

**EFFECTS OF ORGANIZATIONAL STRUCTURE ON STRATEGY IMPLEMENTATION
IN MANUFACTURING FIRMS IN KENYA: A CASE STUDY OF MANUFACTURING
FIRMS IN NAKURU MUNICIPALITY**



BY



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BUSINESS ADMINISTRATION DEGREE OF EGERTON UNIVERSITY**

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DECLARATION AND APPROVAL

DECLARATION

I hereby declare that this is my original work and has not been presented in this or any other University for the award of a degree.

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DEDICATION

I dedicate this research work to my loving husband Muchiri P. and my daughters Mercy and Joy.

ACKNOWLEDGEMENT

I wish to acknowledge the staff of the Department of Business Management and faculty of Commerce, Egerton University for their support since I enrolled for my studies. Special thanks go to my University supervisors Mr. Daniel Auka and Mr. James Mwangi, for their tireless efforts in guiding, shaping this work look scholarly and supporting me during the entire research period, besides their positive criticism that withstood the test of time. My heartfelt and sincere gratitude's are extended to the fifteen manufacturing firms in Nakuru for offering me a conducive environment and support during data collection period. I appreciate the support of my colleagues for sharing with me useful ideas during the entire period of study and research. For those who supported me but not mentioned, know that your effort and encouragement was felt and appreciated. My academic achievement is for us all. Above all, thanks to Almighty God for making impossible turn possible. God Bless all.

ABSTRACT

Matching structure to strategy requires making strategy –critical activities and organizational units the main building blocks in the organization structure. Internal organization of each company is somewhat idiosyncratic, the result of many organizational decisions and historical circumstances. Moreover, every strategy is grounded in its own set of key success factors and critical tasks inherent in the company strategy. This study was to determine the effect of organization structure on strategy implementation in manufacturing firms in Kenya. The dimensions of organization structure are mainly divided in division of task, coordination, centralization and formalization. The previous studies in this area have dealt with a few dimensions of the organizational structure. Therefore the study was to determine the effects of combined organization structure dimensions; division of task, coordination, centralization and formalization on strategy implementation. The target area of the study was Nakuru Municipality. The study population included the manufacturing firms with large plant in the Municipality. Nakuru municipality has got 30 large planted manufacturing firms, although some of them have ceased operations. More ever, the study was conducted in the 15 firms which have been in existence for not less than 10 years since time of formation. The study employed a survey design and a questionnaire to collect data. Descriptive statistics was used to analyze the data with the aid of statistical package for social sciences (SPSS). Correlations and multiple regressions were used to test the study hypotheses. The findings of study showed that coordination and centralization have no significant effect on strategy implementation while division of tasks and formalization show significant effect on strategy implementation in manufacturing firms. Furthermore, the organizational structure contributes 49.4% to strategy implementation. It then shows that apart from the structure of an organization there are other factors that affect strategy implementation in an organization. Therefore, another research can be conducted to determine these factors and the extent in which they affect strategy implementation.

TABLE OF CONTENTS

DECLARATION AND APPROVAL	ii
DECLARATION	ii
APPROVAL	ii
DEDICATION	iv
ABSTRACT	vi
LIST OF FIGURES	x
ABBREVIATIONS	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of Study	1
1.2 Problem statement.....	5
1.3 Objectives of the study	6
1.5 Scope and Limitation	7
1.5.1 Scope of the study.....	7
1.5.2 Limitations of the study	7
1.6 Significance of the study.....	7
1.7 Definitions of terms in the study.....	7
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1 Organization structure.....	9
2.2 Dimensions of Organization structure	10
2.3 Strategy Formulation and strategy Implementation.....	13
2.4 Organization structure and strategy implementation	14
2.4.1 Division of tasks and strategy implementation.....	14
2.4.2 Coordination and strategy implementation	17
2.4.3 Centralization and strategy implementation.....	19
2.4.4 Formalization and strategy implementation.....	19
2.5 Factors affecting Organization structure.....	20
2.6 Conceptual Framework	24
CHAPTER THREE	26

RESEARCH METHODOLOGY	26
3.1 Study Area.....	26
3.3 Target Population.....	26
3.4 Sample Design.....	26
3.5 Sampling procedure.....	28
3.6 Data Collection instruments.....	28
3.7 Validity and Reliability of instruments.....	28
3.8 Data Analysis and presentation.....	29
CHAPTER FOUR.....	31
RESULTS AND DISCUSSIONS.....	31
4.0 Introduction.....	31
4.1. General characteristics of managers and supervisors in manufacturing firms	31
4.2.2 Effects of Coordination on Strategy Implementation in manufacturing firms.....	34
4.2.3 Effects of Centralization on Strategy Implementation	35
4.2.4 Effects of Formalization on Strategy Implementation	37
4.2.5 Spearman's rho Correlations.....	38
4.2.6 Correlation between division of tasks and strategy implementation.....	39
4.2.7 Correlation between coordination and strategy implementation.....	39
4.2.8 Correlation between centralization and strategy implementation	39
4.2.9 Correlation between formalization and strategy implementation	39
4.2.10 the effect of organization structure on strategy implementation.....	40
CHAPTER FIVE	42
SUMMARY, CONCLUSION AND RECOMMENDATION.....	42
5.1 Summary	42
5.2 Conclusions.....	42
5.3 Recommendations.....	44
5.4 Suggestions for Further Research	44
REFERENCES.....	45
APPENDICES.....	51
Appendix I.....	51
QUESTIONNAIRE	51

LIST OF TABLES

Table 1.0: Sample Determinant	276
Table 2.0: Summary of data analysis	29
Table 4.1: Gender of respondents	31
Table 4.2: Age of respondents	31
Table 4.3: Education level of respondents	32
Table 4.4: Number of years of working with current employer	32
Table 4.5: Frequencies of Division of tasks	33
Table 4.6: Frequencies of coordination	34
Table 4.7: Frequencies of Centralization	36
Table 4.8: Frequencies of Formalization	37
Table 4.9: Spearman's rho Correlations	38
Table 4.10: Regression Model Summary	40
Table 4.11: Regression Coefficients	41

LIST OF FIGURES

Figure 2.1: Conceptual framework	24
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ABBREVIATIONS

SPSS – Statistical Package for Social Sciences

MBO – Management by objectives

OSI – Organizational Strategy Implementation

SBU – Small Business Unit

ROI – Rate of Investment

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Organizational structure concerns work division, the distribution of tasks and activities, and coordination mechanisms, which includes standardization and formalization. The various authors use somewhat different dimensions of organizational structure. Geeraerts (1984) distinguishes specialization and differentiation (also referred to as departmentalization). They both concern the complexity of the organizational structure. As regards to the importance of separate attention to the locus of authority in decision-making (centralization) and the relevance of codes and procedures for coordination (formalization) most authors agree. A final dimension describes the way firms organize day-to-day (partly informal) coordination between individuals and departments. In this context, in line with Galbraith (1973), Mintzberg (1979) distinguished three main types of coordination: direct control, mutual adjustment and standardization. As said in broad terms, specialization and decentralization are about how specific tasks and authorities are distributed in the organization, i.e. the work division. Formalization, standardization and coordination are subsequently about controlling and optimizing organizational procedures, i.e. the coordination mechanisms.

The relationship between strategy and structure was first described by business historian Chandler (1962) in his review of the growth and development of US firms. He found that as each of these companies grew through a strategy of product diversification they implemented a divisional organizational structure. Chandler's discovery was supported and extended with several studies of western European and multi-national firms (Channon et al, 1973). Rumelt (1974) further expanded on Chandler's work in a study of the financial performance of over 200 Fortune 500 small firms from 1949-1969, the resulting research showed that certain strategy and structure combinations significantly outperformed others. Small firms diversifying into a related product line or business, for example, showed consistently better performance than either firms diversifying into unrelated businesses or vertically integrated firms with limited diversification options.

