

Influence of Structural Adjustment on Organisational Development of Kenya Commercial Bank in the Great Rift Region in Kenya

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Abstract

This study aimed to determine the influence of structural adjustment on the organisational development of KCB Bank Ltd. Changes to the organisation's structure that may result from internal or external causes and frequently have an impact on how a business performs. KCB Bank Ltd. has been implementing changes for its organisation in an effort to improve its performance and growth, just like any other organisation operating in a highly competitive climate. This study employed a descriptive survey design and targeted employees of the bank in the Great Rift Region. A sample size of 48 respondents was used. Data for the study was collected using a self-administered, semi-structured questionnaire and a key informant interview. Descriptive and regression analysis was used to analyse quantitative data, whereas content analysis analysed qualitative data. These results demonstrated that the bank has been undergoing structural adjustment, which has improved organisational development. However, there are still gaps in employee participation in decision-making and transfers/placement of employees from one department to the other. Management should, therefore, promote a culture of open and transparent communication within the bank. They should also establish transparent guidelines and processes for employee transfers/placements between departments.

Key terms: Change management, organisational development, organisational structure, structural adjustment.

INTRODUCTION

In a business climate that is competitive and undergoing fast change, organisations employ a variety of tactics to improve corporate growth. Change management is one of the major tactics that has shown to be successful (Klinge, 2019). The processes and ways a business explains and executes change across both its internal and exterior procedures are referred to as change management. Determining and implementing company strategies, structures, processes, and tools to address shifts in the exterior world and the business setting is known as "change management" (Stouten et al., 2018). This entails educating and assisting staff, setting up the required change processes, and keeping an eye on pre- and post-change activities to ensure effective execution (Leung et al., 2021).

To address shifts in the exterior world and the company environment, change management includes developing and implementing organisational strategies, structures, processes, and technological solutions. (Stouten et al., 2018). The interplay of four key components—equipment (technology), processes (working methods), organisational structure, and people—usually leads to the process of change within companies (Mac Carte & Farina, 2021). Leadership coordination, partner involvement, communication, change effect and preparation, training, and organisation design are the typical six elements of change management. (Klinge, 2019). The present research aims to concentrate on cultural design, technical adaptation, structural modification, and leadership alignment.

LITERATURE REVIEW

KCB Bank Ltd. has been implementing changes for its organisation in an effort to improve its performance and growth, just like any other organisation operating in a highly competitive climate. The bank reduced its office network in the East African area from 60 to 58 locations in 2020. The same year, the bank also purchased certain assets and inherited obligations totalling Ksh.3.2 billion from Imperial Bank (Kenya) Limited (In Receivership). (CBK, 2021). In an effort to improve management, the bank fired three execs in 2021 and altered the duties of others while also creating new positions. The bank's management predicted adjustments to strengthen and support the

bank's customer value offerings by consolidating and expanding the bank's business, aligning brand communication, leveraging social impact benefits, enhancing credit management, enhancing service quality, and enhancing companies (KCB, 2020).

The bank has consistently developed new growth strategies in terms of earnings, non-performing loans, and client assets in an effort to successfully fight and establish itself as the uncontested financial champion in the financial sector. In the fiscal year that concluded in December 2021, KCB Group's total earnings fell by 22 per cent to Sh19.6 billion. Non-performing loans (NPLs) held by the bank increased from 44,786 in 2019 to 66,810 in 2020. In the same time frame, mortgage NPLs also increased from 559 to 795. Even though customer deposits increased by 9.6 per cent during that time, KCB Bank Ltd. fell short of its competitors in terms of customer savings. (CBK, 2021). The bank was compelled to cut back on its development plans and shut down some locations as a result of the NPLs' growing performance. It would seem from its success that the adjustments made at KCB might not have produced the desired outcomes.

Changes to the organisation's structure that may result from internal or external causes and frequently have an impact on how the business is managed are referred to as structural changes. (Methode et al., 2019). Several studies provide proof that structural change has a substantial impact on organisational success and are included in the literature survey on the influence of structural correction on organisational growth. According to the studies, modifications to organisational structure, such as altered job descriptions, the elimination of redundant tasks, the introduction of new rules and regulations, cyclical adjustments in line with market demands, and the creation of new departments in response to changes in the marketplace, may enhance worker performance. Additionally, systemic change—such as adjustments to institutional goals and objectives and evaluation of employee habits and cultures before implementing change—has a big impact on how well workers perform. Therefore, the research looked to determine the influence of structural adjustment on the organisational development of KCB Bank Ltd.

