advancing loans, advisory services on investment products and decisions among other functions (CBK, 2012).

**Leadership alignment:** This refers to how the individuals in leadership in an entity are committed to the well-being of the entity through offering of guidance, mentorship, inspiration, and motivation to other staffs and stakeholders in the firm (Guldernberg & Konrath, 2004). In this study, leadership alignment is viewed as commitment by the bank's top managers to adequate staff training and skills development, effective support systems, proper delegation among other leadership strategies, being implemented in such a way that the bank can realize growth.

**Organizational alignment:** This refers to a situation where the strategic goals and cultural values are mutually supportive and that the fundamental components of an organization such as values, objectives, daily activities, organizational leadership, and support systems among others are not only compatible but also consistent with each other (Tosti & Jackson, 2003). In this study, organization alignment refers to how commercial banks align their strategic goals to organizational values.

**Organizational culture alignment:** This refers to the act of ensuring that a firm's culture tallies with the expectations, objectives, mission, and vision of the firm (Shem, 2009). In this study organizational culture is viewed from cultural strength, norms, values, and cultural practices of commercial banks.

**Organizational growth:** This refers to increase in the size of a firm in terms of revenue and turnover, customer base, branches, workforce, and capital, amongst other facets (Goyal & Joshi, 2011). In this study, organizational growth is the expansion of commercial banks in terms of branches, account holders, product lines, capitalization and workforce.

**Organizational structure alignment:** This is a situation where an organization, hierarchy, reporting line, and stakeholders are in conformance with the firm's goals and objectives (Meilich, 2006). It is alignment that supports the execution of corporate strategy. It follows four phases which include assessment, design, choice selection, and architecture design and implementation (Muthoni, 2013). This study will in addition to these organizational structure elements consider structure flexibility and ease of compliance with regulatory regime as well.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on a review of concepts, theories, models, and empirical studies on organizational alignment and growth of financial institutions. More so, the study variables are outlined in this chapter in a conceptual framework that illustrates how the variables presumptively interact.

#### **2.2 Empirical Literature Review**

The section covers a detailed review of global, regional and local studies on organizational alignment and growth. The focus is studies on specific constructs defining organizational structure. These include leadership alignment, organizational culture alignment, and organizational structure alignment.

##### **2.2.1 Leadership Alignment and Organizational Growth**

An empirical study was carried out in Japan's telecommunications sector by Al-Faouri, Al-Kasasbeh and Alkhalidi (2009). The study was on business strategic alignment. One of the study's objective was to examine the relationship between IT demonstrated leadership and IT or business strategic alignment. The study adopted an organization-wide assessment. A structured quantitative survey was adopted where a questionnaire was used to collect primary data. The results of the study indicated that there exists a significant relationship between demonstrated leadership and business strategic alignment at 95% confidence level. In tandem, the study recommended that in order to enhance leadership skills, leaders should be persuaded to attend training sessions on leadership skills.

More so, Guldenberg and Konrath (2007) embarked on a study where they empirically investigated intelligent leadership in knowledge-based organizations. The study was carried out in Austria. The object of the study was to examine how leadership influences organizational learning. The study sought the opinions of 125 leaders from various companies, industries and geographic regions. The leaders chosen had a strong interest in large enterprises of the high-tech industry. The study findings indicated that intelligent leadership in the aforesaid organizations went beyond the scope of conventional understanding of leadership. In other words, both social intelligence and shared leadership are key dimensions in organizational learning. In the study, it was admitted that alignment between individuals and the organization are directly proportionate to organizational performance. The study further noted that an organization bestowed with a leadership community ensures the highest level of strategic alignment.

More recently, O'Reilly, Caldwell, Chatman, Lapid and Self (2010) conducted a study in the United States. The study was titled, "How leadership matters: The effects of leaders' alignment on strategy implementation." The study investigated how consistency of leadership effectiveness across hierarchical levels did influence the implementation of strategic initiative in a large health care system. The study established that it was only when effectiveness of leaders at various levels was considered in aggregate that there was significant improvement in performance. In the same light, it was recommended that leaders at different levels of chain of command ought to be considered collectively, rather than individually, in order to understand the influence of leadership on employee performance. The study tallied with previous findings by Hackman and Wageman (2005)

which indicated that one of the crucial ways leaders influence the performance of work groups is by providing a compelling direction for the group.

An empirical investigation of the workplace in South African set-up was undertaken by April and Peters (2011). The study focused on leadership work modes. The study was guided by various leadership paradigms but focusing particularly on the underlying principles of the Afro-centric paradigm encapsulated by humanistic principles. The study undertook a workplace survey to determine what makes employees feel valued at the workplace. The study adopted a survey design. A web-based questionnaire was used to collect data from a random sample of respondents. Analysis of variance (ANOVA) and factor analysis were employed. The study results indicated that African modes of leadership could have been incorporated into the South African workplace. In tandem, it was inferred that the underlying principles of the aforesaid leadership paradigm are reflected through lenses that are founded on fundamentally humanistic premise of respect and dignity for all.

Izidor and Iheriohanma (2015) examined the leadership style, employee retention and performance in organizations. The study aimed at establishing the relationship between leadership styles and employees' retention and how the two influenced organizational performance in Nigeria. The study relied on secondary data from organizations in Nigeria. It was noted that the common leadership styles in the organizations were autocratic, democratic, bureaucratic styles. The perception of management styles by employees influenced the decisions to quit the organization. It was further noted that leadership styles that align business strategies with employees' motivation and morale

would reduce employee attrition and consequently enhance productivity and performance.

A study on alignment of strategy to industry critical success factors was conducted (Irungu, 2014). The focus was on commercial banks in Kenya. The object of the study was to determine the extent to which commercial banks aligned strategy to industry success factors and the forces that influenced alignment. It was hypothesized that by aligning strategy to industry success factors then commercial banks would be able to streamline their operations and consequently achieve and maintain sustainable competitive advantage. All the 43 commercial banks were considered. Descriptive research design was employed by the study. Questionnaires were used to collect data from the banks. The study established that among others, leadership and top management support were some of the fundamental success factors valued by commercial banks in Kenya. As such it was noted that majority of the commercial banks aligned strategy to industry success factors such as leadership in a bid to achieve competitive advantage. The study therefore inferred that alignment of industry success factors such as leadership and management with banks strategies is critical for not only survival of the bank but also enhanced and sustained profitability.

Gichohi (2015) investigated the strategic management practices in academic libraries in Kenya. The study purposed to ascertain how strategic management was practiced. Descriptive research design was used. Data was obtained by using questionnaires administered to students, library and teaching staff. The study noted that strategic behavior in academic libraries was being inhibited by the leadership behavior, structures, systems and lack of supportive policies. The study underlined the essence of library

management and leadership in creating a competitive organization. One of the recommendations of the study was the institution of appropriate leadership model for better alignment of staff goals and the organization.

### **2.2.2 Organizational Culture Alignment and Organizational Growth**

According to Sorensen (2001), the culture strength-performance nexus highly depends on how strong culture firms learn and respond to experiences and changes in the environment. The author investigated the strength of corporate culture and performance among firms in the United States. The study hypothesized that strong culture firms excel at incremental change in more stable environments but experience difficulties in volatile environments. In the study, it was noted that the performance benefits of strong culture in an organization are as a result of coordination and control within the firm, improved goal alignment in the firm and increased employee motivation. Strong corporate culture is also noted to enhance goal alignment which in turn enhances coordination among personnel. Indeed the study determined that strong culture of firms embedded in their mission, values, norms among others have consistent performance in stable environments. However in volatile environments, it is noted that the benefits accrued to strong corporate culture diminish.

It is noted that transformational leadership in an organization articulates the specific and unique purposes of an organization and various roles, goals and ambition and therefore inspires personnel to enhance productivity (Walumbwa, Wang, Lawler & Shi, 2005). As such, Boevink (2009) examined whether shared transformational leadership and organization culture influence bank financial performance. On focus were 58 autonomous local Dutch banks. Data was obtained by using questionnaires for each variable that is



transformational leadership variable and organizational culture. In the study, it was noted that transformational leadership in firms change culture in an organization by realigning it with the new vision, values, practices and norms in the organization. The study established that organizational culture by itself did not influence financial performance of the banks but shared transformational leadership which is linked to culture dimensions significantly influenced short-term bank financial performance.

Sumarto and Subroto (2011) delved into organizational culture and leadership role. The authors sought to determine how the two constructs improve organizational performance in the automotive components industry in Indonesia. They considered companies that were members of GIAMM. A total of 165 companies were selected and investigated. The collection of data from the companies was through the use of questionnaires which were administered to the company leaders and management. Upon analysis, the findings indicated that leadership role significantly influenced performance of the companies. However, organizational culture by itself had no significant effect on performance since the culture in the industry was weak. However, it is noted that leadership sets strong culture-performance targets and business environment vital for enhancing organizational performance. It is however noted that organizational culture and leadership need to be aligned in order to produce required results.

The relationship between organizational culture and financial performance was explored (Davidson, Coetzee & Visser, 2007). The study put into consideration the South African Investment Bank. The Denison organizational culture was used to measure organizational culture. The income statement ratio was used as a proxy for financial performance. The study however gave inconclusive results on the influence of various elements of

organizational culture on financial performance of South African Investment Bank. In the study however it was noted that organizational culture is important in achieving financial performance and that alignment of culture and organization core values, recruitment and orientation to the business strategies is vital for ensuring enhanced financial performance.

In Ghana, Poku and Owusu-Ansah (2013) looked into organizational culture and organizational performance. The focus was on the banking industry. The main objective of the study was to determine the effect of organizational culture on performance of the banks. Nine banks were considered for the study. The study findings illustrated that there were differences in the organizational culture traits in different banks but there were no differences in terms of performance. There was a positive relationship between organizational culture and performance of surveyed banks in Ghana. Mission statement as an element of culture was noted to have great impact of performance of the banks. The study however did not explicitly reveal how alignment of culture influenced performance of banks in Ghana.