Other authors subsequently confirmed Rumelt's findings while looking at different structural types, and using stock market return as a performance measure (Hoskisson et al,1987). The alignment, or fit, of strategy and structure is considered a baseline requirement for organization performance (Galbraith and Kazanjian, 1986; Miles and Snow, 1978). In fact, at least a minimal fit is viewed as a requirement for firm survival (Miles and Snow, 1978). Furthermore, more recent research stresses that external and internal contingency factors should be considered when developing and deploying updated strategies (Porter et al, 1980)

The relationship between the strategy and organizational structure is the key issue in the organization and management theory. It was shown that on one hand, the strategy models the company organizational structure and on the other hand solutions implemented within the organizational structure affect the process of strategy development and implementation (Porter et al, 1980).

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of art, rather than a science, and its research history has previously been described as fragmented and eclectic (Noble, 1999). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process which one of them could be structure of the organization. The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented (Noble, 1999).

According to the White Paper of Strategy Implementation of Chinese small Corporations (2006), strategy implementation has become the most significant management challenge which all kinds of corporations face at the moment, either large all small. There are many factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control.

Strategies at the corporate level take into account different directions and types of company development. Every strategic option requires an adequate organizational structure ensuring its efficient implementation, thus contributing to the company's development. In order to adjust its structure to its strategy, a company will need to effect changes in the division of labour, its hierarchic structure, degree of centralization, method of coordination (cooperation between internal organizational units) and the degree of formalization Noble (1999). The organizational structure is also affected by many factors and circumstances which influence its form and shape. The organizational structure of a company is characterized by certain properties, such as: the manner of division and grouping of tasks, the type of internal coordination, the level of centralization and formalization. In the majority of the companies studied, the division and grouping of tasks had a functional character, which was often accompanied by other types of division and grouping of tasks, mostly technological and product based.

Factors relating to the organizational structure are some of most important implementation barrier according (Heide & Grønhaug et al, 2002) study. Drazin and Howard (1984) see a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies (Noble, 1999). They point out that changes in the competitive environment require adjustments to the organizational structure. If a firm lags in making this realignment, it may exhibit poor performance and be at a serious competitive disadvantage. Gupta (1987) examines the relationships between SBUs, strategies, aspects of the corporate-SBU relationship, and implementation and finds that structures that are more decentralized produce higher levels of SBU effectiveness, regardless of the strategic context. Schaap (2006) also suggests that adjusting organizational structure according to perfect strategy can ensure successful strategy implementation.

Different strategy types have different requirements regarding an adequate organizational structure (White, 1986). White (1986) points out that the fit between business unit strategy and the internal organization of multi-business companies does have an effect on business unit performance. Specifically, business units with pure cost strategies experience higher ROI when they have low autonomy. Pure differentiation strategies benefit, in terms of sales growth, from strong functional coordination with responsibility for key functions unified under the business unit manager.

Further the senior management team must come together to review, discuss, challenge, and finally agree on the strategic direction and key components of the plan. Without genuine commitment from the senior team, successful implementation is unlikely (Nielsen et al, 1983). An important strand of the business economics literature deals with understanding the determinants of firm performance (Nielsen et al, 1983). In broad terms, firm performance is determined by the success of selling products and services in the market, and, by the effectiveness of organizing and transforming inputs (such as labour and capital) into sellable products and services (Nickell, 1999). For most firms labour is the most important input (Heskel, 1999), which means almost by definition that organizational structure may be very relevant to firm performance.

Studies look at the organizational structures of firms and the link between these structures and the performance in terms of strategy implementation of the respective firms (Olson & Slater & Hult, 2005). One of the most elementary decisions a firm owner or manager has to make is the design of the firm's organization. As soon as a firm hires employees, some kind of organizational structure develops. The actual design of this organizational structure is a mix between deliberate choices and unconscious, emergent developments. What evolves is a system of responsibilities, privileges and coordination mechanisms. The outcome of this organizational design process may be expected to be an important determinant of the performance of firms (Mintzberg et al, 1979).

Arrow (1974) discusses the limits of the small firms and shows that specialization leads to an additional need for coordination which brings about effective strategy implementation. Cremer (1980) studies the degree to which coordination mechanisms reduce uncertainties in firms leading to effectiveness in strategy implementation. In mainstream management literature, organizational structure has received much attention over the last few years (Garicano et al, 2000). The topic has been on the agenda for some time Williamson (1967), who pointed at inadequate specialization caused by unbalances between firm size and organizational form. In subsequent years there was attention to modeling organizational structures to link with strategy implementation which evidently influence firms market share, customer satisfaction and profitability.

Sah and Stiglitz (1986) investigate the consequence of (hierarchical) structures on the quality of decision making which influences proper strategy implementation in small companies. Becker and Murphy (1992) focus on specialization and the division of labour, concluding that coordination costs determine efficiency of organizational structures. Aghion and Tirole (1997) investigate formal and real authority in organizations, particularly in relation to other coordination and communication mechanisms

The study intends to contribute to the above discussions. It searches for insight in the relevance of organizational structure in firm's strategy implementation.

1.2 Problem statement

Organization structure comprises of various dimensions. These include division of tasks, centralization, co ordination and formalization. These different aspects affect the way strategies in different organization are implemented which contributes to market growth and customer satisfaction. The studies have been conducted in this area and separately concentrating on only coordination, decision making, and communication which are only some of the variables in organization structure. There is no study so far which have looked at all the dimensions of strategy implementation in a single study. Arrow (1974) discussed the limits of the small firms and showed that specialization leads to an additional need for coordination which brings about effective strategy implementation. Cremer (1980) studied the degree to which coordination mechanisms reduce uncertainties in small firms leading to effectiveness in strategy implementation. Sah and Stiglitz (1986) investigated the consequence of (hierarchical) structures on the quality of decision making which influences proper strategy implementation in small companies. Becker and Murphy (1992) focused on specialization and the division of labour, concluding that coordination costs determine efficiency of organizational structures. Aghion and Tirole (1997) investigated formal and real authority in small organizations, particularly in relation to other coordination and communication mechanisms. Gupta (1987) examined the relationships between SBUs, strategies, aspects of the corporate-SBU relationship, and implementation and finds that structures that are more decentralized produce higher levels of SBU effectiveness, regardless of the strategic context. Schaap (2006) also suggested that adjusting organizational structure according to perfect strategy

can ensure successful strategy implementation. Therefore, this study intends to incorporate all of the four dimensions of organizational structures in one study. Therefore, the aim of this study is to determine the effects that the dimensions of organizational structures have on strategy implementation in large manufacturing enterprises in Kenya.

1.3 Objectives of the study

The general objective of this study was to determine the effects of organizational structure on strategy implementation in manufacturing firms in Nakuru Municipality

The specific objectives are:

1. To determine the effects of division of tasks on strategy implementation in manufacturing firms.
2. To establish the effects of coordination on strategy implementation in manufacturing firms.
3. To determine the effects of centralization on strategy implementation in manufacturing firms.
4. To assess the effects of formalization on strategy implementation in manufacturing firms.
5. To assess the combined effect of the dimensions of organization structure on strategy implementation in manufacturing firms.

1.4 Research Hypotheses

1. Division of tasks has no significant effect on strategy implementation in manufacturing firms.
2. Coordination has no significant effect on strategy implementation in manufacturing firms.
3. Centralization has no significant effect on strategy implementation in manufacturing firms.
4. Formalization has no significant effect on strategy implementation in manufacturing firms.
5. Dimensions of organization structure have no significant effect on strategy implementation in manufacturing firms.

1.5 Scope and Limitation

1.5.1 Scope of the study

The study was conducted on the 15 selected manufacturing firms in Nakuru Municipality.

