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**CORPORATE STRATEGY, ORGANIZATIONAL STRUCTURE AND ORGANIZATIONAL PERFORMANCE OF LISTED COMPANIES IN EMERGING MARKETS: KENYAN PERSPECTIVE**

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**Abstract**

The study examines the influence of organizational structure on the relationship between corporate strategy and organizational performance. Using a structural questionnaire, data were obtained from 46 companies listed on the Nairobi Securities Exchange and analyzed using inferential statistics. The study reveals the intervening significant influence of organizational structure on the link connecting corporate strategy and customer performance, internal business process performance and environmental performance, but no significant power on financial performance, learning and growth performance; and social performance. A theoretical implication illustrates that the industrial organizational theory has significant effect on stakeholders' theory. Methodological implication confirms the operationalization of corporate strategy as independent variable, organizational structure as intervening variable and organizational performance as dependent variable; the use of cross-sectional survey and the application of regression analysis for the study. The researchers recommend future research on corporate strategy and organizational structure concepts using longitudinal and case studies.

**Keywords:** Corporate Strategy, Organizational Structure, Organizational Performance

**INTRODUCTION**

In the wake of myriad challenges and turbulence in the global market environment, the concept of corporate strategy has been gripped globally due to its apparent role to organizational performance. Researchers (Okeyo, 2013; Lussier, 2013) argue that internal business structure may have some bearing on how organizations utilize resources thereby affecting their performance. Consultants and researchers have endeavored to discover why some organizations realize high performance than others. Aosa (2011)

noted that emphasis in strategic management is mainly market driven approach strategy, which should ideally help companies to gain sustainable competitive edge in the turbulent global

market arena. Organizations thus need to establish the critical factors that influence profitability and ultimately the overall performance of its industry.

The industrial organization economics theory backed by game theory and resource based view together with dynamic capabilities theory underpin concepts of corporate strategy and organizational structure (Grant, 2013; Rumelt, Schendel, & Teece, 1994; Wernerfelt, 1984). Likewise, the stakeholder theory anchors the concept of Performance (Ferrero, Hoffman, & McNulty, 2014; Donaldson & Preston, 1995). Strategic management lays down managerial actions and decisions that verify the long-run performance of a firm (Lussier, 2013).

Listed companies on the Nairobi Securities Exchange represent the main sectors of the Kenyan economy. The choice of this study has been motivated by the fact that firms that operate in the same industry and sectors often reflect different performance levels. Performance and long term survival of these organizations largely depend on how strategy is aligned with the business environment (Machuki, 2011; Mkalama, 2014; Ansoff, 1991). The companies manifest different performance levels due to the fact that they employ a different strategy in the various industries or sectors within which they operate. It is thus the considered view of the researcher that there is an impact of organizational structure on the relationship between corporate strategy and performance of companies listed on the bourse.

### **Corporate Strategy**

Different scholars have assigned various definitions to the concept of strategy to advance their perceptions of it. According to Drucker (1954) strategy is an analytical process that is focused on making corporate decisions. He conceptualizes strategy as a course of action that of searching for a better contest involving a firm's technology and product and its more progressive turbulent environment. Certo & Peter (1995)

View strategy as a constant cross functional practice meant to keep an organization as a whole to match to environment.

Scholars (Porter, 2008; Stoner, 1994; Machuki, 2011) have proved that sound strategic plans help in the organization and the allocation of organization's resources into distinctive and workable stance based on its relative internal fitness and limitations, projected changes in the environment, and conditional moves by competitors. The study takes cognizance of an established connection linking strategy and performance but argues further that there is a reciprocal link connecting strategy, organizational structure and performance.

### **Organizational Structure**

Organizational structure is well thought of as the framework of the organization that provides a groundwork within which the organization functions (Ansoff & McDonnell, 1990). It is understood to affect the conduct of organizational members. The structure is a major determinant of the activities of the people within it (Hall, 1997). Practically, management processes and organizational structure are internal arrangements of an organization, while strategy is a basic

alignment mechanism (Miles & Snow, 1984). The activities within the organization need to be persistent and enduring regularly (Ranson, Hinnings, & Greenwood, 1990; Ogollah, 2012).