The theme of strategy-culture alignment was investigated in Kenya (Shem, 2009). The study aimed at investigating the alignment of organizational culture and strategy in the mobile phone service firms in Kenya. The study employed research survey design. All the firms that provide mobile phones services in Kenya were targeted where company management staffs were selected for the purposes of the study. The staffs were the chief executive officers, managing directors, and heads of departments in various organizational functions. It was found that there was culture-strategy alignment through the formal strategy planning process. It was further noted that the alignment resulted in communication and clarification of strategies across the organization.

Muthoni (2013) conducted a study on commercial banks in Kenya. The study was on the effect of organizational culture on strategy implementation. A census survey design was employed where all the commercial banks in Kenya were targeted. Questionnaires were used to collect data from the banks. In the study, it was noted that there ought to be a good alignment between the norms and behavior to enable a strategy to be executed in an organization. It was further noted that misalignment of the behavior and culture hinder the execution of the set organizational strategies. The study established that commercial bank gain competitive advantage if only strategy implementation is aligned with strong organizational culture.

In another study, Oduol (2015) embarked into the themes of organizational culture and performance. The author purposed to establish the effect of organizational culture on performance of subsidiaries of selected regional commercial banks in Kenya. A descriptive cross-sectional survey was used. The ten subsidiaries of selected regional commercial banks headquartered in Kenya were considered. Data was collected using semi-structured questionnaires. In the study, it was noted that a strong culture is prevalent where there is alignment between the staff and organization values and a weak one in little alignment of the values and personnel. The study findings indicated that firms engaged in various organizational culture in a bid to enhance performance. In addition, it was noted that the cultures were oriented towards the relationships of employees, employees and seniors and the organization as a whole. Provision of clear rules was the most common culture in the organizations. As a result of this alignment of culture in the organization, employees were noted to attend to their duties diligently and these resulted to enhanced performance. The study concluded that organizations ought to promote an

organization culture that is supportive and integrates strategies to the activities of employees in order to enhance performance.

#### **2.2.4 Organizational Structure Alignment and Organizational Growth**

It is noted that organizational infrastructure entails the internal arrangements and configurations involving organizational structure and business processes among others (Croteau, Solomon, Raymond & Bergeron, 2001). The authors looked into the alignment between organizational infrastructure and technological infrastructure and how it influenced business performance. Top managers of 104 large sized firms in the manufacturing and finance sectors and that were listed in the Scotts Selectory Database were targeted. Questionnaires were used to collect data from these managers. It was noted that firms with beneficial organizational infrastructures utilize the infrastructure characteristics that create value to the organization. The study established that alignment of organizational infrastructure elements with technological infrastructure resulted to enhance business performance.

Jouirou and Kalika (2004) empirically examined strategic alignment as a performance tool. Their study purposed to investigate whether the alignment of information technology, strategy and organizational structure of small and medium enterprises in France resulted to performance. The study used data from 381 small and medium enterprises operating in different sectors. The study employed a multivariate perspective to test the alignment between strategy, structure and information technology. The study established that strategic alignment significantly influenced performance. As such it was concluded that when organizational structure, firm's corporate structure and information technology strategy are aligned, performance of improves. There was therefore a positive

link between strategic alignment (organizational structure, strategy and information technology) and firm performance.

According to Robbin and DeCenzo (2005) organizational structure plays a crucial role in the attainment of objectives and accomplishment of strategic goals. The authors noted that organizational structure becomes more profound when it is aligned with the mission, competitive environment and resources of the organization. Indeed, a study conducted on organizational structure as a determinant of organizational performance indicated that organizational structure becomes a recipe for enhance performance when adequate attention is given to it and it is matched with the prevailing environment in order to incorporate changes (Mansoor, Aslam, Barbu, Capusneanu & Lodhi, 2012). The authors further argued that the structure entails control, communication, governance and values that should be match with dynamic environment.

An organization's strategic intent explains where an organization wants to get to and how it intends or plans to reach there (Macmillan & Tampoe, 2011). In their study, it was noted that majority of the surveyed respondents admitted the commercial banks adopted an organization structure that aligned with the goals and strategic objectives of the organization. The study emphasized on the need for the alignment of organizational structure with organization strategic objectives.

Mutua (2012) conducted a study on Barclays Bank of Kenya. The author empirically examined how the financial institution aligned its strategies and structure in its achievement of objectives. The study was premised by the key changes in the banking industry that have necessitated alignment of strategies and structure. A case study

research design was adopted. Interviews to bank departmental heads and senior managers were conducted to obtain relevant data for the study. Secondary sources of data such as bank newsletters and email cascades were reviewed to obtain data. Upon analysis of data collected, it was noted that bank strategy and structure alignment process was largely successful. This was ascribed to the transformational processes in the bank and the leadership efforts of the chief executive officer in initiating turn around strategies and restructuring among others. The study further noted that the influences of competition, changes in organizational leadership, regulations from the government and UK, organization structure flexibility and the urge of the bank to remain competitive drove structure-strategy alignment.

Similarly, Ng'enhoh (2013) examined organizational structure and strategy implementation in selected major banks in Kenya. The study purposed to establish the effect of organizational structure on strategy implementation in major banks. The authors argued that financial institutions achieve superior performance by employing diverse strategies. The study used descriptive survey design where major banks were selected. Primary data was obtained by using questionnaires administered to top managers, middle level managers and line managers of the banks. Secondary data was gathered from audited financial reports, news bulletins and bank official websites. The study established that majority of the banks surveyed adopted an organizational structure that aligned with the strategic objectives of the bank. As such it was noted that organizational structure greatly influenced performance of employees, compliance with regulations and attainment of community expectations. The study concluded that organizational structure

affected the effectiveness and efficiency of strategy implementation among the surveyed banks.

An empirical investigation on organizational structure and performance was carried out (Awino, 2015). The study investigated whether organizational structure influenced performance of large manufacturing firms in Kenya. The study was based on the argument that structure follows strategy in order to enhance performance. However, the study concentrated on the alignment of structure to performance instead of strategy-structure alignment. A cross-sectional survey was employed by the study where data was obtained from chief executive officers, senior managers and middle level managers of 102 large manufacturing firms in Kenya. The measure for performance was return on assets. The findings indicated that organization structure on its own did not influence performance. However, when performance was measured by non-financial measures such as internal processes and customer perspective, it was noted that organizational structure influenced performance even without putting in place strategy for the organization.

### **2.2.5 Organizational Growth**

The growth of banking institution is critical to customers, bank managers and the economy as a whole. According to a study conducted by Goyal and Joshi (2011) on the development and growth of selected private commercial banks in Bangladesh, it is noted that the surveyed commercial banks were able to register growth in branches, employees, deposits, loans, net income and earnings per share in the year 2002 through 2006. However, the study did not indicate the drivers for the growth. In India, Zhao, Casu and Ferrari (2008) established that the increased and sustained productivity growth in Indian

banking industry was mainly driven by technological progress rather than bank ownership structure.

It is noted that the banking sector in India plays a critical role in the expansion of Indian economy (Khan & Fozia, 2013). The authors sought to determine the growth and technological development in Indian banking sector. The authors noted that in the recent past, the banking sector has registered tremendous growth through bank branch expansion for both public and private banks. Indeed, it was noted that in the year 2010/11 the state owned banks registered an increase in growth of 5.4%. The private sector banks, foreign banks and regional rural banks registered growth in branch by 3.6%, 2.9% and 1.9% respectively. It was further noted the banks have registered substantial increase in deposits, bank investments and credit advances in the same year which contributed to the growth of the banks. The growth was attributed to development and adoption of relevant technology such as automated clearing house, mobile banking, electronic funds transfer and cards transactions among others.

Naceur, Steiner and Goaid (2003) conducted a study on the determinants of Tunisian banking industry profitability. The authors noted that the external and local factors have influence on the growth in performance banks in Sub-Saharan Africa. In another study, Pastory and Swai (2013) determined the nexus between bank growth and profitability in East African Community. Secondary data relating to banks from Kenya, Uganda, Tanzania and Rwanda was used. The study noted that there has been an increase in the growth of banks evidenced by increased number of banks, bank assets, influx of foreign investors and establishments of domestic banks. It was further noted that the higher growth in the banking sector has been as a result of the smoother and easier regulations for



bank entry provided by the respective central banks. In addition, the unexploited opportunities have further enhanced growth of the banks especially in Tanzania.

A study on the factors determining growth of commercial banks was conducted in Kenya (Wandiba, 2012). The study used a descriptive research survey approach. The 43 commercial banks were targeted. Questionnaires were used to collect data. The results revealed that cash flow management was the most important factor that contributed to the growth of commercial banks. Other financial factors that were critical to growth were availability of bank loans and capital. In as much as financial factors were critical to growth of banks, it was noted that technological factors such as research and development, management factors such as effective organizational structure and human resource factors such as sufficient knowledge and skills contributed to growth of commercial banks. It was recommended that banks that aim to grow ought to reinforce cash flow management.

Ruttoh (2013) assessed the factors that influence customer growth in commercial banks in Kenya. The case study was on commercial banks in Migori town. A total of five commercial banks with three branches each were targeted. Questionnaires were used to obtain data from the respondents. The study findings indicated that banks in the town had experienced increased growth in the past few years. Indeed, it was established that customer growth to between 5,000 and 10,000. The increase in customer growth was associated with stellar customer services and product pricing. In addition, the use of technology enabled fast and efficient service delivery which further contributed to the growth. It was also noted that bank industry regulation influenced the growth and particularly customer growth in surveyed commercial banks.