1.5.2 Limitations of the study

A variety of issues impacted the study. The respondents from the selected Department's were unwilling to give accurate information for fear that the information may be sensitive. Besides, the respondents from these departments considered certain information classified and confidential, and were unwilling to share the information. The researcher, therefore, took the necessary steps and measured to ensure that proper communication was made on the purpose of the study and assured the respondents of confidentiality of the use of information provided. Organization structure contributed to only 49.4% of strategy implementation, it means that there are several other factors affecting strategy implementation not in this study.

1.6 Significance of the study

The study examined the effect of organizational structure on strategy implementation. This information is useful to the firm's management, research and development units, suppliers, investors and policy makers (Government of Kenya as a regulator) and other interested stakeholders such as NGOs who will use it for formation of structures enhancing strategy implementation. The information obtained from the study would also be useful in supporting future academic studies related to strategy implementation by providing related reference materials in other words contribute positively to the existing body of knowledge.

1.7 Definitions of terms in the study.

Organizational structure: Relationship between human capital and physical equipment in an organization. Structure centers on the design of an organization through which the enterprise is administered, including the lines of authority and communication between the different administrative elements of an enterprise as well as the information and data that flow through these lines of communication and authority.

Division of tasks: the degree to which tasks in an organization are divided into separate jobs. The more that tasks are divided into separate jobs, the more those jobs are specialized and the narrower the range of activities that each employee is required to perform. Division of tasks included job rotation, quality circles and tasks teams, job evaluation.

Coordination:the degree of how activities in different departments an organization are able to be communicated well for strategy implementation. The dimension describes the way firms organize day-to-day (partly informal) coordination between individuals and departments.

Centralization: the degree of how organizational decisions are concentrated to top level management.

Formalization:It refers to the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.

CHAPTER TWO

LITERATURE REVIEW

2.1 Organization structure

Burns and Stalker (1961) formulated a continuum of organizational forms, with its two extremes being organic and mechanistic, in their study of twenty British firms. Organic management systems were characterized by incessant adjustment and redefinition of tasks and functions through the process, flat network of control/authority and communication (both top-down and bottom-up, consultative style), whereas mechanistic management structures displayed a rather tightly controlled standardized framework, in which tasks were precisely defined. Functions were strictly designed, control/authority and communication were hierarchical (mostly top-down and command-like style). Unlike that in scientific management, neither of these two structures in the contingency theory is considered optimal, nor is any eclectic form in the continuum between two extremes. As Burns and Stalker (1961) proposed, complicated and changeable conditions would cause unforeseeable problems so that tasks couldn't be tackled in a well-defined and pre-designed structure. Per contra, more stable technological and market conditions asked for relatively mechanistic structure. Hence, the best may be the fittest. Lawrence and Lorsch (1967) buttressed this view in their study of ten firms in the American plastics, food and containers industries characterized as high, medium and low growth, respectively. They identified three sub-environments (market, techno-economic and scientific) that were strongly associated with firms' internal management structures.

The more labile the sub-environments, the more differentiated were firm departments. Apart from this influential division between organic and mechanistic structures, there are other taxonomies, such as simple (Mintzberg, 1983). More detail in an empirical study of interaction patterns by Courtright, et al (1989) Scientific management approach states that science can always identify the quickest and best way to perform work-tasks.

However, the higher the degree of internal differentiation, the greater is the need for appropriate mechanisms for integrating and resolving conflicts between the various segments. It is

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featured as low departmentalization, narrow span of control, high centralization and low formalization-bureaucratic (Robbins, 1990) and matrix structures (Burns, 1993). More innovatively, there arise team structures (Ostroff, 1999), virtual structures (Miles and Snow, 1978; Dess, et al., 1995), and T-form structures. However, no matter how organizational structure evolves in its form, contingency theory resolutely rejects one best way that leads to firm excellence. Instead, organizational structure may be a mediator, through which a variety of other factors contributing to enhancing the firm's performance.

2.2 Dimensions of Organization structure

Organizational structure concerns work division, the distribution of tasks and activities, and coordination mechanisms, which includes standardization and formalization. The various authors use somewhat different dimensions of organizational structure. The early studies use specialization to describe how tasks are distributed among firm members. Geeraerts (1984) distinguishes specialization and differentiation (also referred to as departmentalization). They both concern the complexity of the organizational structure. As regards to the importance of separate attention to the locus of authority in decision-making (centralization) and the relevance of codes and procedures for coordination (formalization). A final dimension describes the way firms organize day-to-day (partly informal) coordination between individuals and departments.

In this context, in line with Galbraith (1986), Mintzberg (1978) distinguished three main types of coordination: direct control, mutual adjustment and standardization. As said, in broad terms, specialization and decentralization are about how specific tasks and authorities are distributed in the organization, i.e. the work division. Formalization, standardization and coordination are subsequently about controlling and optimizing organizational procedures, i.e. the coordination mechanisms. Structure allows the responsibilities for different functions and processes to be clearly allocated to different departments and employees. More recent contributions to the literature on organization theory respond to the challenges posed by the changing competitive market conditions arguably influenced by so-called hypercompetitive shifts that have occurred over the past decades (Illinitch, 1996).

The new competitive reality is characterized by rapid technological change, shorter product cycles, and ongoing innovation that continuously challenges existing competitive advantages. Hypercompetitive conditions are often associated with fundamental uncertainty (Volberda, 1996) and unknowability where many risks and abrupt environmental hazards cannot be foreseen (Bettis and Hitt, 1995). In this type of unpredictable environmental setting strategic response capabilities (Bettis and Hitt, 1995), adaptive capabilities (Volberda, 1996), and dynamic capabilities (Teece, Shuen and Pisano, 1997) become the drivers of excess rents. Hence, the urge to define flexible organizational structures that provide the firm with better opportunities to respond to uncertain environmental conditions and thereby increase economic returns (Child et al, 1997). Child and McGrath (2001) argue that new organizational forms emerge from challenges imposed by information intensity in global markets, organizational interdependencies, a separation between asset ownership and business execution, high velocity task environments, and the intangible nature of essential resources and knowledge.

The organizational design solution to these challenges seems to be a move of decision nodes closer to where the relevant knowledge and information is located (Daft and Lewin, 1992; Volberda, 1996) with a broad literature proposing the advantages of decentralization under pervasive uncertainty (Bigley 2001, Moller and Rajala, 1999). Accordingly, there has been a shift from hierarchical organizations to horizontally operating hybrids based on lateral communication channels often organized around functional teams and project groups (Achrol, 1997; Galbraith, 1999; Moller and Rajala, 1999). The use of information and communication technology (ICT) can both enable dispersion of decision power and make relevant information accessible at the dispersed decision nodes (Brynjolfsson and Mendelson, 1993; Huber, 1990). Experimentation with decentralized decision structures (Fulk 1995 and Nault, 2001) as well as empirical studies (Andersen, 2005) indicate that ICT can act as a facilitator and enhance the performance of dispersed decision making processes not least under conditions of global market turbulence.

While descriptions of decentralized, non-hierarchical, autonomous, networked, team-based, post-bureaucratic organizations abound (Achrol, 1997) there is a mounting realization that effective organizations also engage in more complex integrative processes (Hill, Martin and Harris, 2000). That is, the notion of decentralization may be too simple a response in high velocity

environments as dispersed decision making seems to work best when it is embedded in more rigid structures (Jellinek and Schoonhoven, 1990). A theoretical argument in support of this claim has been offered by Knudsen & Levinthal (2006), who noted that hybrid organizational forms has an important role in balancing exploration (associated with decentralized structures) and exploitation (associated with centralized structures). Empirical support is found in Becker and Knudsen (2004) who showed that routinization can focus managerial efforts and avoid resource waste in pursuit of unattainable solutions under turbulence thus indicating that combinations of centralized routines and decentralized responsiveness may constitute optimal organizational configurations.

The wrong organization structure will hinder the success of the business. Organisational structures should aim to maximize the efficiency and success of the Organization. An effective organizational structure will facilitate working relationships between various sections of the organization. It will retain order and command whilst promoting flexibility and creativity (Jellinek and Schoonhoven, 1990).