Structure is typically described on different aspects. Some schools of thought describe structure as a formal configuration of procedures and roles. Yet according to Alvesson and Wilmot (2002), structure is the decorative reliability and practice of interaction in an organization for evaluation and control. In tandem with Max Weber's theory of bureaucracy, structure is defined as a recognized element of support, depicted by specific and remote responsibilities and authority relations and control of organizational performance (Busienei, 2013). The hierarchical extents of structure such as centralization, formalization and complexity have much more popular typological consideration. Complexity refers to the degree of segregation that is present within an organization (Hall, 1997).

Geeraets (1984) differentiates specialty and segregation and refer to them as departmentalization since both of them are concerned with the complexity of organizational structure. Regarding centralization as the importance of split consideration to the locus of authority in decision making and formalization as the significance of codes and procedures for management, most authors agree that it is the most widely applied ((Mabey, Salaman, & Storey, 2001; Busienei, 2013; Donaldson, 2001). Additionally, Burns and Stalker (1961) typology distinguishes between mechanic and organic organization structures. Mintzberg (2003) established five structural patterns ranging from a plain structure to a multi divisional type, often interpreted as ideal types. The model of competition engaged in industrial organization economics is basically unaffected since the original development of this model by Mason (1939) and Bain (1956, 1968). The model of industrial organization economics trail from the structure–conduct–performance paradigm (Chandler, 1962).

### **Organizational Performance**

The special focus on performance differentiates strategic management from other fields. In the wake of numerous corporate scandals, the need to improve organizational performance has garnered much attention from business practitioners and academics alike (Machuki, Aosa & Letting, 2012; Mkalama, 2014). The successful sales of products and services in the market determine performance, enhanced by the electiveness of organizing and transforming inputs into sellable outputs (Nickell, 1996). Due to an increase in stakeholder awareness, greater attention is being paid to the impact of organizations on the natural environment and on society as a whole. Stakeholders include shareholders, employees, customers, government, suppliers, investors, and competitors. Thus, measures of performance have further evolved to encompass the Triple Bottom Line (Elkington, 1997) which is a stakeholder-based as a new tool for measuring firm performance. The Triple Bottom Line encompasses the Balanced Score Card and environmental, social and economic as Sustainable Balanced Scorecard (SBSC). Organization

Performance can, therefore, be viewed as a function of various factors including strategy and extant organizational structure.

Scholars (Porter, 1980; 1996; Ansoff, 1991; Grant, 2013; Aosa, 2011; Ansoff and McDonnell, 1993; Ogendo, 2014; Mintzberg et al., 1998) have established that strategy has an immense extent on firm performance. In this study, although corporate strategy has a positive correlation with firm performance, it is imperative to take cognizance of the intervening effect of organizational structure for sustainable competitive advantage and superior performance.

### **The Nairobi Securities Exchange Listed Companies**

Established in 1954 (Nairobi Securities Exchange, 2015) the Nairobi Securities Exchange altered its name in July 2011. According to Kumo (2008) the Nairobi Securities Exchange is the fourth largest in Africa in terms of market capitalization. It joined African Securities Exchanges Association in the year 2011 (Mwenda, 2016). It is ranked top in East and Central Africa (Kenya National Bureau of Statistics, 2014).

Through the listing of the various companies from different sectors, the Nairobi Security Exchange provides a suitable representation of the Kenyan economy which essentially informed the fundamental basis for its selection as the context of the study. The choice of the listed companies, for the study, is further justified by the requirements for criteria used for listing. Also, there is the availability of objective and reliable economic and financial performance secondary data about the companies owing to their strict conformity to the securities market and other requirements. Consistency in reporting requirements for publicly quoted companies offers the advantage of across firms in the same sector and across different sectors. The study focused on companies listed on Nairobi Securities Exchange because it is representative of almost all business sectors of the Kenyan economy, ranging from agriculture to financial and manufacturing activities (Letting, 2011; Machuki, 2011; Ogendo, 2014 and Kinuu, 2014; Ongore, 2008).