The themes of effective people management, business strategy and organizational performance were investigated (Kock, Roodt & Veldsman, 2002). The study aimed at determining the effectiveness of people management, business strategy and organizational performance in the banking and insurance industry sector in the Republic of South Africa. A total of 27 banking and insurance companies listed in the Johannesburg Stock Exchange were considered for the study. Questionnaire survey was used to gather data from the companies. The study findings illustrated that the companies surveyed fell short of people management best practices. As such, the companies were unable to give much needed support to their business strategies which were in tandem with the best practices. To achieve a desired level of organizational performance, it was noted that companies in the banking and insurance industry ought to realign their people management element for it to support the set out business strategies.

Lee, Sridhar, Henderson and Palmatier (2012) assessed the effect of customer centric structure on firm performance. The study sought to establish the alignment of customer centric structure and its effect on firm performance. The 500 Fortune firms in the United States were targeted where 174 firms participated in the study. The study relied on secondary data for the period 1998 to 2010 which was obtained from business databases and annual financial reports of firms. The findings illustrated that the elasticity of firm performance to changes in structural alignment decreased as an organization continued to segment business into smaller units (organizational granularity). In addition, it was noted that firms with low organizational granularity and that had highest structural alignment performed better than those with lower structural alignment. As such, it was established

that firms that did not achieve customer alignment structured around their customer groups in order to enhance performance.

A study was conducted on corporate governance and firm performance (Coleman, 2007). The study considered firms in listed instock exchanges in Ghana, Nigeria and South Africa. A total of 103 firms listed in bourses of the aforementioned countries were investigated. The study findings reveled that large and independent boards enhance firm value. When the chief executive officer served as the chair of the board, it was noted that firm performance decreased. In addition, the study findings indicated that the chief executive officer tenure enhanced profitability of the firm while the board activity intensity adversely influenced firm profitability. Corporate governance was noted crucially important in enhancing firm performance in the surveyed firms.

A study on the strategic human resource management and organizational performance was conducted (Jimoh & Danlami, 2011). The study focused on the Nigerian manufacturing sector. The study examined the extent to which strategic human resource management was practiced in the sector and how it influenced organizational performance. 21 Nigerian manufacturing companies participated in the study. Data was collected by using questionnaires which were administered to heads of departments of selected companies. The study findings indicated that strategic human resource management was moderately practiced by the companies. In addition, key strategic human resource practices such as line management devolvement, innovative recruitment and selection, appraisal system, training and development of employees among others influenced organizational performance of the manufacturing companies in Nigeria. It was recommended that companies in the manufacturing sector in Nigeria ought to keenly

consider and implement the strategic human resource practices if they wish to improve performance of the companies.

It is noted that the financial sector in Zimbabwe has witness failure as a result of a number of issues and key among them poor corporate governance (Shungu, Ngirande & Ndlovu, 2014). As such, the authors embarked on a study and analyzed the impact of corporate governance on performance of commercial banks in Zimbabwe. 5 commercial banks were considered in the study. Data for the period 2009 to 2012 for the banks was obtained. A multi-regression model was used to ascertain the nexus between corporate governance measures and bank performance. The results of the study indicated that corporate governance measures that were board size, board composition, internal board committees and board diversity positively influenced bank performance. It was concluded that if banks need to improve performance then they ought to ensure that good corporate governance practices are implemented.

Nzuve and Bundi (2012) investigated the nexus between human capital management practices and performance of commercial banks in Kenya. The study used a cross sectional survey design and correlational design to establish the relationship between human capital and performance of commercial banks. The performance of the banks was measure by turnover growth and return on assets ratios. It was established that most commercial banks moderately adopted human capital management practices. It was concluded that human capital management practices had a positive effect on the performance of the banks in Kenya.

According to Odhong', Were and Omolo (2014), the skills and capacities of human resource when channeled into productive activities can be a source of success to an organization. The authors embarked into a study and sought to establish the effect of human capital management drivers on organizational performance. On focus was the investment and mortgages bank limited in Kenya. A case study design was therefore adopted by the study. It was found that human capital management drivers such as leader practices, learning capacity, workforce optimization and knowledge accessibility and employee engagement positively and significantly influenced performance of investment and mortgage bank. The study concluded that human capital management drivers can be used to determine organizational capabilities, pin point the grey areas and strengths of human capital management and link improvements in human capital management practices with improvements in organizational performance.

It is argued that leadership behavior is a human factor that is key to performance of an organization (Walela & Okwemba, 2015). The authors investigated the effect of leadership behavior on the performance of micro-financial institutions in Kenya. The study employed correlational study design to establish the nexus between leadership behavior and organizational performance. The micro finance institutions in Kakamega County were considered where employees of these institutions participated in the study. It was ascertained that leadership behavior in the surveyed microfinance institutions was supportive. As such it was noted that leadership behavior improved the overall performance of the institutions. Indeed, the correlation results indicated that the leadership behavior was positively and significant influenced the performance of the micro finance institutions in Kenya.

## **2.3 Theoretical Framework**

This section presents a review of theories and/or models that explain the concepts of organizational alignment and growth. The theories reviewed include contingency theory, trait theory, organizational theory, and Greiner's growth model. The four theories were deemed to be complimentary for effective explanation of the concept of organizational alignment.

### **2.3.1 Contingency Theory**

The contingency theory was pioneered by Fieldler (1964). The theory holds that organizational effectiveness is as a result of aligning organizational characteristics (organizational structure) to various contingencies which include organizational size, environment, and strategy. The theory stresses on the fundamental importance of task characteristics (particularly programmability of tasks) to the choice of control strategy. The theory states that social control or existence of people is an option to control through evaluation of performance. It is argued by organizational theorists that there is no best way to organize a firm. Rather, the bottom line ought to be establishing a fit or alignment between organizational structure, size, technology and the environmental requirements. The contingency theory essentially contends that the optimal leadership (organizational) style is contingent upon various internal and external constraints.

According to Fiedler (1967), the contingency theory brings out the core ideas of alignment. The theory is founded on the belief that leadership effectiveness is subject to the quality of match between leadership style and context. According to Fiedler, the mediation of the match is premised on three factors. These include leader-member relations, task structure, and position power. Leader-member relations encapsulate the

degree of attraction, loyalty, and confidence of followers towards their leaders and general atmosphere thus created. In a management or organizational set up, leaders are ideally managers, say of commercial banks, while followers are employees. Task structure describes the clarity of definition of tasks. In a firm, every employee has tasks that they must accomplish in congruent with organizational goals. Position power focuses on the leader's authority and also insists on the power to reward and punish followers. Therefore, position power can be used to show how bank managers can reward performing employees and castigate underperforming staff. The contingency theory ignores or assumes the claim that character and behaviour styles of leaders may vary depending on the context; rather the theory offers a crucial corrective to the popular focus on traits.

### **2.3.2 Trait Theory**

The trait theory was proposed by Zaleznik (1977). Other proponents of the trait theory include Bennis and Nanus (1985) and Nadler and Tushman (1989). The theory identifies the characteristics (traits) that distinguish leaders from others. The theory brings together person, role, function and character. The trait theory holds that leaders are intelligent and masterful strategists who are capable of structuring situations and rally people to achieve their objectives. The trait theory further implicitly holds that selecting the right leaders will likely solve organizational problems regardless of the input of fit, alignment, support, and resources. The character of the leader is very definitive of organizational success (performance). A leader's character in terms of skills, personality, and values are fundamental elements of leadership especially when aligned with the organization, cause, or culture.

### **2.3.3 Organizational Theory**

Organizational theory is part of performance management theories and focuses on how organizations acclimatize and also on both the strategies and structures that guide those organizations. The theory is concerned with efficiency in a firm, in addition to evaluation of performance. The organizational theory carries out a comparison between ability to measure behaviors and outcomes. The theory also employs control as a measurement and evaluation process. It also uses information as a commodity that can be purchased (Eisenhardt, 1985).

It is asserted that organizational theory is not a single theory; rather it encompasses several theories. The various competing theories of organization include Weber's bureaucracy theory, rationalization theory, and division of labour theory. All these theories have one thing in common in that they focus on organizational structure. Bureaucracy theory holds that an organization is governed by rules. Rationalization theory notes that formalization within an organization is a way to standardize organizational behaviour. More so, division of labour theory holds that there is specialization of individual labour roles (Smith, 1974).

### **2.3.4 The Greiner Growth Model**

The Greiner growth model was developed by Greiner (1972) and advanced by the same theorist in 1998 (Greiner, 1998). The theory describes how firms go through a series of phases as they grow and develop. There are six phases of growth which include creativity, direction, delegation, coordination, collaboration, and alliances. Each phase is associated with specific crisis. In creativity, phase, companies are typically driven by the



creative force of the founder and the new products and services that create value for customers. However, this phase is faced by leadership crisis since the increasingly complexities of the firm may challenge the leader's ability.

The direction phase is as a response to leadership crisis. This phase is characterized by bringing on board a management team that is professional, educated, skilled, and experienced. Professional managers are believed to be savvy with planning and tactics. However, the direction phase presents an autonomy crisis. As professional managers start to direct the proceedings of the firm, typically, they have a greater interest in their own areas than those of others and the overall entity. The next phase is the delegation stage which is a response to autonomy crisis. This phase is characterized by firm's having greater and more sophisticated structure and hierarchy with individual departments having their own managers. Delegation presents a control crisis due to problems in delegation and communication.

Control crisis is addressed in the coordination stage. Communication is ensured to move in one direction and crucial departments such as finance are centrally managed. However, when reporting becomes more sophisticated, red tape crisis is inevitable. Red tape crisis is characterized by bureaucracy at all management levels. Red tape crisis is addressed in collaboration phase. Attention to human connection and more collaborative, supportive approaches address the growing antagonism within the firm. Bureaucracy is simplified thus rebuilding trust with greater attention on organizational goals. At this stage, structure may be implemented to connect people in various dimensions. Yet, collaboration presents growth crisis. In other words, there is a challenge in how a firm can grow further without overloading the present systems and processes. Internal growth crisis is eventually

addressed by alliances. This is effected through mergers and acquisition. The Greiner growth model can be used to explain the growth of commercial banks through expansion of branches and business units. All the six aforementioned phases characterize the growth of many banks. Growth crisis has led to banks merging and other getting acquired as is the case with Stanbic, and I&M banks.