Internal factors such as size, product and skills of the workforce influence the organizational structure. As a business expands the chain of command will lengthen and the spans of control will widen. The higher the level of skill each employee has the more the business will make use of the matrix structure to maximize these skills across the organization organizational structure (Jellinek and Schoonhoven, 1990).The framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties.

An organization structure depends entirely on the organization's objectives and the strategy chosen to achieve them. In a centralized structure, the decision making power is concentrated in the top layer of the management and tight control is exercised over departments and divisions (Ilinitch 1996 and Volberda 1996). In a decentralized structure, the decision making power is distributed and the departments and divisions have varying degrees of autonomy. An organizational chart illustrates the organizational structure. Every organization has a unique structure. An organizational structure is the reflection of the company's past history, reporting relationships and internal politics. Management need to take a very close look at the organization

structure and evaluate if it supports strategy. You may need to customize your organizational structure to fit strategy.

Miller and Friesen (1986) have argued that multivariate interdependencies in structure and strategy tend to manifest themselves in so-called Gestalts. Max Weber already introduced the Gestalt machine-bureaucracy proposing that specialization, formalized rules and procedures and an extensive hierarchy are positively related, and, that each of these structuring variables are negatively related to the centrality of decision making (Blau and Schoenherr, 1971). Other famous examples of configurations are the typology of Burns and Stalker (1961), who distinguish between organic and mechanistic organizations. Pugh and Hickson (1976) who propose a sevenfold classification of organizational structures, and Mintzberg (1979) who introduces five structural configurations ranging from a simple structure to a multidivisional form. Sometimes these configurations have been interpreted as ideal types (Mintzberg ,1979).

Miller and Friesen (1980) demonstrate that changes (or stability) in organizational structure dimensions tend to occur together, or follow one another after brief intervals (in order to maintain an appropriate balance or configuration of organizational structures). The small firm is often positioned as a caricature in one of the types, such as Burns and Stalker's organic organization or Mintzberg's simple structure.

2.3 Strategy Formulation and strategy Implementation

Factors relating to the organizational structure are one of most important implementation barrier according to Heide & Grønhaug & Johannessens (2002). Drazin and Howard (1984) see a proper strategy-structure alignment as a necessary precursor to the successful implementation of new business strategies (Noble, 1999). They point out that changes in the competitive environment require adjustments to the organizational structure. If a firm lags in making this realignment, it may exhibit poor performance and be at a serious competitive disadvantage.

Gupta (1987) examines the relationships between SBUs, strategies, aspects of the corporate-SBU relationship, and implementation and finds that structures that are more decentralized produce higher levels of SBU effectiveness, regardless of the strategic context. Schaap (2006) also

suggests that adjusting organizational structure according to perfect strategy can ensure successful strategy implementation.

Different strategy types have different requirements regarding an adequate organizational structure (White, 1986; Olson et al, 2005). White (1986) points out that the fit between business unit strategy and the internal organization of multi-business companies does have an effect on business unit performance. Specifically, business units with pure cost strategies experience higher ROI when they have low autonomy. Pure differentiation strategies benefit, in terms of sales growth, from strong functional coordination (with responsibility for key functions unified under the business unit manager). Similarly, the ROI of cost strategies is, on average, higher when some functional responsibilities are shared. Olson et al, (2005) identify a taxonomy comprised of four different combinations of structure/behavior types, which they label as management dominant, customer-centric innovators, customer-centric cost controllers and middle ground. These alternative structure/behavior types are then matched with specific business strategies (Prospectors, Analyzers, Low Cost Defenders, Differentiated Defenders) in order to identify which combination (s) of structures and behaviors best serve to facilitate the process of implementing a specific strategy.

2.4 Organization structure and strategy implementation

2.4.1 Division of tasks and strategy implementation

The division of labour refers to the process of dividing the many tasks performed within the organization into more specialized jobs (Greenberg & Baron, 1997). The more that tasks are divided into separate jobs, the more those jobs are specialized and the narrower the range of activities that each employee is required to perform. In classical or scientific management theory, the fewer tasks a person performs, the better the person can be expected to perform them, freeing others to perform the tasks that they perform best.

In terms of strategy implementation, the wider the division of labour, the more freedom and time the individual has to spend developing new ideas within their particular r specialist area. However, on the other hand, if the individual loses sight of the big picture they will be less able to be innovative. Therefore there needs to be a balance of having the expertise and freedom to work

in a specialized area, but also have continual awareness of what is happening in the rest of the organization (Achrol, 1997). This refers back to the metaphor of the organization as an organism, where each part of the organization functions independently and yet is part of the overall body. Unless each part is working effectively, the overall body cannot be effective.

The term organizational structure refers to the formal configuration between individuals and groups with respect to the allocation of tasks, responsibilities and authority within the organization (Greenberg & Baron, 1997). Performing organizations reflect flatter hierarchies, wider divisions of labour, wider span of control and tend to be decentralized. In other words, information flows are broad and diffuse throughout the organization.

Clearly a traditional bureaucratic approach to management is not enough in today's dynamic business environment. Therefore in recent years, organizations have been restructuring their workforces by flattening them out through downsizing and delayering, often resulting in the elimination of entire layers of organizational structure. The underlying assumption behind these cutbacks is that fewer layers reduce waste and enable people to make better decisions by moving them closer to the problem at hand (Greenberg & Baron, 1997). This is because organizational hierarchies are what creates the need to ask for permission. This implies that the steeper the hierarchy, the harder it is to get permission for anything new. Too often we observe frustrated entrepreneurs waiting for permission to act and seeing their best ideas rejected (Pinchot & Pellman, 1999).

Several authors speak to the responsibilities of self-managed teams (Holpp, 1993, Wellins, et. al 1991). They suggest that the responsibilities a team takes on are a function of the amount of empowerment the team has and the skill and task progression of its members. We believe that work groups have seven broad areas of responsibility — or roles — regardless of which stage of self-management they have reached. These roles provide a common context within which all work groups in an organization can operate on a daily basis. The specific responsibilities housed inside each role do change, however. These responsibilities, and the rigor with which they are carried out, are related to the five stages of self-management. Collectively, the seven roles support an organization's culture and the three streams of work that occur within the organization. Culture is

defined here as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has 'worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 1992).

There are two roles for self-managed teams that support the organization's culture. These are uphold organizational and personal values and principles and manage team processes. An organization's culture influences and is influenced by three streams of work in an organization. These three streams are mission-directed, vision-directed, and linkage-directed work (Silverman, 1995). Mission-directed work flows from the team's work participate in organization-wide strategies organization's mission. Mission refers to a broadly defined but enduring statement of purpose that distinguishes a business from other firms of its type and identifies the scope of its operation in product and market terms. Regarding to the merits of job rotation, most of the studies concern theories of industrial organization and management system in the aspect of relationship between rotation and career development. Studies on career development have recognized the importance of work experiences that the career motivation can be influenced by experiences gained through rotation (London 1983), Morrison and Brantner (1992).

Job rotation is also argued to play important roles to job learning that can be viewed as an environmental strategy for employees' career development. The process of employees' human capital accumulation is believably dependent on their working experiences the more they are rotated, the more they learn. Hence, in the corporate management strategy, job rotation is also considered as an important instrument for development (Sonnenfeld and Peiperl, 1988).

2.4.2 Coordination and strategy implementation

Unofficial means of communication usually exist and companies need only more actively support activities and places where employees that normally do not work together can meet informally and share stimuli and ideas. All employees should also have equal access to corporate information, Nonaka and Takeuchi (1995) argue. Further, by being aware of ongoing activities each employee gains sufficient understanding of the capacity of the organization and is thus able to tap into the organization's resources. However, for such unanticipated co-operation to work, the company must adopt a policy that prioritizes internal information and knowledge sharing. All employees, including managers, must understand the importance of helping colleagues asking for advice. This, for example, implies that internal debiting should be abandoned since it only creates unnecessary overhead and administration and a reluctance to ask for help. Within-company communication is thus success factor.