### **Research Problem**

The debate on why firms in the same industry and markets experience different performance levels remains a fundamental and contentious issue within the Strategic Management parlance (Porter, 1980; Rumelt, et al, 1994; Ansoff, 1965). Day (2004) used core capabilities as the independent variable applying market driven strategies as the independent variable. While these variables have been theorized separately as concepts that impact on organizational performance they have not been studied jointly with corporate strategy (Porter, 2008; Grant, 2013; Busienei, 2013). However, these studies did not consider the organizational structure as a mediating variable. Thus, this study endeavors to fill the extant conceptual gap by jointly incorporating corporate strategy as independent variable, organizational structure as mediator variable and performance as a dependent variable. Companies listed on the Nairobi Securities Exchange operate in various industries that traverse almost all sectors of the economy. The industry heterogeneity that characterizes the publicly quoted companies provides a suitable platform for comparative analysis which informed the choice of the current study (Machuki, 2011; Ongore; 2007; Kinuu, 2014; Ogendo, 2014).

Researchers (Day, 2004; Porter, 1996; Schemensee, 1978; Schmidt, 2010) in different geographical contexts including Europe, the United States of America (USA), South America and Asia have established the effect of strategy and other factors on organizational performance. Since these studies were conducted in different jurisdictions with varying manifestations, they may not be fully applicable to the phenomena obtaining in the Kenyan situation. Other scholars explored the effect of strategy on firm performance in different contexts using various conceptualizations and methodologies resulting in conflicting findings therein, thereby leaving both conceptual and contextual gaps.

Scholars (Ongore, 2008; Letting, 2011; Ondari, 2015; Machuki et al., 2012; Ogendo, 2014; Kinuu, 2014) have done empirical research on companies listed on the Nairobi Securities Exchange, their studies applied different conceptualizations thereby leading to conflicting findings. They focused on other areas

investigating the impact of different phenomena on firm performance in a different context at different time horizons. There is no empirical study known to the researcher that has explored the intervening influence of organizational structure on the link connecting corporate strategy and performance of companies listed on the Nairobi Securities Exchange.

A review of empirical literature further revealed scarcity of studies on the joint relationship in sub-Saharan Africa and Kenya in particular. Therefore, this study sought to address the extant conceptual, contextual, methodological gaps from literature reviews and past empirical studies. Consequently, the study sought to answer the following question: What is the influence of organizational structure on the link connecting corporate strategy and performance of listed companies on the Nairobi Securities Exchange?

### **Research Objective**

The specific research objective is to determine the influence of organizational structure on the link connecting corporate strategy and performance of listed companies on the Nairobi Securities Exchange.

### **Theoretical Foundation**

The study is anchored on two main theories that underpin the linkage between corporate strategy, industry competition and firm performance. The first major theory is industrial organization (IO) economic theory (Mason, 1939; Bain 1956, 1968). Secondly, the study is also based on stakeholder theory which is supported by other complementary theories including agency theory and open system theory (Friedman, 1970; Ferrero et al., 2014). The Balanced Scorecard is based on stakeholder theory and has given rise to the way organizations, managers or agents report back firm performance to equity holders or owners on how well their resources have been utilized for the benefit of the owners and the wider stakeholders including the government and society at large (Freeman and McVea, 2014; Hill and Jones; 2007; Mkalama, 2014).

### **Literature Review**

Firms which create considerable competitive advantage are able to attain a fit between their strategy and structure; while those that are exposed to external changes and internal inefficiencies do not have a fit (Miles & Snow, 1984; Busienei, 2013). Consequently, firms that are expected to do better are those with a fit linking strategy and structure. According to Ansoff and McDonald (1990), structure and systems are complementary anatomy and physiology of the firm for the purpose of organizational performance. With regard to organizational structure, Chandler (1962) posits how changes in strategy of product-market diversification, requisites subsequent alterations in structure mainly in divisional units. According to Donaldson (2001) matrix structures offer huge competitive advantage and thus better performance, precisely because they are hard to sustain.

Rumelt et al., (1994) suggests how the match between strategy and structure influence performance. Busienei (2013) conceptualize that the three latent sources of complexity involve spatial dispersion, horizontal differentiation and vertical differentiation. Organizations with various levels of expansive spans of control and various geographic settings would be considered exceedingly multifaceted. Whilst such a structure is always considered suitable for firms competing in highly distinguished environments, it is imperative to note that a high level of complexity makes it complicated for coordination and decision making activities (Letting, 2011; Miles & Snow, 1984; Ongeti, 2014). Thus, it is anticipated that members in an organization of this type of structure find it difficult to agree on goals their decision making process tend to be interactive and political which may hinder firm performance.