## **2.4 Summary of the Reviewed empirical Literature and Research Gaps**

This section puts into perspective a summary of the literature reviewed, primarily, empirical studies that have been conducted in the past. It further outlines the research gaps emanating from the reviewed studies.

### **2.4.1 Summary of the Reviewed Literature**

It has been indicated that there exists a significant relationship between demonstrated leadership and business strategic alignment at 95% confidence level. It has been recommended that in order to enhance leadership skills, leaders should be persuaded to attend training sessions on leadership skills. A study conducted in Austria that intelligent revealed that leadership in organizations went beyond the scope of conventional understanding of leadership. Another study established that it was only when effectiveness of leaders at various levels was considered in aggregate that there was significant improvement in performance. It is further noted that leadership styles that align business strategies with employees' motivation and morale would reduce employee attrition and consequently enhance productivity and performance. In Kenya, it is noted that majority of the commercial banks aligned strategy to industry success factors such as leadership in a bid to achieve competitive advantage.

Reviewed studies have noted that the performance benefits of strong culture in an organization are as a result of coordination and control within the firm, improved goal alignment in the firm and increased employee motivation. It is noted that transformational leadership in an organization articulates the specific and unique purposes of an organization and various roles, goals and ambition and therefore inspires personnel to enhance productivity. It is noted that leadership sets strong culture performance targets and business environment vital for enhancing organizational performance. The findings of a study conducted in Ghana illustrated that there were differences in the organizational culture traits in different banks but there were no differences in terms of performance. A study conducted in Kenya revealed there was culture-strategy alignment through the formal strategy planning process. It is further indicated that firms engaged in various organizational culture in a bid to enhance performance.

Studies have established that alignment of organizational infrastructure elements with technological infrastructure resulted to enhance business performance. It has been noted that strategic alignment significantly influenced performance. Organizational structure plays a crucial role in the attainment of objectives and accomplishment of strategic goals. Reviewed studies emphasized on the need for the alignment of organizational structure with organization strategic objectives. It is indicated that majority of the banks surveyed adopted an organizational structure that aligned with the strategic objectives of the bank. Other reviewed empirical studies have observed that organization structure on its own does not influence performance.

The growth of banking institution is critical to customers, bank managers and the economy as a whole. It is noted that the commercial banks in Bangladesh were able to register growth in branches, employees, deposits, loans, net income and earnings per share. However, the study did not indicate the drivers for the growth. It is indicated that in the recent past, the banking sector in India has registered tremendous growth through bank branch expansion for both public and private banks. In Tunisia, it is noted that there has been an increase in the growth of banks evidenced by increased number of banks, bank assets, influx of foreign investors and establishments of domestic banks. It has been revealed that cash flow management was the most important factor that contributed to the growth of commercial banks in Kenya.

#### **2.4.2 Research Gaps**

There are a number of studies that have been conducted in respect to organizational alignment and growth of financial institutions. Irungu (2014) conducted a study on alignment of strategy to industry critical success factors. The study focused on commercial banks in Kenya. The study inferred that alignment of industry success factors such leadership and management with banks strategies is critical for not only survival of the bank but also enhanced and sustained profitability. The study, however, fell short of linking leadership alignment to organizational growth. Another study by Gichohi (2015) addressed the issue of leadership in the context of strategic management; yet the study did not focus on leadership alignment.

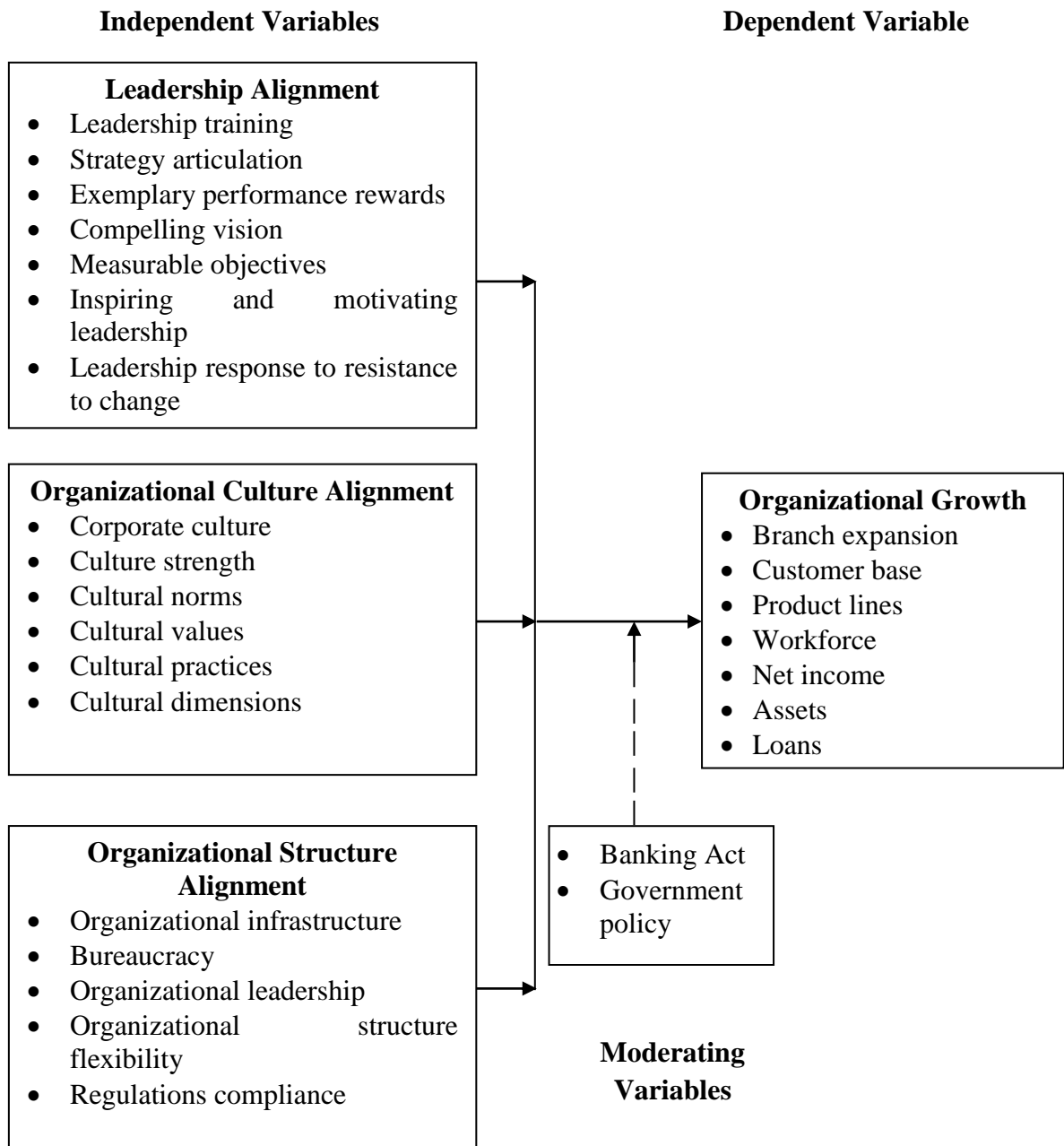
Shem (2009) examined the theme of strategy-culture alignment. The study found that there was culture-strategy alignment through the formal strategy planning process. The study, however, had two major limitations. Firstly, it did not focus on the effect of

organizational culture alignment on organizational growth; and secondly, it did not address microfinance institutions. Muthoni (2013) conducted a study on commercial banks in Kenya. The study noted that there ought to be a good alignment between the norms and behavior to enable a strategy to be executed in an organization. Nevertheless, the study did not touch on organizational growth. Oduol (2015) examined the themes of organizational culture and performance. The study findings indicated that firms engaged in various organizational cultures in a bid to enhance performance. The study, however, focused on commercial banks as opposed to MFIs.

A study by Mutua (2012) on Barclays Bank of Kenya empirically examined how the financial institution aligned its strategies and structure in its achievement of objectives. It was noted that bank strategy and structure alignment process was largely successful. Yet, the study never focused on organizational growth. Ng'enhoh (2013) examined organizational structure and strategy implementation in selected major banks in Kenya. The study failed to address organizational structure alignment in the context of MFIs. Moreover, Awino (2015) investigated organizational structure and performance. The findings indicated that organization structure on its own did not influence performance. But, the study did not focus on organizational structure alignment and organizational growth.

## **2.5 Conceptual Framework**

A conceptual framework is defined as a diagrammatic representation of the hypothesized relationship between study variables. The framework must contain at least two sets of variables which are independent and dependent variables. Figure 2.1 shows the conceptual framework that guided this study.



**Figure 2.1: Conceptual Framework**

The conceptual indicated in Figure 2.1 shows three sets of variables. These include independent, moderating and dependent variables. Independent variables are three and include leadership alignment, organizational culture alignment, and organizational structure alignment. The dependent variable is organizational growth while the Banking

Act is the moderating variable. The framework holds that the three components of organizational alignment influences growth of microfinance institutions. However, the foregoing influence is moderated by the Banking Act.

Each of the independent and dependent variables is operationalized by a set of parameters. Leadership alignment indicators include leadership training, skills, shared leadership, leadership consistency, style, support, and leadership model. Metrics of organizational culture alignment are corporate culture, culture strength, cultural norms, cultural values, cultural practices, and cultural dimensions. Organizational structure alignment is characterized by organizational infrastructure, bureaucracy, organizational leadership, structure flexibility, and regulations compliance. Lastly, the parameters of organizational growth include branch expansion, customer base, product lines, workforce, net income, asset base, and loans advanced by MFIs.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the various steps that were taken in carrying out the research study in line with the study objectives and research problem. It states and explains the research design used, target population, sampling procedure, data collection instrument, pilot testing, data collection procedure, and data analysis methods.