Several commentators have argued that trust is an important prerequisite for co-operative activities such as strategy implementation. As von Krogh (1998) concludes, effective knowledge creation requires mutual trust, active empathy, access to help, lenience to judgment, and courage. He claims that the notion of care encompasses these forms of behavior and their interplay, and that a change of perspective from self-commitment to other-commitment is necessary for proper strategy implementation. To achieve this, management must explicitly state that trust and openness are prioritized values. As noted by von Hippel (1988), informal know-how trading often occurs between companies – sometimes even between direct competitors. Fundamental to such networks are the unspoken, but yet strong, obligation to return a favour.

It has also been claimed that such co-operation cannot be achieved without establishing a personal relationship, preferably face to face, but it has actually been shown that trust and cooperation can be achieved and sustained not only between strangers but in fact also between enemies at war or between creatures unable to appreciate the consequences of their own behavior (Axelrod, 1984). Fundamental to the establishing of trust is instead the principle of reciprocity and the likelihood of meeting - and recognizing - the same individual again in the future. Knowing (or assuming that the probability is high) that we will meet again gives me a chance to get even, which enables me to risk trusting the other part.

When people are primarily motivated by their own interest in the work and the enjoyment of that activity, they are more creative than they are when primarily driven by some goal imposed on them by others. The use of extrinsic motivation such as rewards or bonuses tend to cause a focus on the reward rather than on the task at hand, and winning the reward becomes more important than finding the most creative solution. Robinson and Stern (1997) stress the importance of intrinsic motivation and point to the strong correlation between the use of intrinsic motivation and high participation in the improvement processes. Self-initiated activities are powerful because they are driven primarily by intrinsic motivation. When employees are allowed to, and in fact encouraged to, pick and pursue their own projects, they are driven by their personal interests. Research in a corporate setting has shown that professional interests rather than espoused theory is what motivates people (Stenmark 2000)

Studies treat institutional relationships among different units/ departments and different strategy levels as a significant factor that affects the outcome of strategy implementation (Walker & Ruekert 1987) divide business strategy behaviors into three types: prospectors, differentiated defenders and low cost defenders. These distinctions are based on the strategy categories introduced by Miles & Snow (1978; prospectors, defenders, analyzers, reactors) and by Porter (1980; overall cost leadership, differentiation and focus).

Walker & Ruekert(1987) stipulate that corporate-business unit relationships, inter-functional structures and processes, marketing policies and processes may all significantly influence business strategy implementation. Three aspects of the corporate-business unit relationship are especially likely to affect a units success in implementing a particular strategy: business unit autonomy, sharing programs and synergies across SBUs, as well as control and reward systems. In addition, functional competencies, allocation of resources, decision-making participation and influence, inter-functional conflict and coordination may have vastly different effects on the implementation of 13 different kinds of strategies. Walker and Ruekert (1987) assume that decision-making and coordination structures in the marketing department, and marketing policies and programs within the business unit, affect the performance of different business strategies in different ways.

2.4.3 Centralization and strategy implementation.

Performing organizations also tend to be more decentralized, with a smaller power distance, meaning that employees are viewed as being more equal and having equal opportunities to offer their opinions and views. This allows for all employees to feel valued and that they are making a meaningful contribution to the organization as a whole. Decentralization refers to the extent to which authority and decision making are spread throughout all levels of an organization rather than being reserved for top management (Greenberg & Baron, 1997). These organizations are taking the lead in implementing employee empowerment, which gives power and is the natural extension of employee participation concepts such as quality circles and task teams. This represents a high degree of involvement in which employees make decisions themselves and are responsible for their outcomes (Oden, 1997).

Management by Objectives (MBO) strives to increase the performance of a company by synchronizing goals and objectives throughout the operations. MBO links organizational objectives and the behavior of individuals (Hunger and Wheelen, 2008). It matches employee competencies to individual tasks within the plan. MBO assigns the best man or woman for the job. MBO will help improve the implementation of strategy in many ways. MBO creates focus on individual tasks for management and empowered employees. Instead of diluting focus with concern on multiple tasks within an action plan, each manager and employee knows what is expected of them, and develops a more detailed focus on an individually assigned task. MBO fosters organizational characteristics within groups and units. Management and employees are provided details and acknowledge the desired results. In order to succeed, they have to work together in an organized fashion to build individual results into combined unit results. It's a system of building blocks. Management and empowered employees accomplish individual tasks that when combined, formulate the unit task and ultimately develop into the overall company goal.

2.4.4 Formalization and strategy implementation.

The span of control refers to the number of people formally required to report to each individual manager. Those responsible for many individuals are said to have a wide span of control, whereas those responsible for fewer are said to have a narrow span of control. When a manager's span of control is wide, the organization itself tends to have a flat hierarchy (Greenberg

& Baron, 1997). Performing organizations tend to have a wider span of control, due to the flatter hierarchy and greater equality between employees. Employees also have a greater say in what gets done and how, which requires Conscientiousness and focus. This implies that the individuals themselves should demonstrate more responsibility and commitment to their work.

Organizational Policies: Most organizations are governed by implicit and explicit systems, and in many cases people are reluctant to change them, believing that if it isn't broken, why fix it. Many organizations use their existing systems to prove that they already have the right answer, which effectively douses creativity which may be needed in strategy implementation.

Structure centers on the design of an organization through which the enterprise is administered, including the lines of authority and communication between the different administrative elements of an enterprise as well as the information and data that flow through these lines of communication and authority. In addition to formal lines of authority and information flows, structure includes allocation of work into roles, techniques of coordination, relationships among organizational subunits, methods of reward and punishment, policies and activities occurring within an organization, and social and political networks (Chandler 1962, Miles and Snow 1978, Rumelt 1974). The alignment, or fit, of strategy and structure is considered a baseline requirement for organization performance, including both financial (revenue, profit, and ROI) and non-financial (customer satisfaction and market share) assessments (Galbraith and Kazanjian, 1988; Miles and Snow, 1978).

2.5 Factors affecting Organization structure.

Research has supported a significant relationship between strategy and structure alignment and firm performance, it is recognized that performance is influenced by contingent factors that lie beyond the realm of strategy and structure. These contingent factors can be categorized as either external environmental factors or infrastructure. Environmental factors include customer requirements, competitors and industry structure, and general economic and government controls (note that for supply chains this often entails the legislation and trade policies of multiple countries) (Christensen and Montgomery, 1981; Porter, 1985, 1980). Infrastructure is considered to be the underlying map of interdependencies an organization confronts as it struggles to engage in

and maintain its activities over time. Infrastructure includes the firm's technology and systems, core competencies, capabilities, and socio-structure or firm culture (Prahalad and Hamel, 1990)

In contingency theory, strategies should be designed to suit organizational structure in order to pursue more than satisfactory performance. In the case studies of a group of pioneering firms, Chandler (1962) found that firms were more likely to assume product divisional forms, rather than functional structures, as their product range became more diversified. Miller (1986) found that strategies, in terms of marketing differentiation, product innovation, breath of market, and cost control, all have crucial but different associations with organic and bureaucratic structures.

Harris and Ruefli (2002) tested the structure-strategy relationship using a survey of 259 small firms in a period of 36 years and the evidence also demonstrated the significance of proper strategies for the suitable structures. A similar line of reasoning can be found in Miles and Snow (1978), and Galunic and Eisenhardt (1994). More specifically, Robbins (2005) generalized three common aspects of strategy in various structures: (a) innovation strategy according to organic structure (decentralized, low formalization, low departmentalization and flexibly controlled); (b) cost-minimization strategy relating to mechanistic structure (highly centralized, high formalization, high departmentalization and tightly controlled); (c) imitation strategy linking to a structure between two extremes, more flexible for innovative activities but rigid for current production.