Formalization refers to an organization structure where there are numerous organizational rules, clear job descriptions, and clearly defined procedures covering work processes (Burns & Stalker 1961). Formalization has considerable consequences for organizational members since it identifies how, where, and by whom these tasks are to be presented. Chandler (1962) posits that a high level of formalization has

the advantage of removing role uncertainty, but also limits members' decision making judgmental which can drive out creative and proactive behavior thereby discouraging pursuit of opportunities which might negatively impact performance.

Centralization is to the extent to which decision making and evaluation of activities is concentrated at the centre (Hall, 1997). A high level of centralization is the clearest way to organize organizational decision making but it places considerable cognitive demands on those managers who maintain authority. According to Mintzberg (2003) a person does not have the cognitive capacity or information to comprehend all the decisions that face a multifaceted organization.

Mechanistic structure exhibits formalized processes and rules, authoritative communication patterns, and centralized decision making processes. The model may be suitable for large organizations, routine and stable business environments. They are formalized structures to

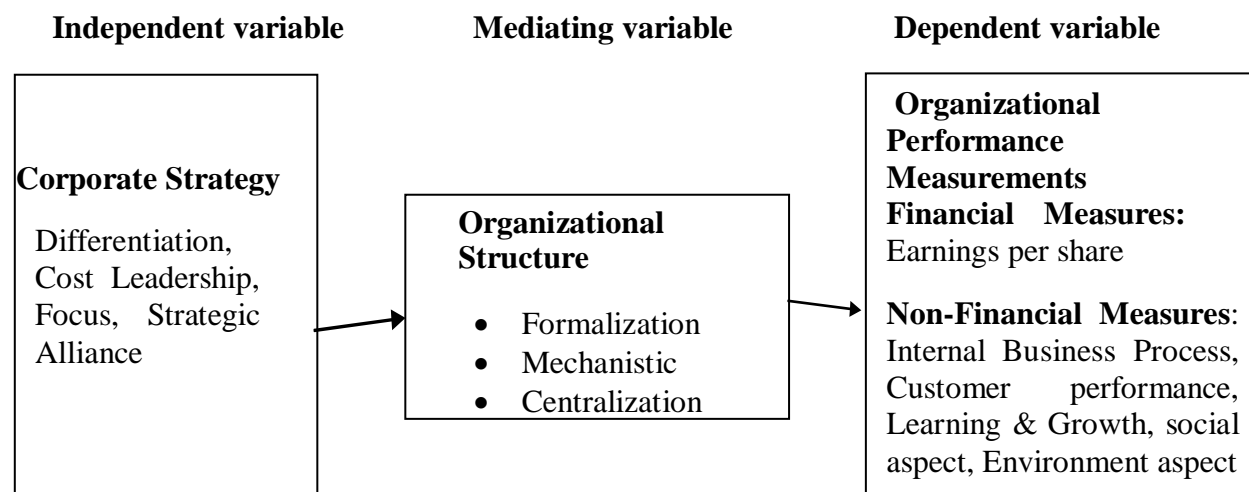
reduce variability and ambiguity. However decision making becomes difficult for very large centralized descriptive organizations (Chandler, 1962; Ogolla, 2012; Busienei, 2013). According to Ansoff and Sullivan (1993) a firm’s profitability is optimized when its strategic conduct is aligned with its environment. Consequently, it can be postulated that an elaborate fit between organizational structure and corporate strategy enables an organization to effectively confront environmental contingencies for the ultimate superior firm performance. It is thus clear from the foregoing that although corporate strategy has an independent effect on performance, this relationship is essentially mediated by organizational structure.

**Conceptual Framework**

The conceptual model represented in Figure 1 articulates the linkages connecting the key variables being interrogated. The operationalization of the independent, mediating, and dependent variables is based on the analysis of the literature and the gaps identified. The framework suggests the existence of a direct relationship between corporate strategy which is the independent variable and firm performance which is

the dependent variable as articulated in the review of extant empirical and conceptual literature. Organizational structure is thus posed to have a mediator influence on the link connecting strategy and firm performance.