#### **3.2 Research Design**

A research design according to Churchill and Peter (2007) outlines how a research study is carried out. It is a roadmap about which the study procedure is founded. A cross-sectional survey research design was adopted. The choice of this research design was premised on the fact that participating respondents were drawn from all commercial banks in Nakuru town and included all branch managers.

#### **3.3 Target Population**

The target population is described as the universe of interest. It comprises of individuals with similar characteristics hence making the results of the study to be generalizable to it. This study targeted all the branch managers in the 35 branches of commercial banks that were operating in Nakuru town when the study was conducted.

#### **3.4 Census Design**

Census data was used, in which all the subjects in the population were considered. The census design enhances generalizability of the study findings since it eliminates both the



sampling error and sampling bias. It was the best technique to use in this study since the study population was relatively small. A total of 35 respondents were considered.

### **3.5 Data Collection Instrument**

This study used a structured questionnaire to collect data from the respondents. It is noted that questionnaires are the most ideal data collection tools in studies where respondents are not centralized due to their ease of administration and data collected using them are easy to interpret (Mugenda & Mugenda, 2009). The questionnaire contained questions that addressed background information of respondents and specific sections handling objectives formed the main part of the questionnaire. The questions dealing with the objectives were on a 5-point Likert scale. The scale had integers 1, 2, 3, 4 and 5 representing strongly disagree, disagree, neutral, agree and strongly agree respectively.

### **3.6 Pilot Test**

The research questionnaire was subjected to a pilot test. The pilot study was carried out across randomly selected managers working with branches of commercial banks in Molo town, Nakuru County. The reason behind the pilot test was in order to determine the validity and reliability of the research questionnaire. It was important to undertake this procedure prior to the main study in order to ensure that the research instruments could enable collection of data that would sufficiently address the research objectives.

#### **3.6.1 Reliability Test**

Reliability is a measure of consistency of the research instrument. Given that external consistency is beyond the control of the researcher, internal consistency of the research instrument was thus assessed. The Cronbach alpha coefficient was used to test the

instrument's reliability. Only those constructs (variables) that returned alpha coefficients at least equal to 0.7 were considered reliable (Kimberlin & Winterstein, 2008). Table 3.1 shows the results of the reliability test.

**Table 3.1: Reliability Test Results**

<b>Study Construct</b>	<b>Test Items</b>	<b>Alpha Coefficient</b>
Leadership alignment	7	0.841
Organizational culture alignment	6	0.824
organizational structure alignment	5	0.788
Organizational growth	7	0.815

### **3.6.2 Validity Test**

Validity test seeks to determine the extent to which the research instrument measures what it purports to measure (Kimberlin & Winterstein, 2008). For an instrument to be valid, it must first pass the reliability test. There are various types of validity; however, this study examined the content validity of the research instrument. This was determined through consultation with the assigned university supervisors who were presumed to be experts in the field of research. Only after the consideration of their opinion was the research instrument deemed valid. After consultations, the research questionnaire was revised according by getting rid of certain test items while including new ones in line with the study objectives.

### **3.7 Data Collection Procedure**

After validation of the research questionnaire, the next step was to collect data from the respondents. Prior to actual data collection, relevant consents were obtained. First, a

formal letter from Kabarak University was obtained in order for the researcher to be allowed to collect data from the respondents. This was a cover letter to the questionnaire. This was followed by seeking the consent of management of targeted commercial banks. Given that the respondents were not very many, the self-designed questionnaires were administered on the respondents by the researcher in person. The filled questionnaires were collected after such a time that was mutually agreed on by the researcher and respondents which was approximately 3 working days.

### **3.8 Data Analysis**

The collected filled questionnaires were scrutinized to ensure that they had been filled according to instructions. Those that did not meet this threshold were discarded. The Statistical Package for Social Sciences (SPSS) software facilitated data processing and analysis. Both descriptive and inferential statistics were used in the analysis. Descriptive statistics took the form of frequencies and percentages. Inferential statistics took the form of correlation analysis and multiple regression analysis. The results of the analyses were presented in tables. The following regression model guided the study.

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

Where:

$Y$  = Growth of Commercial Banks

$\beta_0$  = Constant

$X_1$  = Leadership Alignment

$X_2$  = Organizational Culture Alignment

$X_3$  = Organizational Structure Alignment

$\varepsilon$  = Error Term

$\beta_1, \beta_2, \beta_3$  = Regression Coefficients

### **3.9 Ethical Issues**

The study considered a number of ethical values. Before data were collected from respondents, relevant consents and permits were duly obtained. This was in order to avoid any form of confrontation during data collection. It was ensured that the research instrument did not contain provocative, sensitive and such other questions that could have probably infringed on privacy of the respondents. The respondents were expected to neither indicate the firms with which they worked nor disclose their identity. This strategy enabled respondents to fill in the questionnaires with no fear of being victimized for participating in the study.

## **CHAPTER FOUR**

### **DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter covers the results of data analyses. It first outlines the response rate. This is followed by the results and discussions of background information. The results and discussions relative to study objectives are presented. These are presented in form of both descriptive and inferential statistics. Importantly, the data collected in respect to study objectives was on a 5-point Likert scale. The scale had integers 1 to 5 representing, strongly disagree, disagree, neutral, agree and strongly agree respectively.

#### **4.2 Response Rate**

Response rate according to Nulty (2008) describes the number of questionnaires returned or collected by the researcher after being filled according to the preset instructions. Response rate is, therefore, also referred to as questionnaire return rate. In this study, a total of 35 questionnaires which were equivalent to the study population were issued to the respondents. However, not all questionnaires were filled appropriately and collected. The ones that attained the foregoing threshold were 28 in number. This represented 80% response rate which was deemed acceptable (Nulty, 2008).

#### **4.3 Background Information**

The study sought information regarding the gender, age and academic qualifications of the respondents. In addition, the working experience of the respondents in respect to financial sector, banking sector and present bank was further examined. In particular, the

study was interested in assessing the distribution of the bank managers who were the focus of this study in tandem with the foregoing criteria. The results of the analyses were presented in form of measures of distribution (frequencies and percentages) and measures of central tendencies (means, medians and modes).

#### **4.3.1 Gender of Respondents**

The study examined the distribution of the bank managers according to their gender. The results of the analysis are as presented in Table 4.1.

**Table 4.1: Distribution of Respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	16	57.1
Female	12	42.9
<b>Total</b>	<b>28</b>	<b>100.0</b>

As indicated in Table 4.1, the commercial banks in Nakuru town were dominated by male managers (57.1%). However, the number of female managers which stood at 42.9% was closeto that of their male counterparts. Indeed, the commercial banks in this town were found to adhere with two-third gender rule enshrined in the Constitution of Kenya, 2010.

#### **4.3.2 Age of Respondents**

The study also examined the distribution of respondents according to their age. The pertinent results are as indicated in Table 4.2.

**Table 4.2: Distribution of Respondents by Age**

<b>Age Category</b>	<b>Frequency</b>	<b>Percentage</b>
Below 30 Years	4	14.3
30 – 34 Years	2	7.1
35 Years and Above	22	78.6
<b>Total</b>	<b>28</b>	<b>100.0</b>

It was revealed as shown in Table 4.2 that the age of bank managers in Nakuru town ranged between varied from those younger than 30 to those above 35 years.. Most of the bank managers were aged above at least 35 years. Interpretatively, commercial banks in Nakuru town were dominated by middle-aged managers. Youthful enough to have the vigour and zeal required of managers to propel their banks forward in an otherwise dynamic and highly competitive sector; and old enough to have experience required in the banking sector and also to mentor their subordinates.

#### **4.3.3 Academic Qualifications of Respondents**

In addition, the study analyzed the academic qualifications of bank managers. This was in order to determine the degree of emphasis commercial banks had in respect to the academic qualifications of their managerial staff. Table 4.3 shows the relevant results.

**Table 4.3: Distribution of Respondents by Academic Qualifications**

<b>Academic Qualifications</b>	<b>Frequency</b>	<b>Percentage</b>
Bachelor's degree	16	57.1
Master's degree	12	42.9
<b>Total</b>	<b>28</b>	<b>100.0</b>

The study established that the managers working with commercial banks in Nakuru town were either Bachelor's degree holders (57.1%) or Master's degree holders (42.9%). Given that quite a big number of bank managers had Master's degrees implied that there was significant degree of emphasis on career development of the management staff working with commercial banks. Coupled with other attributes, the academic background was an important factor determining appointment of promotion to a managerial position in banks in Nakuru town, Kenya.

#### 4.3.4 Working Experience of Respondents

The study further examined the working experience of respondents in the financial sector, banking sector and also with their present banks. The results of the pertinent analyses are as indicated in Table 4.4, Table 4.5 and Table 4.6.

**Table 4.4: Distribution of Respondents by Working Experience in Financial Sector**

<b>Working Experience in Years</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 Years	6	21.4
5 – 9 Years	2	7.2
10 – 14 Years	16	57.1
15 Years and More	4	14.3
<b>Total</b>	<b>28</b>	<b>100.0</b>

As shown in Table 4.4, most of the bank managers (57.1%) worked in the financial sector for a period of between 10 and 14 years. The study further revealed that very few managers had worked in the financial sector for a period of less than 10 years (7.1%) while also very few had worked for 15 years and more in the said sector (14.3%). Moreover, only 21.4% of managers had worked in the financial sector for less than 5



years. The findings implied that banks were interested in the experience of individuals in the financial sector in order for them to be considered for managerial positions. Moreover, the study noted that commercial banks were not able to retain or did not retain highly experienced managers relative to financial issues.