Nevertheless, the best fit between manifested the higher probability of achieving sustained growth, whereas firms which pursued broad market entry strategies in mature markets were more possible to fail. Strategy and structure cannot guarantee the best outcome, without considering the external conditions in which firms actually operate and compete including the Size, Technology and other Contingency Factors.

The increase in employment drives organizational structure to be more mechanical. This relationship is nevertheless nonlinear, because the marginal effect of increasing employment on organizational structure will be diminishing. In other words, the increase of employment will have a less significant impact on a considerably large firm than that on a smaller counterpart. After all, large firms may have already been rigid enough (Blau and Schoenherr, 1971; Pugh, 1981). Bluedorn (1993) made a substantial review of the size-structure relations, and they summarized as

follows: (a) as size increases, structural differentiation (the administrative proportion) increases (decreases) at a decreasing rate (b) the direct effect of size on the administrative proportion is greater than that on structural differentiation (c) size is negatively related to centralization and positively related to formalization. These propositions had been examined in a contingency framework during the 1980s and early 1990s. It is worth mentioning the meta-analysis of 31 published empirical studies conducted by Gooding and Wagner (1985), who illustrated a zero to modestly negative relationship between subgroup size and performance even if the direct connection between size and performance was initially unfruitful. Besides, size was found to be strongly positively related to productivity but there was no evidence for a positive size-efficiency relationship.

Contingency theory also involves technology as a pivotal factor that influences firm performance via the mediation of organizational structure. Woodward (1965) developed a technological scale in terms of production techniques, and the complexity of production systems, which recognized (a) unit or small batch (b) large batch or mass production (c) continuous process. It was argued that a large batch/mass production technology related to a more functionalized structure, a larger administrative proportion with a wide span of control, while unit/small batch production technology demanded a more flexible structure and a smaller administrative proportion with a moderate span of control. An extensive meta-analysis of technology-structure relationship was conducted by Miller, Glick, Wang and Huber (1991).

The later development has extended discussion to even wider areas, such as organizational culture (Schein, 1992), EO (Lumpkin and Dess, 1996; Wiklund, 1997), management accounting (Andersen and Lanen, 1999; Mitchell, Reid and Smith, 2000; Lofsten and Lindelof, 2005), organizational learning and management control system (Romme and Dillen, 1997; Kloot, 1997), strategic reward system (Boyd and Salamin, 2001), export venture creation (Ibeh, 2003). The culture of an organization can be viewed as the entrenched personality of the organization. It is an intangible, yet ever-present theme that provides meaning, direction, and the basis for action (Oden, 1997). Kreitner and Kinicki (2001) take this definition further by defining culture as the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments. In other words, it refers to the way we do things around here.

Three dimensions of the environment (capacity, stability and instability, homogeneity and heterogeneity) would require an assortment of organizational structures to fit, they may also be either reshaped or chosen by managers. Within the contingency framework, a wide range of strategies can be implemented to fit structure and environment for the pursuit of superior firm outcomes. Moreover, size and technology may exert different influences on firm performance through the mediator structure variable, which is at variance with their effects discussed earlier in non-contingency approaches.

2.6 Conceptual Framework

Following the literature discussed in the literature review, the study was conceptualized as shown below.

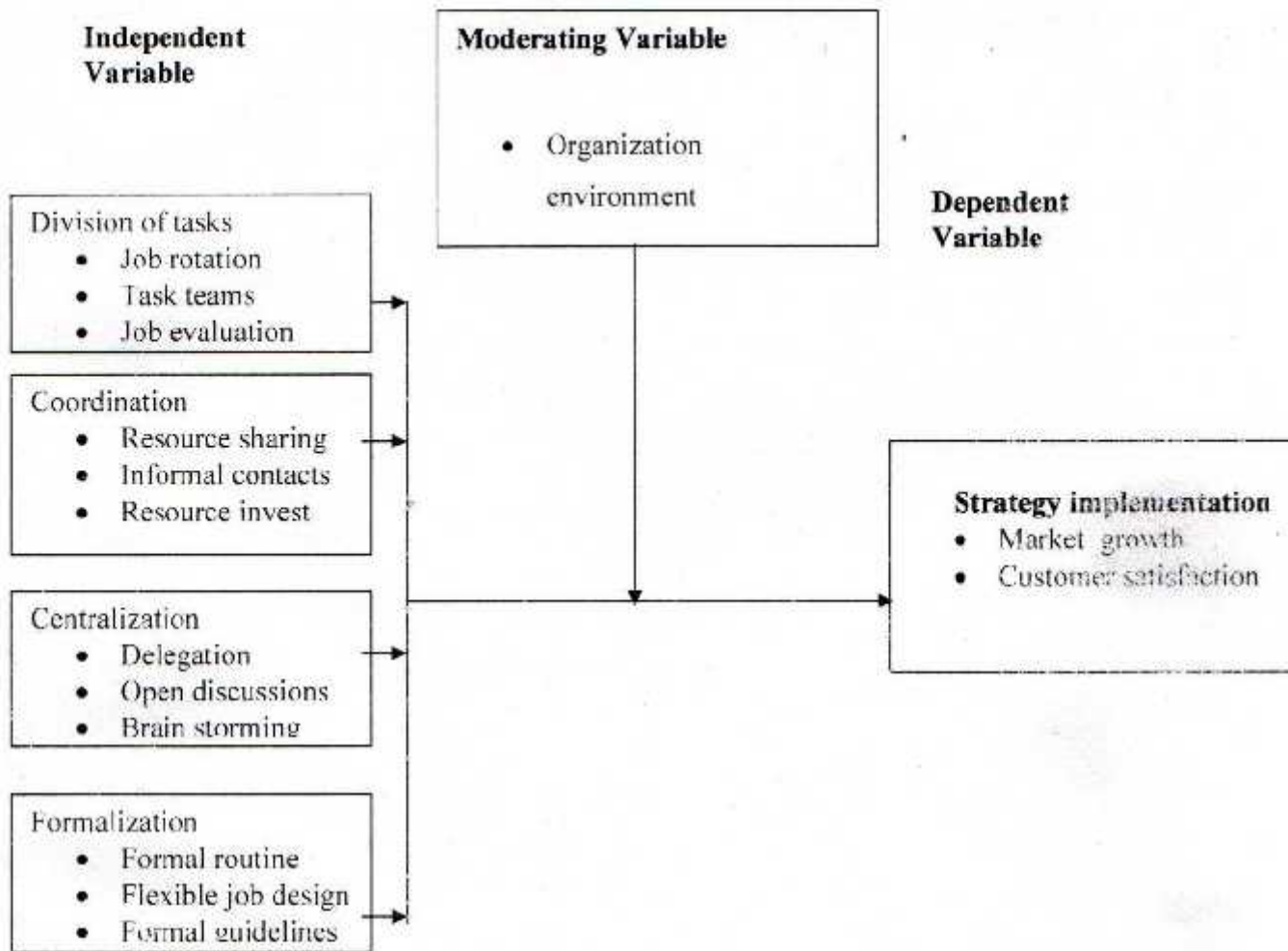


Figure 2.1: Conceptual framework

Model of the effects of organizational structure on strategy implementation in manufacturing firms in Kenya (A case of manufacturing firms in Nakuru Municipality)

Source: The researcher

The model was expected to test whether there is any relationship between division of tasks and the firm strategy implementation. Again, the model intended to assess coordination and strategy implementation relationship. Moreover, the model sought to establish the relationship between centralization and strategy implementation and also the model intended to determine the relationship between the firm formalization and strategy implementation. Lastly the model is expected to determine the effect of organizational structure on strategy implementation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Study Area

The research was undertaken within Nakuru Municipality. Nakuru is in Rift Valley province, the Kenya's largest province. Nakuru is well endowed with agricultural and tourism resources which have attracted several manufacturing firms. The study had a particular reference to manufacturing firms in Nakuru Municipality.