**Figure 1: Conceptual Model**



Source: Researcher, 2015

**Hypothesis of the Study**

The conceptual linkages of the variables for the study are shown in Figure 1 above. The model was thus found to be appropriate as a snap shot for testing the following hypothesis:

**Ha1:** Organizational structure has significant mediating influence on the link connecting corporate strategy and performance of listed companies on the Nairobi Securities Exchange

## **MATERIALS AND METHODS**

### **Research Philosophy**

The deductive approach is applied, whereby theories were used to generate the hypothesis. This hypothesis was then tested to allow the explanation of laws assessed in the literature and was revised according to the findings of the study. This enabled the researcher to determine the viability of the hypothesis relating to the variables anchored on theoretical propositions. Positivist philosophy holds that

Knowledge is based on facts and abstractions. This study is guided by a positivist paradigm approach because it sought to test various theories based on real facts, neutrality, and objectivity of the research.

### **Research Design**

The research design adopted in this study is descriptive cross sectional census survey of all companies listed on the Nairobi Securities Exchange. Other scholars have previously used the design successfully and came up with credible and plausible conclusions (Munyoki, 2007; Zikmund et al., 2010; Machuki, 2011).

### **Population of the Study**

The study comprised of a target population of all the listed companies on the Nairobi securities Exchange as at June 2015. The entire number of listed companies on the bourse as at the time of this study was 63 according to Nairobi Securities Exchange (2015). The companies belong to ten (10) different sectors of the Kenyan economy. The context was selected as the most ideal for the study owing to its being the most representative as a reflection of the Kenyan economy.

### **Data Collection**

The research used primary and secondary data collection methods on all the listed companies on the Nairobi Securities Exchange. Primary data covered the indicators of corporate strategy, organizational structure, and the unpublished data relating to performance. Secondary data relate to financial performance taken as an average of five (5) years' performance (2010-2014). Secondary data relating to financial performance was extracted from the Nairobi Securities Exchange (2015) covering a period of five (5) years from 2010 to 2014.

Primary data was gathered using structured questionnaire covering a period of five (5) years commencing with the year 2010. The questionnaire was administered to respondents by the researcher and his assistants or by mail to respondents. The unit of analysis was the firm or the listed company. The respondents were



mainly top managers including Chief Executive Officers, and the purpose of the research articulately explained to them. The structured questionnaire was enriched with research instruments from other scholars (Kinuu, 2014; Neuman, 2007; Machuki, 2011; Munyoki, 2007).

### **Reliability and Validity Tests**

The study considered the perspectives of equivalence reliability and internal consistency (Cooper and Schindler, 2006). Equivalence reliability ascertained the variations of answers at one point in time among the listed companies on the Nairobi Securities Exchange. The scores of the same events in the listed companies on the Nairobi Securities Exchange were compared to test for the equivalence of measurements from both the primary and the secondary data collected. Cronbach alpha coefficient of 0.6 was adopted to enhance reliability of this study.

**Table 1: Results of Cronbach Alpha of the Study variables**

<b>Variables</b>	<b>No. of Items</b>	<b>Cronbach's Alpha Reliability</b>	<b>Comments</b>
Corporate Strategy	4	.765	Reliable
Organizational Structure	3	.628	Reliable
Performance	6	.763	Reliable

**Source: Researcher, 2015**

Table 1 shows the reliability statistics for the study variables. Corporate strategy had the highest reliability coefficient of 0.756 followed by performance with a coefficient of 0.763. Construct alphas of constructs in the study were considered to indicate a sufficient level of construct validity and reliability. The study constructs were highly correlated to each other.

The study explains that, if the research instrument used for measurement contains a representative sample of the subject matter, then the validity is good. The validity of measures in this study has been assessed through content validity, criterion – related validity and constructs validity.

### **Data Analysis**

Data was analyzed using inferential statistics. Inferential statistics were used to evaluate the hypothesis presented in the study. Based on the conceptual model of the study, the corporate strategy was conceptualized as the independent variable; organizational structure was the mediating variable and performance as the independent. The analysis commenced by editing the data collected to correct any errors of commission or omission. The variables were then coded for better efficiency of results.