METHODOLOGY

Research Design

This study employed a descriptive survey design to establish the influence of change management on organisational development in KCB Bank Ltd. Describe the spread of one or more factors in an observational analysis without considering any causative or other hypotheses (Aggarwal & Ranganathan, 2019). This design was preferred owing to its simplicity and cost-effectiveness, which ensured that the researcher carried out a comprehensive study in the least time and using meagre financial resources.

Target Population

For this study, the target population comprised employees of KCB Bank Ltd in the Great Rift Region.

This included the following branches: Gilgil, Nakuru, Nyahururu, Olkalou and Naivasha. The Great Rift Region was selected because of the high trade that goes on in this region, which includes industries, agriculture, and the sale of goods and services to the large population in this area that requires banking services. All employees of different cadres involved in banking services were targeted. Employees were selected as the population of interest since they were the subject of change management in the organisation. In addition, they were tasked with implementing some of the activities in the bank's change management strategy. Moreover, they were aware of the performance of the institution.

Table 1.: Target Population

Branch	Number of Employees
Gilgil	23
Nakuru	48
Nyahururu	32
Olkalou	15
Naivasha	42
Total	160

Source: KCB (2022)

Sampling

A stratified random sampling technique was used to choose the sample. A stratified random sample is one that is made by selecting a basic random sample from each layer after classifying the community's components into strata that are mutually exclusive

and do not cross (Singh & Masuku, 2014). The strata in this research were the different KCB Bank Ltd. branches. According to Mugenda and Mugenda (2012), a sample size of 48 respondents was determined using stratified random selection of 30 per cent of the population.

Table 2.: Sample Size Determination

Branch	Number of employees	Sample size
Gilgil	23	7
Nakuru	48	14
Nyahururu	32	10
Olkalou	15	5
Naivasha	42	13
Total	160	48

Therefore, 48 respondents were included in the study.

Sampling Procedure

Simple random sampling was used to recruit individual respondents in the study. Simple random sampling is a

statistical method of selecting a representative subset of a population where each member has an equal chance of being chosen. In this method, a random selection of individuals or units is chosen from a larger population without any systematic bias or

predetermined criteria. In this study, it was done using lottery method using random number generation in Microsoft Excel. First, the researcher created a list of all the employees who were part of the target population for the study in the Great Rift Region. Next, each employee was assigned a unique identifier or number. Once the list was generated, a random number was generated for each employee. This assigned a random value to each employee in the list. After generating the random numbers, the researcher sorted the list of employees in ascending order based on the values in the second column. This helped to randomise the order of the list. To select the sample, the researcher chose the first 48 employees in the sorted list. These employees were included in the study.

Data Collection

Data for the study was collected using a self-administered, semi-structured questionnaire and a key informant interview. A questionnaire was used to collect data from the respondents. The researcher developed the questionnaire electronically using Microsoft Forms, a web-based software for conducting surveys. A key informant interview (KII) was used to collect qualitative data from the respondents in the supervisory and managerial roles in the banks. Key informant interviews are a qualitative research method that involves in-depth interviews with individuals who possess knowledge or experience related to a specific research topic or area of interest. The researcher's supervisors reviewed the instruments to determine whether they were measured and what they were intended to measure. Their feedback was then incorporated into the construction of the instrument. A pre-test was done to see how reliable the tool used in the study was. The study used a cut-off score of 0.7, which meant that things with scores below the cut-off were re-written or taken out of the study.

Data Analysis Methods

Quantitative data collected was exported from Microsoft into SPSS, where analysis took place. The

data was analysed using descriptive and regression analysis. Descriptive analysis included frequencies, percentages, mean and standard deviation. Regression analysis was carried out to determine the influence of change management on organisational development. Regression analysis was conducted at a 95 per cent confidence interval, whereby 0.05 was the critical value. The results of the study were presented in the form of tables. Qualitative data was analysed using content analysis with the assistance of NVIVO software. Content analysis is a method of analysing qualitative data that involves examining and categorising patterns in the data. The findings from the analysis were then presented by narration.