3.2 Research Design

The study adopted the descriptive survey design. When using this design, the researcher ensured that: The design was chosen because it was an efficient method of collecting descriptive data regarding characteristic of a sample of a population, current practices, conditions or needs. The design allowed the researcher to gather information regarding the respondent's opinion, perceptions, attitudes and views in a highly economical way.

3.3 Target Population

The target population of the study was the manufacturing firms with large plants in Nakuru Municipality. There are 30 firms with large plants in Nakuru Municipality (Appendix II).

3.4 Sample Design

The sample included 15 firms out of the 30 firms. The 15 firms in the sample included those which have been in existence for more than 10 years in reference to the year of study(2011).10 years is enough time for structures of any organization to have stabilized and its effect seen in strategy implementation.

Table 3.1: Sample Determinant

NAME OF THE FIRM	MARKETING DEPT	PRODUCTION DEPT	FINANCE & ACCOUNTING DEPT	HUMAN RESOURCE DEPT	TOTAL RESPONDENTS IN A FIRM
Eveready	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Comply	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Unga Limited	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Nakuru Blankets	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Menengi oil	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Bedi Fabrics	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Bidco Refinery	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
United Millers	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Flamingo paints	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8

Spin Knit limited	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	1 Manager 1 Supervisor	8
Doru	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	8
Londra Limited	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	8
Mega distillers	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	8
Rosin Limited	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	8
Pyrethrum Board	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	1 manager 1 supervisor	8
SAMPLE SIZE	-	-	-	-	120

3.5 Sampling procedure

The study's respondents were randomly picked from the managers and supervisors in Marketing department, production department, Human resource department and Accounting and Finance department in the 15 firms. Each firm produced 1 manager and 1 supervisor in its four departments.

3.6 Data Collection instruments

Data was collected by use of questionnaires containing structured questions. The questionnaire was developed on the basis of the research objectives. Questionnaires were preferred for their simplicity in construction and easy administration.

3.7 Validity and Reliability of instruments

In order to check the validity and reliability, questionnaires were pilot-tested amongst the management staff. A pre-test was carried out in 2 manufacturing firms in neighboring Naivasha Municipality. The researcher created an atmosphere conducive to the staff, to enable them open up

and answer the questions asked correctly. The findings of the pre-test were then analyzed to find out if they were reliable in testing the research hypothesis. The results of the pre-test survey helped in restructuring of the questionnaire by incorporating the missing information, omitting irrelevant questions and paraphrasing questions that appeared ambiguous to the respondents.

3.8 Data Analysis and presentation

The results were presented and interpreted in the form of descriptive statistics (i.e frequencies, means, and percentages). The independent variables and dependent variable were converted into means which allowed for non-parametric test to be used in the hypothesis tests. Correlation (spearman correlation) was used to test the first four hypotheses while multiple regression was conducted to test the last hypothesis.

Table 1.1: Summary of data analysis

Hypothesis	Independent variable	Test
Division of tasks has no significant effect on strategy implementation in manufacturing firms.	Strategy implementation	Correlation
Centralization has no significant effect on strategy implementation in manufacturing firms.	Strategy implementation	Correlation
Formalization has no significant effect on strategy implementation in manufacturing firms.	Strategy implementation	Correlation
Coordination has no significant effect on strategy implementation in manufacturing firms.	Strategy implementation	Correlation

Organizational structure has no effect on strategy implementation	Strategy implementation	Multiple regression.
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CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

The following chapter gives results of the research and discussion of the results of the study.

4.1. General characteristics of managers and supervisors in manufacturing firms

The male gender was 71 of the total respondents which was represented by 60%. The females were 49 of the respondents, represented by 40%. It is apparent that compared to males, women were not involved in manufacturing jobs. Table 4.1 below

Table 4.1 Gender of respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	71	59.2	59.2	59.2
Female	49	40.8	40.8	100.0
Total	120	100.0	100.0	

The respondents aged 26-35 years were the majority (44.2%) of the Managers and supervisors followed by those aged 36-45 (39.3%), followed by below 25 years (13.3%) then above 45 years (3.3%) (Table 4.2).

Table 4.2: Age of respondents

	Frequency	Percent
Valid Below 25 years	17	13.2
26-35 years	53	44.2
36-45 years	46	39.3
above 45 years	4	3.3
Total	120	100.0

It was, therefore, apparent that management employees were relatively young. The reason why young employees were the majority may be because many organizations invest in younger

employees, believing they were more willing and eager to learn, develop themselves and have more opportunities for career development (Meyer et al., 1993). However, other studies have indicated that, in any organization, old workers were more likely to be committed to their careers than young employees (Robert, 2005)

Table 4.3 Education level

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary school	1	8	8	8
Secondary school	14	11.7	11.7	12.5
Diploma	52	44.2	44.2	55.8
Degree	53	43.3	43.3	100.0
Total	120	100.0	100.0	

On the academic qualification of the managers and supervisors in the firms, the results indicated diploma level as a level where many management employees have reached (44.2%), followed by degree level (43.3%) followed by secondary school level (11.2%) then primary school level (8%).

Number of years of working with current employer

Category(11-15) years of working with employer scored (69.0%), followed by (6-10) years (19.5 %), (Table 4) Its therefore showed that 11-15 years is enough time for the employee to gain experience and be able to work in managerial level.

Table 4.4: Number of years of working with current employer.

No. of years	Frequency	Valid Percent
Less than 5 years	5	5.7
6-10 years	17	19.5
11-15 years	60	69.0
Over 15 years	5	5.7
Total	87	100.0

4.2.1 Effect of division of tasks on strategy implementation in manufacturing firms

Table 4.5 Frequencies of Division of tasks

	hierarchical structure	Makes efforts to rotate employees	quality circles and task teams	Use broad range of evaluation criteria	support for self initiated and unofficial activity
Strongly disagree	5(4.2%)	12(10.3%)	9(7.7%)	10(8.5%)	9(7.7%)
Disagree	4(3.4%)	20(17.1%)	10(8.5%)	12(10.3%)	9(7.7%)
Moderately agree	15(12.7%)	17(14.5%)	24(20.5%)	28(22.2%)	28(23.9%)
Agree	48(39%)	35(29.9%)	43(36.8%)	43(36.8%)	54(46.2%)
Strongly agree	48(40.7%)	33(28.2%)	31(26.5%)	26(22.2%)	17(14.5%)

The results in table 4.5 show respondents response in division of tasks. They show the percentage of organization hierarchical status. The proportion of respondents who accepted the existence of hierarchies in the organizations was relatively high: Respectively, 79.7% of the respondents agreed and 12.7% moderately agreed that there are hierarchies with clearly defined authority and responsibility only 7.6% reported disagree. This means that manufacturing firms' structures have hierarchies which signify high division of tasks. This agrees with Sah and Stiglitz (1986) who investigated the consequence of (hierarchical) structures on the quality of decision making and found that hierarchies influences proper strategy implementation in organizations.

Correspondingly, 86.3% of the respondents reported agree and 14.5% moderately agreed while 27.4 disagreed that there was efforts to rotate employees in the firms. This means that when employees are rotated between jobs they gain experience in many areas. This supports the studies on career development which recognized the importance of work experiences that the career motivation can be influenced by experiences gained through rotation (London (1983), Morrison and Brantner (1992).

Majority of the respondents said there is existence of quality circles and task teams. This was confirmed by 63.3% of the respondents who agreed, compared to 16.2% of the respondents who disagreed. 20.5% moderately agreed. This means that in manufacturing firms there are quality

circles and task teams which are important for efficiency in strategy implementation. This agrees with several authors who spoke to the responsibilities of self-managed teams (Holpp, 1993 Wellins, et al 1991). They suggest that the responsibilities a team takes on are a function of the amount of empowerment the team has and the skill and task progression of its members.