The study applied regression analysis model owing to the multiplicity of the variables. Hierarchical regression was used to determine how much the extra variable adds to the forecast of the dependent variable over and above the contribution of previously included independent variables. Baron and Kenny (1986) model was employed to test the moderating influence.

**Regression analysis model**

Hierarchical regression analysis of path analysis is applied to test and ascertain the intervening effect.

$Y_1 = a + b_1 X + e_1$  - (1);  $Y_2 = c + b_1 X + b_2 M + e_2$  - (2);  $Y_3 = d + b_1 X + b_2 M + b_3 Y_1 + e_3$  - (3). Where, M=Organizational Structure; Y= Performance; X=Corporate Strategy; a, c and b= coefficient estimation of the effect of X and M on Y; ,  $e_1$ ,  $e_2$  coefficient estimation of the intercept;  $e_1$ ,  $e_2$  = the regression error term. R<sup>2</sup> assessed how much change in performance was due to organizational structure. F- Test assessed overall robustness and significance of the regression model. t-test to determine significance of organizational structure. Correlation analysis was used to verify the general strength of the recognized regression model and the significant character of the predictor variables. The study used trials of central tendency namely the mean score, and standard deviation. Inferential statistics used comprised regression and Pearson’s correlation, goodness of fit, analysis of variance (ANOVA) and p-value.

**Data Analysis and Findings**

Data were analyzed from 46 companies out of the targeted 63 companies listed on the Nairobi Securities Exchange. The response rate was 73 percent which is adequate as it compares fundamentally well with other studies conducted in the same context (Machuki, 2011; Ogendo, 2014; Kinuu, 2014). Likert type scale was predominantly used in measuring the various variables during data collection.

**Levene Test**

Levene value test for homogeneity is benchmarked on the limit of 5.0 (Gasemi & Zahediasi, 2012; Kinuu, 2014). Since the Levene statistic was less than 5.0 then the research data was found to conform to assumptions of homogeneity of variances.

**Table 2: Levene Test**

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Corporate Strategy	Between Groups	3.738	4	.934	7.135	.000
	Within Groups	5.369	41	.131		
	Total	9.107	45			
Corporate Strategy and Organizational Structure	Between Groups	.398	4	.100	.789	.539
	Within Groups	5.178	41	.126		
	Total	5.576	45			

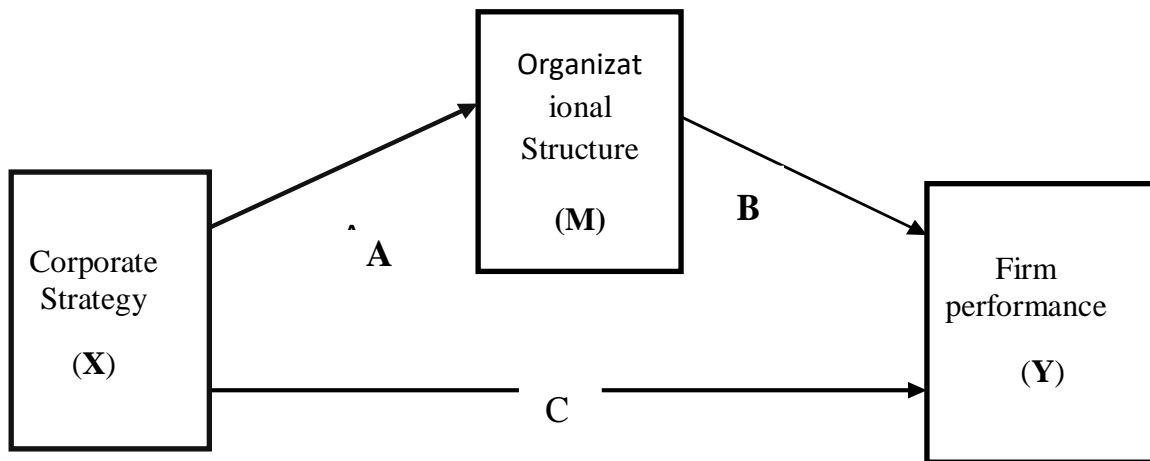
Source: Research Data, 2015

Table 2 illustrates that the p-value for equality corporate strategy and organizational structure on general performance was not significant ( $p > 0.05$ ). Since all Levene test is greater than 0.05 the assumption of homogeneity of variances was not violated.