**Table 4.5: Distribution of Respondents by Working Experience in Banking Sector**

<b>Working Experience in Years</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 Years	8	28.6
5 – 9 Years	2	7.1
10 – 14 Years	16	57.1
15 Years and More	2	7.2
<b>Total</b>	<b>28</b>	<b>100.0</b>

The study found that (Table 4.5) that majority of bank managers in Nakuru town had worked in the banking sector for a period ranging from 10 to 14 years (57.1). On the other hand, only 28.6% and 7.2% of bank managers had approximately worked for less than 5 years and at least 15 years respectively in the banking sector. The findings meant that bank managers were highly experienced in banking issues though majority of them did not remain the sector for more than 15 years.

**Table 4.6: Distribution of Respondents by Working Experience with Current Bank**

<b>Working Experience in Years</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 Years	8	28.5
5 – 9 Years	4	7.1
10 – 14 Years	18	64.3
15 Years and More	2	7.1
<b>Total</b>	<b>28</b>	<b>100.0</b>

From the study findings as shown in Table 4.6, majority of the bank managers had worked with their present banks for a period ranging from 10 to 14 years (64.3%). Only 7.1% had worked in their present banks for at least 15 years. The results indicated that commercial banks ensured that branch managers are picked from the bank employees who have relatively vast knowledge regarding their present banks. However, there are some branch managers who are sourced from other banks and also sectors as manifested by the managers who had less than 5 years working experience with their present banks.

#### **4.4 Descriptive Results and Discussions**

This section puts into perspective results that emanated from descriptive analysis. The results which are in line with study objectives (and variables) are presented in form of measures of distribution (frequencies), central tendencies (means) and dispersion (standard deviations).

#### 4.4.1 Leadership Alignment

The study sought the views of bank managers in respect to leadership alignment in the banking and particularly in respect to their banks. The relevant descriptive findings are outlined in Table 4.7.

**Table 4.7: Descriptive Statistics for Leadership Alignment**

	N	SD	D	N	A	SA	$\chi^2$	P-Value
In our bank leadership clearly articulates the strategy	28	0	0	0	.5	.5	4.571	0.033
In our bank leadership has provided a compelling vision	28	0	0	0	.5	.5	5.671	0.028
Our bank's leaders recognizes and rewards exemplary performance	28	0	0	2	.5	.5	17.714	0.000
Leadership in our bank is personally inspiring and motivating for change	28	0	0	0	.8	.2	3.841	0.042
As a manager I have undergone leadership training	28	0	0	0	.6	.4	9.143	0.010
The management provides measurable objectives for implementing the vision	28	0	0	.14	.43	.43	1.143	0.283
Our bank's leadership responds effectively to resistance to change	28	.1	.1	.1	.6	.1	32.571	0.000

As shown in Table 4.7, all respondents either agreed (14) or strongly agreed (14) that commercial banks' leadership clearly articulates the strategy ( $\chi^2 = 4.571$ ;  $p < 0.05$ ); and also that leadership of commercial banks had provided a compelling vision ( $\chi^2 = 5.671$ ;  $p < 0.05$ ). The foregoing findings tallied with Hackman and Wageman's (2005) findings that one of the crucial ways leaders influence the performance of work groups is by providing a compelling direction for the group. More

so, it was acknowledged (14) that bank's leaders recognized and rewarded exemplary performance ( $\chi^2 = 17.714$ ;  $p < 0.05$ ). Indeed, a total of 14 managers out of 28 strongly agreed with this proposition.

All the respondents were found to at least agree that leadership in their respective banks is personally inspiring and motivating for change ( $A = 16$ ) and also that bank managers have undergone leadership training ( $A = 18$ ). These findings concurs the recommendations put across in a study by Al-Farouri et al (2009) that in order to enhance leadership skills, leaders should be persuaded to attend training sessions on leadership skills. Twelve managers strongly agreed while an equivalent number admitted that management of commercial banks provided measurable objectives for implementing the banks' vision ( $\chi^2 = 1.143$ ;  $p > 0.05$ ). However, 4 managers remained neutral regarding this proposition. Moreover, the study found that though majority of respondents agreed ( $A = 14$ ) that leadership of commercial banks responded effectively to resistance to change, 4 were indifferent, 4 others disagreed while 2 strongly disagreed with the said argument ( $\chi^2 = 32.571$ ;  $p < 0.05$ ).

#### **4.4.2 Organizational Culture Alignment**

The study also examined the views of sampled bank managers regarding organizational culture alignment. These views are presented in Table 4.8.

**Table 4.8: Descriptive Statistics for Organizational Culture Alignment**

	SD	D	N	A	SA	$\chi^2$	p-value
	N	1	2	3	4	5	
Every bank ascribes to particular cultural dimensions	28	0	0	.1	.6	.3	28.571 0.000
The bank's culture is deeply embedded in the way we do business	28	0	.1	0	.6	.3	21.143 0.000
Our bank has a well-defined corporate culture	28	0	.1	.1	.4	.4	10.286 0.016
There are specific culture practices in commercial bank	28	0	0	.1	.5	.4	21.143 0.000
Our bank has specific cultural norms	28	0	.2	.1	.4	.2	10.857 0.004
Our bank is aligned to particular cultural values	28	.1	.1	.1	.4	.3	21.143 0.000

The study established that managers, on average, concurred with all propositions regarding organizational culture alignment in commercial banks. However, there were varying opinions regarding specific issues on the aforesaid alignment. Besides 2 respondents who remained neutral, the rest either agreed (16) or strongly agreed (10) that every commercial banks ascribed to particular cultural dimensions ( $\chi^2 = 28.571$ ;  $p < 0.05$ ). Though, there were four managers who disagreed, the rest at least agreed that the culture of commercial banks in Nakuru town is strongly embedded in the way they conduct their business ( $\chi^2 = 21.143$ ;  $p < 0.05$ ). This is in support of earlier observations by Sorenson (2001) that strong culture of firms embedded in their mission, values and norms among others have consistent performance.

A total of 24 managers held the view that commercial banks had well-defined corporate culture. This was in agreement with Shem's (2009) findings that there existed culture-strategy alignment through the formal strategy planning process in organizations. However, 2 disputed this view while other 2 remained indifferent. Commercial banks in Nakuru town were largely affirmed (24) that they had specific cultural practices. However, 8 managers were not sure on the same issue. Six managers disagreed while 4 others remained neutral in respect to the proposition that commercial banks had specific norms ( $\chi^2 = 10.857$ ;  $p < 0.05$ ). On the same breadth, while 4 managers disagreed that commercial banks were aligned to particular cultural values, 2 others strongly disputed the same view.

#### **4.4.3 Organizational Structure Alignment**

The study further analyzed the views of managers working with commercial banks in Nakuru town regarding the issue of organizational culture alignment. Their views are as presented in Table 4.9.

**Table 4.9: Descriptive Statistics for Organizational Structure Alignment**

	SD	D	N	A	SA	$\chi^2$	p-value
	N	1	2	3	4	5	
Commercial banks have several levels of decision making	28	0	0	0	.1	.9	38.286 0.000
There is organizational leadership in banks	28	0	0	0	.4	.6	28.571 0.000
Commercial banks have well-aligned organizational infrastructure	28	0	0	.1	.2	.7	4.571 0.000
Bank's organizational structure demands for regulation's compliance	28	0	0	.1	.6	.3	12.571 0.014
Organizational structure of commercial banks is highly flexible	28	.2	.4	.1	.1	.2	28.000 0.000

The study revealed that respondents strongly agreed (SA = 24) that commercial banks had several levels of decision making ( $\chi^2= 38.286$ ;  $p < 0.05$ ); there was organizational leadership in commercial banks (SA = 18;  $\chi^2 = 28.571$ ;  $P < 0.05$ ); and that these banks had well-aligned organizational infrastructure (SA = 18;  $\chi^2 = 4.571$ ;  $P < 0.05$ ). The findings concurred with earlier observations that commercial banks adopted an organization structure that aligned with the goals and strategic objectives of the organization (Macmillan & Tampoe, 2011). It was further agreed (A = 18) that organizational structure of commercial banks demanded for compliance to regulations ( $\chi^2 = 12.571$ ;  $P < 0.05$ ).

However, managers held divergent views (N = 10) regarding the proposition that organizational flexibility of commercial banks being highly flexible ( $\chi^2 = 28.000$ ;  $P < 0.05$ ). Further observations indicated that all the 28 branch managers opined that their banks had several levels of decision making and also that they had organizational

leadership. All respondents except 2 that remained neutral were in agreement that such banks had well-aligned organizational infrastructure. Similar observations were made in respect to organization structure for banks demanding regulation's compliance. This was in support of findings by Ng'enh (2013) that organizational structure greatly influenced compliance with regulations in banks. Majority of branch managers at 16, disagreed that organizational structure of commercial banks in Nakuru town was highly flexible.

#### 4.4.4 Organizational Growth

Lastly, the study examined the views of branch managers in regard to the growth of their banks. Table 4.10 outlines these views.