FINDINGS AND DISCUSSIONS

A total of 41 respondents took part in the study. This represents a response rate of 85.4 per cent, which is deemed high as it is higher than the 70 per cent recommended by Mugenda and Mugenda (2012). The majority (63%) of the respondents in the study were male. The results show that 39 per cent of the respondents were in the 31 to 40 years age range, while 29.3 per cent were in the 21 to 30 years age range. All the respondents had acquired higher education, with the majority (87.8%) having a bachelor's degree. Over half (53.7%) of the respondents had a working experience of between 1 and 6 years, while 39 per cent had a working experience of 12 years. The results, therefore, show that the sample in the study was highly educated and experienced in their work. This is important for the study as it means the respondents were able to understand the question and provide reliable information regarding change management and organisational development owing to their education and experience. In addition, the study sample was well-represented in terms of gender and age. This means that the study benefited by getting the perspective of both male and female employees as well as young and old employees on change management and organisational development.

Table 3.: Respondents' Demographic Characteristics

Demographic	Categories	Frequency	per cent
Gender	Male	26	63.4
	Female	15	36.6
Age	21-30 Years	12	29.3
	31-40 Years	16	39.0
	41-50 Years	9	22.0
	Over 50 Years	4	9.8
Education	Bachelor's degree	36	87.8
	Postgraduate degree	5	12.2
Working Experience	1-6	22	53.7
	7-12	16	39.0
	13-18	3	7.3

Structural Adjustment

Most of the people who answered the survey (70.7%) agreed that the organisation is better off now that it is split into different departments or divisions. During the change process, all of the people who answered the survey agreed that some sections have been merged and others have been moved out. However, 70.7 per cent didn't think that workers had more of a say in making decisions. Most people (75.6%) agreed that rules, policies, and processes have been made to

help guide the organisation through the change process. On the other hand, 63.4 per cent of people didn't agree that there is no longer any doubt or disagreement when workers are moved or placed from one area to another. About the same number (63.4%) agreed that changes to the bank's structure have made the staff work better together and do their jobs better. Also, structural change at KCB Bank has helped the organisation to grow in 70.7 per cent of cases.

Table 4.: Structural Adjustment

	Agree	Uncertain	Disagree
Our organisation is now better divided into different departments/divisions.	70.7	4.9	24.4
Some departments have been merged, and others phased out during the change process.	100.0	0.0	0.0
There is more participation in decision making by employees.	24.4	4.9	70.7
Rules, policies and procedures have been written to guide the organisation during the change process.	75.6	7.3	19.5
There is no longer confusion and conflict during the transfers/placement of employees from one department to the other.	31.7	4.9	63.4
Structural change in the bank has led to enhanced teamwork and better performance of the staff	63.4	14.6	22.0
Structural adjustment in KCB Bank has contributed to organisational development	70.7	4.9	24.4

Respondents were also asked to provide examples of how structural adjustments have impacted organisational development within the bank. The key themes that emerge from the responses regarding structural adjustments influencing organisational development within the bank include integration and consolidation of departments, cost reduction and

efficiency, expansion and acquisition strategies, and the introduction of hierarchical structures for improved accountability. These structural adjustments collectively contribute to organisational development by promoting efficiency, cost savings, growth, and increased profitability within the bank. Some of the responses are shown below:

“The removal of shares department and integrating these with the retail banking division has immensely increased bank profits.”

“The merging of personal banking and business banking into universal banking has reduced staff costs and thus increases bank profitability.”

“Through acquisition of other banks as subsidiaries has boosted in profitability and creation of jobs.”

“Introduction of function heads has brought about efficiency and accountability therefore increasing profit.”

Organisational Development

The study also sought to establish organisational development. Results in Table 5 show that the vast

majority (95.1%) of the respondents agreed that profitability is acceptable. However, 70.7% disagree that non-performing loans are lower than the set ceiling. The majority (75.6%) agreed that Employee performance is as expected by management. The majority (78%) agreed that service delivery is good. Similarly, 70.7 per cent agreed that customer satisfaction is high. These results suggest that organisational development in KCB was high. The results demonstrate that profitability, employee performance, service delivery and customer satisfaction are good and acceptable. However, the organisation seems to be struggling with non-performing loans.