**RESULTS**

The goal of the study is to ascertain the influence of organizational structure on the link connecting corporate strategy and performance of listed companies on the Nairobi Securities Exchange. To confirm mediation, its influence should be significant as depicted in figure 2.

**Figure 2: Path Diagram for Mediation Effect**



Key: X= Independent variable M=Mediating variable Y = Dependent Variable

Source: (Baron & Kenny, 1986)

Figure 2 illustrates the mediating influence of organizational structure on corporate strategy and performance. Path C represents the direct effect of corporate strategy on performance. Path A represents the interaction of corporate strategy and organizational Structure which is the indirect effect (intervening) while path B represents the influence of organizational structure on performance. Paths A and B represent the indirect effect. Step one of the tests for the intervening effect of organizational structure on the link connecting corporate strategy and performance is performed. Consequently, the influence of corporate strategy on performance is evaluated while controlling for organizational structure. The influence of corporate strategy on performance should not be statistically significant when controlling for organizational structure for mediation to be confirmed. To determine the effect of organizational structure on the relationship between corporate strategy and performance, regression analysis is then conducted and the findings were presented.

The mediation influence of organizational structure on corporate strategy and financial performance, customer performance, internal business process performance, learning and growth performance, social performance and environmental performance is ascertained. It shows the power of change that the organizational structure has on the link connecting corporate strategy and varied aspects of performance. The financial performance is represented by the earning per share aspect.

**Table 3: Corporate Strategy and Organizational Structure on Financial Performance**

**Model Summary <sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.114 <sup>a</sup>	.013	-.009	9.27868	.013	.584	1	44	.449
2	.115 <sup>b</sup>	.013	-.033	9.38587	.000	.001	1	43	.979

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Earning Per Share

**Source: Research Data, 2015**

The results in Table 3 indicate that the influence of organizational structure on corporate strategy and financial performance (R = 0.115, R<sup>2</sup> = 0.013, F = 0.001, p > 0.05) is not significant.

**Table 4: Corporate Strategy and Organizational Structure on Internal Business Process**

**Model Summary <sup>c</sup>**

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.596 <sup>a</sup>	.355	.341	.35048	.355	24.247	1	44	.000
2	.665 <sup>b</sup>	.442	.416	.32971	.087	6.719	1	43	.013

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Internal Business Process

**Source: Research Data, 2015**

The results in Table 4 indicate that the influence of organizational structure on corporate strategy and internal business process performance ( $R = 0.665$ ,  $R^2 = 0.442$ ,  $F = 6.719$ ,  $p < 0.05$ ) is significant.

**Table 5: Corporate Strategy and Organizational Structure on Customer Performance**

**Model Summary <sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.888 <sup>a</sup>	.788	.783	.27661	.788	163.735	1	44	.000
2	.910 <sup>b</sup>	.828	.820	.25231	.040	9.883	1	43	.003

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Customer Performance

**Source: Research Data, 2015**

The results in Table 5 indicate that the influence of organizational structure on corporate strategy and customer performance ( $R = 0.910$ ,  $R^2 = 0.828$ ,  $F = 9.883$ ,  $p < 0.05$ ) is significant.

**Table 6: Corporate Strategy and Organizational Structure on Learning and Growth Performance**

**Model Summary <sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.730 <sup>a</sup>	.533	.522	.35856	.533	50.230	1	44	.000
2	.743 <sup>b</sup>	.552	.531	.35533	.019	1.804	1	43	.186

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Learning and Growth Performance

**Source: Research Data, 2015**

The results in Table 6 indicate that the influence of organizational structure on corporate strategy and learning and growth performance ( $R = 0.743$ ,  $R^2 = 0.552$ ,  $F = 1.804$ ,  $p > 0.05$ ) is not significant.