**Table 4.10: Descriptive Statistics for Organizational Growth**

	N	SD	D	N	A	SA	$\chi^2$	p-value
Our bank as increased its branch network	28	0	0	0	.4	.6	1.143	0.285
The size of our bank's workforce is on the increase	28	0	.1	0	.2	.7	38.286	0.000
There is an increase in the number of customer	28	0	.1	0	.2	.7	1.143	0.285
Our bank's products lines have increased	28	0	0	0	.6	.4	38.286	0.000
Our bank has been recording increase net income	28	0	.1	0	.3	.6	24.571	0.000
The assets of our bank have been increasing	28	0	.1	0	.5	.4	17.714	0.000
Our loan book has been increasing	28	0	.1	0	.6	.3	21.143	0.000

The study found that branch managers generally concurred on all facets of organizational growth in respect to their banks. They strongly believed (SA = 16) that commercial banks had increased their branch network ( $\chi^2 = 1.143$ ;  $p > 0.05$ ); the size of the workforce was on the rise ( $\chi^2 = 38.286$ ;  $p < 0.05$ ); and that there was an increase in the number of



customers ( $\chi^2 = 1.143$ ;  $p > 0.05$ ). The aforementioned dimensions of growth are similar to the ones indicated in a study by Goyal and Joshi (2011) on the development and growth of selected private commercial banks in Bangladesh where banks registered growth in terms of branches, employees, loans and deposits among other facets. Similar observations were made in a study conducted in India where banks registered tremendous growth through bank expansion (Khan & Fozia, 2013). It was further agreed that product lines for commercial banks had increased ( $A = 16$ ;  $\chi^2 = 38.286$ ;  $p < 0.05$ ); banks had recorded increased net income ( $SA = 18$ ;  $\chi^2 = 24.571$ ;  $p < 0.05$ ); the bank assets had been increasing ( $A = 14$ ;  $\chi^2 = 17.714$ ;  $p < 0.05$ ); and that bank loan books had also been increasing ( $A = 16$ ;  $\chi^2 = 21.143$ ;  $p < 0.05$ ). None of the branch managers interviewed disputed that banks had increased their branch networks and that the said banks had increased their product lines. Twenty managers out of 28 strongly concurred that the size of commercial banks' workforce was on the rise; and also that bank customers were increasing in number.

#### **4.5 Inferential Results and Discussions**

This section shows the results of inferential analysis in form of both Spearman rank's correlation and multiple regression. The purpose of this analysis was to illustrate the relationship between organizational alignment and organizational growth and how the said alignment impacted on the growth of commercial banks in Nakuru town, Kenya.

#### 4.5.1 Relationship between Organizational Alignment and Organizational Growth

The study determined the relationship between each of the constructs describing organizational alignment and growth of commercial banks. Table 4.11 shows the results of the Spearman rank's correlation analysis.

**Table 4.11: Correlation Matrix**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Leadership Alignment</b>	Correlation	1.000			
	Coefficient				
	Sig. (2-tailed)	.			
<b>Organizational Culture Alignment</b>	Correlation	.267*	1.000		
	Coefficient				
	Sig. (2-tailed)	.046	.		
<b>Organizational Structure Alignment</b>	Correlation	.227	.016	1.000	
	Coefficient				
	Sig. (2-tailed)	.092	.907	.	
<b>Organizational Growth</b>	Correlation	.034	.156	.494**	1.000
	Coefficient				
	Sig. (2-tailed)	.802	.250	.000	.

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

As indicated in Table 4.11, the relationship between leadership alignment and organizational growth was found to be positive, weak and not significant ( $r = 0.034$ ;  $p > 0.05$ ). This meant that leadership alignment did not have considerable consequence on growth of commercial banks in Nakuru town. This departed from the findings of a study by Irungu (2014) that had indicated that leadership and top management support were

some of the fundamental success factors valued by commercial banks in Kenya. This is factual given that success is manifested in such areas as organizational growth.

The relationship between organizational culture alignment and organizational growth was revealed to be positive, weak and not significant ( $r = 0.156$ ;  $p > 0.05$ ). The results implied that this alignment had marginal influence on growth of commercial banks. These findings were supported by earlier observations that organizational culture by itself did not influence financial performance of the banks (Boevink, 2009). However, this was in contrast with Davidson et al.'s (2007) findings that organizational culture is important in achieving financial performance and that alignment of culture and organization core values, recruitment and orientation to the business strategies is vital for ensuring enhanced financial performance. This is putting into consideration that financial performance is an attribute of growth.

However, the study found that the relationship between organizational structure alignment and organizational growth in commercial banks was positive, moderately strong and significant ( $r = 0.494$ ;  $p < 0.05$ ). The results meant that organizational structure alignment was important in growth of commercial banks. As the banks enhanced their alignment, the greater the likelihood that their growth could be increased and the reverse was also true. These findings concurred with Croteau et al.'s (2001) revelation that alignment of organizational infrastructure elements with technological infrastructure resulted to enhance business performance. The findings further indicated that organizational structure alignment was the most important facet of organizational alignment in as far as growth of commercial banks was concerned.

#### 4.5.2 Influence of Organizational Alignment on Organizational Growth

The study further examined the influence of organizational alignment as described by leadership alignment, organizational culture alignment and organizational structure alignment on the growth of commercial banks in Nakuru town, Kenya. The pertinent results are as shown in Table 4.12, Table 4.13 and Table 4.14.

**Table 4.12: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.776 <sup>a</sup>	.603	.580	.36727

a. Predictors: (Constant), Leadership Alignment, Organizational Culture Alignment, Organizational Structure Alignment

The results shown in Table 4.12 indicate that the relationship between organizational alignment (as represented by leadership alignment, organizational culture alignment and organizational structure alignment) and growth of commercial banks was positive and strong ( $R = 0.776$ ). This meant that as banks enhanced their organizational alignment, the more they were likely to realize organizational growth. The results of coefficient of determination ( $r^2 = 0.580$ ) implied that 58.0% of organizational growth in commercial banks in Nakuru town could be explained by the three types of organizational alignment combined (leadership alignment, organizational culture alignment and organizational structure alignment). It also means that 39.7% of organizational growth of the said banks can be attributed to other factors that were not part of the present study.

**Table 4.13: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.637	3	3.546	26.286	.000 <sup>a</sup>
	Residual	7.014	52	.135		
	Total	17.651	55			

- a. Predictors: (Constant), Leadership Alignment, Organizational Culture Alignment, Organizational Structure Alignment
- b. Dependent Variable: Organizational Growth

The results of ANOVA shown in Table 4.13 indicate that the relationship between organizational alignment and organizational growth of commercial banks in Nakuru town was significant ( $F = 26.286$ ;  $p < 0.05$ ). The results further underscored the importance of organizational alignment in growth of commercial banks in Nakuru town.

**Table 4.14: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.344	.674		.511	.611		
Leadership Alignment	.052	.155	.033	.332	.741	.778	1.286
Organizational Culture Alignment	.609	.092	.640	6.621	.000	.817	1.224
Organizational Structure Alignment	.446	.126	.331	3.549	.001	.877	1.141

- a. Dependent Variable: Organizational Growth

The results indicated in Table 4.14 can be interpreted using the following regression model.

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

$$Y = 0.344 + 0.052X_1 + 0.609X_2 + 0.446X_3$$

As indicated in Table 4.14, for every positive unit change in organizational growth, leadership alignment, organizational culture alignment and organizational structure alignment had to be changed by 0.052 unit, 0.609 unit and 0.446 unit respectively while holding other factors constant. Organizational culture alignment was established to have the greatest influence on growth of commercial banks while leadership alignment had the least effect on the aforesaid growth.

Moreover, the t-statistics and p-value were used to test the hypotheses. From the findings indicated in Table 4.14, the relationship between leadership alignment and organizational growth was found not to be significant ( $t = 0.332$ ;  $p > 0.05$ ). This implied that the first null hypothesis failed to be rejected. The relationship between organizational culture alignment and organizational growth was revealed to be statistically significant ( $t = 6.621$ ;  $p < 0.05$ ). The foregoing results led to rejection of the second null hypothesis. Moreover, the relationship between organizational infrastructure alignment and organizational growth was found to be statistically significant ( $t = 3.549$ ;  $p < 0.05$ ) which led to rejection of the third null hypothesis.

The Variance Inflation Factor (VIF) for the three independent variables which are leadership alignment, organizational culture alignment and organizational structure alignment were found to be 1.286, 1.224 and 1.141 respectively as shown in Table 4.14.

Given that the VIF for each of the stated constructs ranged between 1 and 10, the results were interpreted to mean that there were no multicollinearity symptoms. The VIF for each of the three predictor variables was slightly above 1. This implied that the variance was only slightly inflated hence lacking multicollinearity symptoms.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter covers a summary of major study findings, the conclusions inferred from the findings and also the suggested recommendations. Moreover, the chapter outlines areas suggested for further research and lastly, it covers the ethical considerations that were factored in when carrying out the study.

#### **5.2 Summary of the Study Findings**

This section puts into perspective the major findings of the study. Just like other sections, the summary is in line with the study objectives.

##### **5.2.1 Leadership Alignment and Growth of Commercial Banks**

The study observed that commercial banks' leadership clearly articulates the strategy and also leadership of commercial banks in Nakuru town had provided a compelling vision. Commercial bank's leaders were found to recognize and reward exemplary performance. More so, it was found that that leadership in their respective banks is personally inspiring and motivating for change. The study further noted that management of commercial banks provided measurable objectives for implementing the banks' vision. The study further found that leadership of commercial banks responded effectively to resistance to change though there are some banks where response to change was not effective. The relationship between leadership alignment and organizational growth was found to be positive, weak and not significant. The foregoing was interpreted to mean that leadership



alignment did not have considerable consequence on growth of commercial banks in Nakuru town.

### **5.2.2 Organizational Culture Alignment and Growth of Commercial Banks**

The study established that commercial banks ascribed to particular cultural dimensions. It was further observed that commercial banks in Nakuru town are deeply embedded in the way they conduct their business. The study also indicated that commercial banks in this town had well-defined corporate culture and specific cultural practices. Although some respondents dissented, the study generally observed that commercial banks in Nakuru town had specific norms. The relationship between organizational culture alignment and organizational growth was revealed to be positive, weak and not significant. The results implied that this alignment had marginal influence on growth of commercial banks in Nakuru town, Kenya.

### **5.2.3 Organizational Structure Alignment and Growth of Commercial Banks**

The study revealed that commercial banks had several levels of decision making and that there was organizational leadership in commercial banks. It was also noted that banks had well-aligned organizational infrastructure. The study also established that organizational structure of commercial banks demanded for compliance to regulations. All branch managers working with commercial banks in Nakuru town were found to admit that banks had several levels of decision making and also that they had organizational leadership. There were divergent views regarding organizational flexibility of commercial banks in Nakuru town. Most of commercial banks in this town were found to have well-aligned organizational infrastructure. However, the flexibility of these banks

was largely put into question. The study found that the relationship between organizational structure alignment and organizational growth in commercial banks was positive, moderately strong and significant. The results meant that organizational structure alignment was important in growth of commercial banks. The findings further indicated that organizational structure alignment was the most important facet of organizational alignment in as far as growth of commercial banks was concerned.