Table 5.: Organisational Development

	Agree	Uncertain	Disagree
Profitability is acceptable	95.1	0.0	4.9
Non-performing loans are lower than the set ceiling	29.3	0.0	70.7
Employee performance is as expected by management	75.6	9.8	14.6
Service delivery is good	78.0	2.4	19.5
Customer satisfaction is high	70.7	7.3	26.8

Influence of Structural Adjustment on Organisational Development

Regression analysis was conducted between structural adjustment and organisational development using SPSS. The correlation coefficient (R) is 0.812. This value shows the strength and direction of linear relationship between the predictor variable (Structural adjustment) and the dependent variable (Organisational development). In this case, an R value of 0.812 suggests a strong positive linear relationship between structural adjustment and organisational development. The coefficient of determination (R^2) is 0.660, meaning that approximately 66% of the variability in the organisational development variable

can be explained by the structural adjustment variable in the model. This indicates a moderate-to-high explanatory power of the model, suggesting that the structural adjustment variable accounts for a significant portion of the variance in organisational development. The adjusted R^2 is slightly lower than the R^2 , indicating that the model's explanatory power is still substantial even when accounting for the number of predictors. The high R value suggests a strong positive linear relationship between structural adjustment and organisational development. The R^2 value of 0.660 indicates that the model explains a significant proportion (66%) of the variability in organisational development.

Table 6.: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 ^a	.660	.651	3.96114

a. Predictors: (Constant), Structural

The ANOVA (Analysis of Variance) table gives information about the overall significance of the regression model. The overall F-statistic is 75.712 with a p-value (Sig.) of .000. Since the p-value is less than

0.05, we can reject the null hypothesis that all regression coefficients are equal to zero. This indicates that the regression model, which includes the predictor variable (Structural adjustment), is

statistically significant in explaining the variance in the dependent variable (Development). The ANOVA results suggest that the regression model is

statistically significant in explaining the variability in the organisational development variable.

Table 7.: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1187.967	1	1187.967	75.712	.000 ^b
	Residual	611.935	39	15.691		
	Total	1799.902	40			
a. Dependent Variable: Development						
b. Predictors: (Constant), Structural						

The table of coefficients provides information about the estimated coefficients for the constant and predictor variable (Structural adjustment) in the regression model. The p-value associated with the t-statistic for the predictor variable. In this case, the p-value is .000, which is less than 0.05. The standardised coefficient represents the change in the dependent variable in standard deviation units for a one standard

deviation change in the predictor variable. In this case, it is 0.812. In summary, while the constant is not statistically significant, the coefficient for the predictor variable (Structural adjustment) is statistically significant, indicating that structural adjustment has a significant and positive effect on organisational development.

Table 8.: Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.749	1.225		1.427	.089
	Structural	.401	.046	.812	8.701	.000
a. Dependent Variable: Development						

Discussion

The study sought to determine the influence of structural adjustment on the organisational development of KCB Bank Ltd. The study found that all of the respondents agreed that some departments had been merged and others phased out during the change process. The majority of the respondents also indicated that structural change in the bank has led to enhanced teamwork and better performance of the staff. In addition, they indicated that structural adjustment in KCB Bank has contributed to organisational development. The key themes in the KII included integration and consolidation of departments, cost reduction and efficiency, expansion and acquisition strategies, and the introduction of hierarchical structures for improved accountability. These structural adjustments collectively contribute to organisational development by promoting efficiency, cost savings, growth, and increased profitability within

the bank. Structural adjustment was significant and was found to positively influence organisational development.

These results demonstrate that the bank has been undergoing structural adjustment, which has improved organisational development. However, there are still gaps in employee participation in decision-making and transfers/placement of employees from one department to another. This outcome is comparable to Archibong and Ibrahim's (2021) conclusion that employee performance and organisational structure modification have a substantial beneficial link. This is consistent with the findings of the study by Methode et al. (2019), which showed that structural change has a significant impact on employee performance. This is because structural changes, such as those that alter employee job functions, eliminate job duplication, create new

policies, change periodically to keep up with market demands and create new departments as a result of market shifts, lead to an improvement in performance through higher-quality work. Results from Anyango and Maende (2018) also showed that job redesign and restructuring in change programmes had an impact on organisational performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion: Structural adjustment has resulted in the positive and significant organisational development of KCB Bank Ltd. Adjustments such as integration and

consolidation of departments, cost reduction and efficiency, expansion and acquisition strategies, and the introduction of hierarchical structures have improved efficiency, accountability and performance. This, together with technological adaptation, has greatly influenced organisational development. **Recommendations:** Management should, therefore, promote a culture of open and transparent communication within the bank. They should also establish transparent guidelines and processes for employee transfers/placements between departments.

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