**Table 7: Corporate Strategy and Organizational Structure on Environmental Performance**

**Model Summary <sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.571 <sup>a</sup>	.326	.311	.64803	.326	21.330	1	44	.000
2	.650 <sup>b</sup>	.423	.396	.60684	.096	7.176	1	43	.010

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Environment Performance

**Source: Research Data, 2015**

The results in Table 7 indicate that the influence of organizational structure on corporate strategy and environmental performance ( $R = 0.650$ ,  $R^2 = 0.423$ ,  $F = 7.176$ ,  $p < 0.05$ ) is significant.

**Table 8: Corporate Strategy and Organizational Structure on Social Performance**

**Model Summary <sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.391 <sup>a</sup>	.153	.133	.611	.153	7.924	1	44	.007
2	.408 <sup>b</sup>	.166	.128	.613	.014	.709	1	43	.405

- a. Predictors: (Constant), Corporate strategy
- b. Predictors: (Constant), Corporate strategy, organization structure
- c. Dependent Variable: Social Performance

**Source: Research Data, 2015**

The results in Table 8 indicate that the influence of organizational structure on corporate strategy and social performance ( $R = 0.408$ ,  $R^2 = 0.166$ ,  $F = 0.709$ ,  $p > 0.05$ ) is not significant.

The finding partially support the hypothesis Ha1: that organizational structure has the significant moderating influence on the link connecting corporate strategy and performance of companies listed on the Nairobi Securities Exchange. The current study thus concludes that organizational structure has significant influence on corporate strategy and non-performance perspectives of internal business process performance, customer performance and environmental performance ( $p < 0.05$ ). However, organizational structure has no significant influence on corporate strategy and the performance perspectives of financial performance, learning and growth performance; and social performance ( $p > 0.05$ ).

## **DISCUSSION**

The study compares with the scholarly concepts on strategy-structure fit (Miles & Snow, 1984; Busienei, 2013), the organizations' structure and systems complementary anatomy and physiology (Ansoff and McDonald, 1990), changes in strategy (Chandler, 1962) and matrix structures (Donaldson, 2001). The study reveals that organizational structure has significant influence on corporate strategy and non- performance perspectives of internal business process performance, customer performance and environmental performance ( $p < 0.05$ ), and no significant influence on corporate strategy and the performance perspectives of financial performance, learning and growth performance; and social performance ( $p > 0.05$ ). This confirms that these organizations have set complementary anatomy, changes in strategy, matrix structures and strategy-structure fit that have competitive advantage on internal business process performance, customer performance and environmental performance, contrary to financial performance, learning and growth performance; and social performance.

Regarding formalization of organizational structure (Burns & Stalker 1961; Chandler, 1962), most of these organizations have explicit job descriptions, rules and clearly defined procedures covering customer, internal business process and environment, but implicit on finance, learning and growth of employees and

corporate social responsibility. Formalization has considerable consequences for organizational members since it stipulates how, where, and by whom these tasks are to be executed (Burns & Stalker 1961). Chandler (1962) posits that a high level of formalization has the advantage of getting rid of role uncertainty, but also restricts members' decision making judgment which can drive out creative and proactive behavior thereby discouraging pursuit of opportunities which might negatively impact performance.

According to Mintzberg (2003) and Hall (1997) a person lacks the cognitive capacity or information to comprehend all the decisions that face a multifaceted centralized organization. Mechanistic structures are formalized structures that reduce variability and ambiguity. However decision making becomes difficult for very large centralized descriptive organizations (Hall, 2013; Chandler, 1962; Ogolla, 2012; Busienei, 2013). The study reveals that there could be some centralization and mechanistic structures of the rules and procedures that have some negative impact on finance, learning and growth of employees and corporate social responsibility. As a result centralization affects the given non-financial performance. According to Ansoff and

Sullivan (1993) a firm's profitability is optimized when its strategic conduct is aligned with its environment.

## **CONCLUSION**

The influence of corporate structure on corporate strategy and performance is statistically significant on customer performance, internal business process performance and environmental performance; while it is not significant of financial performance, learning and growth performance; and social performance. Future research could be undertaken to replicate this study but use different contexts. The current study used a cross sectional approach while a longitudinal approach would portray a longer time of study to examine relations among study's variables.

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