#### **5.2.4 Growth of Commercial Banks**

The study found that commercial banks had increased their branch network; the size of the workforce was on the rise; and that there was an increase in the number of customers. It was further observed that product lines for commercial banks had increased; banks had recorded increased net income; the bank assets had been increasing; and that bank loan books had also been increasing. The general relationship between organizational alignment and growth of commercial banks was found to be positive, strong and significant. The study further found that a large proportion of growth of commercial banks could have been attributed to leadership alignment, organizational culture alignment and organizational structure alignment. Organizational culture alignment was established to have the greatest influence on growth of commercial banks while leadership alignment had the least effect on the aforesaid growth. The results of the study did not have multicollinearity symptoms.

#### **5.3 Conclusions of the Study**

The study made a number of conclusions from the study findings and in respect of the objectives of the study.

### **5.3.1 Leadership Alignment and Growth of Commercial Banks**

The study concluded that leadership of commercial banks in Nakuru town articulated the banks' strategies whereby they provided a compelling vision. More so, it was found and inferred that the aforesaid banks did recognize and reward exemplary performance. It was further concluded that though leadership in some banks failed to effectively address resistance to change, majority of the commercial banks in Nakuru had their leadership effectively responding to resistance to change. The foregoing was inferred to be crucial in that the banking sector is very dynamic and dynamism is associated with changes and it is human nature to resist changes and instead embrace status quo. However, it was deduced that despite the importance of various facets of leadership, leadership alignment was not very important in enhancing growth of commercial banks.

### **5.3.2 Organizational Culture Alignment and Growth of Commercial Banks**

The study concluded that commercial banks ascribed to particular cultural dimensions and as such these banks were deeply embedded in the way they conducted their business. In addition, it was inferred that commercial banks in Nakuru town had well-defined corporate culture and specific cultural practices. The foregoing implied that each of the banks in the town had specific culture amongst the staff members that hugely defined how they executed their tasks and responsibilities. However, the study concluded that there were some banks in Nakuru town that lacked particular norms in how they did their business. The study further concluded that organizational culture alignment had marginal influence on growth of commercial banks in Nakuru town. However, its influence on the said growth was substantive.

### **5.3.3 Organizational Structure Alignment and Growth of Commercial Banks**

It was deduced that commercial banks in Nakuru town had several levels of decision making. More so, these banks were concluded to have organizational leadership. The study also concluded that organizational structure is the one that spelt out how the banks were to comply with various regulations such as Central Bank of Kenya Act among other statutes. The study also concluded that commercial banks in Nakuru town were not flexible enough in as far as their organizational structure were concerned. This is despite such banks having well-aligned organizational infrastructure. Moreover, the study inferred that organizational structure alignment was important in enhancing growth of commercial banks in Nakuru town.

### **5.4 Recommendations**

The study made a couple of recommendations that tallied with the conclusions drawn from the study findings. It is recommended that commercial banks in Nakuru town and in Kenya at large should have leadership that clearly articulates the banks' strategies so that their growth could possibly be enhanced. The leadership of commercial banks should be inspiring and motivating enough relative to dynamics in the banking sector in order to effectively address resistance to change. It is further recommended that commercial banks in Kenya ought to have measurable objectives against which they can benchmark their growth.

It is advisable to commercial banks have well-defined cultural dimensions that can distinguish them from their rivals in the banking sector. These cultural dimensions should be in such a way that they are easily aligned to the banks' objectives, goals, core values,

mission and vision. Ensuring the foregoing is likely to enhance the growth of banks in all dimensions. There should also be corporate culture in commercial banks that is formalized by the management. It is recommended that this corporate culture should be inspiring and mentoring and motivating to all bank staff.

The study further recommends that commercial banks should have several levels of decision making from individual employees up to the highest echelons in the bank's management. In the same vein, commercial banks are advised to decentralize some of their decision making in order to shorten the communication process and as such address effectively issues touching on the operations of banks at the branch level. It is further recommended that the organizational structure of commercial banks should be flexible enough to mitigate the challenges emanating from bureaucratic bottlenecks.

### **5.5 Suggestions for Further Studies**

It is recommended that scholars should carry out empirical investigations into other aspects touching on various facets of alignment and growth in financial institutions. It is important to examine the relationship between organizational alignment and organizational growth in other financial institutions besides commercial banks. These may include microfinance institutions, microfinance banks, and also savings and cooperative societies. Similar studies can be carried out amongst firms in other sectors such as manufacturing, agriculture and education. It is also important to study the influence of organizational alignment on organizational performance in the aforesaid firms. In addition, it is suggested that studies can be carried out on the effect of strategic alignment on strategic performance and growth in the same entities.

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**APPENDIX I**

**LETTER OF INTRODUCTION**

Dear respondent,

I am a Master of Business Administration (Strategic Management Option) candidate at Kabarak University. As part of my degree course I am mandated to carry out a research project titled: **Assessment of the relationship between organizational alignment and growth of financial institutions in Kenya: A survey of commercial banks in Nakuru town.** My study will involve collecting requisite data from management staff working with the aforementioned banks.

In view of above, I kindly request your participation in the study by assisting me with the required data. The data collected will be treated with utmost confidentiality.

Thank you in advance.

**Stephen Ndirangu**

\_\_\_\_\_

Student

**Dr. Waiganjo**

\_\_\_\_\_

University Supervisor

## **APPENDIX II**

### **LIST OF COMMERCIAL BANKS IN NAKURU TOWN**

1. African Banking Corporation
2. Bank of Africa Kenya Limited (2 branches)
3. Bank of Baroda (K) Limited
4. Barclays Bank of Kenya Limited
5. CfC Stanbic Bank Limited
6. Chase Bank (K) Limited IN RECEIVERSHIP
7. Commercial Bank of Africa Limited
8. Consolidated Bank of Kenya Limited
9. Co-operative Bank of Kenya Limited
10. Dubai Bank of Kenya Limited
11. Diamond Trust Bank Kenya Limited
12. Ecobank Kenya
13. Spire Bank
14. Equity Bank Kenya Limited (3 branches)
15. Family Bank Limited
16. Fina Bank Limited
17. First Community Bank Limited
18. Guardian Bank Limited
19. Imperial Bank Limited IN RECEIVERSHIP
20. Jamii Bora Bank Limited
21. KCB Bank Kenya Limited
22. National Bank of Kenya Limited
23. National Industrial Credit (NIC) Bank Limited
24. Oriental Commercial Bank Limited
25. Paramount Bank Limited
26. Post Bank
27. Prime Bank Limited
28. Sidian Bank Limited
29. Standard Chartered Bank Kenya Limited
30. Trans-National Bank Limited
31. HFC Limited
32. Central Bank of Kenya (Regulator)

## APPENDIX III

### RESEARCH QUESTIONNAIRE

This questionnaire is an integral part to a study titled, “**Assessment of the relationship between organizational alignment and growth of financial institutions in Kenya: A survey of commercial banks in Nakuru town.**” The questionnaire is divided into major parts. The first part addresses the background information of both respondents and commercial banks. The second part is in line with the study objectives. In the second part, the questions are on a 5-point Likert scale where integers **1 to 5** represent **strongly disagree, disagree, neutral, agree, and strongly agree** respectively. You are required to put a tick (✓) against the correct choice in the spaces provided. Kindly do not indicate your name or the name of your bank on this questionnaire.

#### Section One

##### Background Information

1. Kindly indicate your gender.

Male      [   ]                  Female      [   ]

2. Kindly indicate your age?

Indicate here [   ]

3. Please indicate your highest academic qualifications?

Bachelor Degree      [   ]

Masters Degree      [   ]

Others                      [   ]

4. How long have you worked in the financial sector in years?

Indicate here [ ]

5. How long have you worked in the banking sector in years?

Indicate here [ ]

6. How long have you worked with the present bank in years?

Indicate here [ ]

**The following sections require you to indicate your level of agreement or disagreement with the suggested propositions. The level of agreement or disagree is as follows:**

**1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, and 5: Strongly Agree**

### **Section Two: Leadership Alignment**

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. As a manager, I have undergone leadership training.					
2. In our bank leadership clearly articulates the strategy.					
3. In our bank Leadership recognizes and rewards exemplary performance.					
4. In our bank Leadership has provided a compelling vision.					
5. The management provides measureable objectives for implementing the vision.					
6. Leadership in our bank is personally inspiring and motivating for change.					
7. Our bank's leadership responds effectively to resistance to change.					

### **Section Three: Organizational Culture Alignment**

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
8. Our bank has a well-defined corporate culture.					

9. The bank's culture is strongly embedded in the way we do business.					
10. Our bank has specific cultural norms.					
11. Our bank is aligned to particular cultural values.					
12. There are specific cultural practices in commercial banks.					
13. Every bank ascribes to particular cultural dimensions.					

#### **Section Four: Organizational Structure Alignment**

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
14. Commercial banks have well-aligned organizational infrastructure.					
15. Commercial banks have several levels of decision making					
16. There is organizational leadership in banks.					
17. Organizational structure of commercial banks is highly flexible.					
18. Bank's organizational structure demands for regulations' compliance.					

#### **Section Five: Organizational Growth**

**Kindly indicate your opinion regarding the following aspects in the last five years.**

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
19. Our bank has increased its branch network.					
20. There is an increase in the number of customers.					
21. Our bank's product lines have increased.					
22. The size of our bank's workforce is on the increase.					
23. Our bank has been recording increased net income.					
24. The assets of our bank have been increasing.					
25. Our loan book has been increasing.					

Thank you for your cooperation.