The response on the employees being given support for self initiated and unofficial activity was also positive. 60% of the respondents agreed or agreed compared with 18.8 % who disagreed and 10.3% of the 22.2% moderately agreed. This implies that the firms have welcomed self initiated and unofficial activities, which reflects division of tasks. When employees are allowed to and in fact encouraged to pick and pursuit their own projects, they are driven by their personal interests. This agrees with research in a corporate setting which shown that professional interests rather than espoused theory is what motivates people (Stenmark, 2000)

Majority of the respondents agreed 60.7%, 15.4% disagreed and 23.9% moderately agreed that there is use of broad range of evaluation criteria when considering support for new initiatives. This means that the firms do evaluate their employees so as to ensure that they are productive.

4.2.2 Effects of Coordination on Strategy Implementation in manufacturing firms

Table 4.6: Frequencies of coordination

	Allows for resource sharing	People have to follow lines of authority	People are discouraged from informal job related contacts	Has clear goals which have been mutually agreed upon	Willing to invest resources
Strongly disagree	5(4.3%)	7(6%)	12(10.3%)	5(4.4%)	16(13.8%)
Disagree	5(4.3%)	7(6.6%)	16(13.8%)	6(5.3%)	10(8.6%)
Moderately agree	17(14.5%)	13(11.1%)	19(16.4%)	18(15.8%)	25(21.6%)
Agree	37(31.6%)	44(37.6%)	37(31.9%)	46(40.4%)	31(26.7%)
Strongly Agree	53(45.3%)	48(39.3%)	32(27.6%)	39(34.2%)	34(29.3%)

The results in table 4.6 show respondents response in coordination in organizations. Majority of the respondents agreed on the issue of resources being shared in firms 76.3%. 14.5% moderately agreed while 8.6% disagreed .This may have been attributed by the fact that when resources are shared in organization proper communication is enhanced in an organization. These findings are in

conformity with (Walker & Ruekert, 1987 and Gupta, 1987) who found out that treated institutional relationships among different units/ departments and different strategy levels as a significant factor that affects the outcome of strategy implementation.

The results show that 76.9% agreed, followed by moderately agree 11.1% , disagree agree had 12% on that people have to follow line of authority in the firms (table 6). This shows that people have to follow authority on every activity undertaken. The results shows that most of respondents agreed 59.5% while moderately agreed and disagree 16.4%, 24.1% respectively that firms discourage people forming informal job contacts. This means that informal jobs contact has attracted little attentions in the firms. This disagree with the study of Nonaka and Takeuchi (1995) who found that companies need only more actively support activities and places where employees that normally do not work together can meet informally and share stimuli and ideas. All employees should also have equal access to corporate information,

The findings show that majority of respondents agreed 74.6% that the firms have goals which are agreed upon by management and employee and 15.8% moderately agreed. Those who disagreed were 9.7% of the respondents .This means that the firms practice management by objective which has an advantage of motivating employees. This supports the work of Hunger and Wheelen (2008) who found that MBO links organizational objectives and the behavior of individuals. It matches employee competencies to individual tasks within the plan. MBO assigns the best man or woman for the job.

Responding to the issue of firms willing to invest resources on unrelated businesses which may be beneficial to the firm, most respondents agreed at 56% while moderately agree had 26.7% 22.4% reported disagree. This means that the firms are willing to invest resources even in areas which do not seem promising.

4.2.3 Effects of Centralization on Strategy Implementation

The results in table 4.7 show respondents response in level of centralizations in organizations. 51.7% of the respondents reported agree that their organizations can be described as bureaucratic. Only, correspondingly to 29.9% disagreed and 18.4 % moderately agreed. This implies that the

firms were bureaucratic. Bureaucratic organizations are slow to change and strategy implementation may be slowed down.

Correspondingly, 50% of the respondents agreed and moderately agreed had 24.2% while 25.9% disagreed that the ideas of lower level management are taken seriously by management in the firms. This shows that there is a small level of decentralization. This did not agree with experimentation with decentralized decision structures by (Fulk et al 1998) as well as empirical studies of (Andersen, 2001) that found that decentralization act as a facilitator and enhance the performance of dispersed decision making processes. Majority of the respondents also agreed to the fact that top management makes all important decisions in the firms. This was confirmed by 57.2% of the respondents who reported agree. This means that top management does not listen to ideas of lower management.

Table 4.7: Frequencies of Centralization

	Can be described as bureaucratic	Ideas and suggestion taken seriously	Top mgnt Makes all important decisions	Employees encouraged to manage their own work	Senior executives solve problems by brainstorming	Our leaders do not encourage open discussions
Strongly disagree	19(16.7%)	14(11.7%)	25(21%)	16(13.3%)	19(16%)	32(26.7%)
Disagree	15(13.2%)	17(14.2%)	13(10.9%)	14(11.7%)	19(16%)	28(23.5%)
Moderately agree	21(18.2%)	29(24.2%)	13(10.9%)	19(15.8%)	14(11.8%)	15(12.5%)
Agree	34(29.8%)	27(22.5%)	36(30.3%)	43(35.8%)	39(32.8%)	23(19.2%)
Strongly Agree	25(21.9%)	33(27.5%)	32(26.9%)	28(23.3%)	28(23.5%)	22(18.3%)

The results shows that 59.1% of the respondents agree while 15.8% moderately agree compared with 25% of the respondents who disagreed that the employees are encouraged to manage their own work was also positive. This may be attributed to the fact that when workers are encouraged to manage their own work, it reduces the level of consultation which may delay decision making. Majority of the respondents agreed at 56.3%, 11.6% moderately agreed while 32.0% disagreed that senior executive solving problems by brainstorming together. This shows that senior management consults each other. This supports the work of Nielsen (1983) and Noble (1999) who found that senior management team must come together to review, discuss, challenge,

and finally agree on the strategic direction and key components of the plan. Without genuine commitment from the senior team, successful implementation is unlikely.

50% of the respondents disagreed, Agree was at 37.5%. Only 12.5% moderately agreed that top management have open discussion with employee. This may have been attributed to the idea that when employees are to have open discussion, a lot of time may be wasted on decision making and also a lot of ideas which may be unmindful. This disagrees with research of Ilunger and Wheelen(2008) who found that in order to succeed, the organization have to work together in an organized fashion to build individual results into combined unit result.

4.2.4 Effects of Formalization on Strategy Implementation

The results in table 8 below show respondents response in level of formalization in organizations. 64.1% of respondents agreed, 9.4% moderately agreed while disagree had 26.5% that people get bored by routine most respondents reported. People do not follow routine for a long time, they desire work rotation. This disagrees with Becker and Knudsen (2004) who showed that routinization can focus managerial efforts and avoid resource waste in pursuit of unattainable solution indicating that combinations of centralized routines and decentralized responsiveness may constitute optimal organizational configurations.

Table 4.8 Frequencies of Formalization

	Like to do different things	Prefer clear guidelines	Employees have narrow career paths	Employees have to ask for permission	Has flexible job designs
Strongly disagree	18(15.4%)	7(6%)	21(18.3%)	8(6.9%)	11(9.4%)
Disagree	13(11.1%)	3(2.6%)	21(18.3%)	10(8.6%)	23(19.7%)
Moderately agree	11((9.4%)	6(5.1%)	18(15.7%)	17(14.7%)	24(20.5%)
Agree	33(28.2%)	39(33.3%)	26(22.6%)	43(37.1%)	32(27.4%)
Strongly Agree	42(35.9%)	62(53%)	29(25.2%)	38(32.8%)	27(23.1%)

Many people fear making mistakes, this may attributed to them preferring guidelines.47.8% responded agree, followed by moderately agree at 15.7%. 36.6% of respondents who disagreed that employee have narrow career paths. This can be attributed to them losing their expertise and knowledge which may hinder strategy implementation. In respect to the question on existence of

employees having to ask for permission whenever they are making a decision. majority of agreed at 69.9%. Moderately agree had 14.7% while disagree had 13.5%. When employees are given some room to make decisions they are able to grow. A theoretical argument in support of this claim has been offered by Knudsen & Levinthal (2006), who noted that hybrid organizational forms has an important role in balancing exploration associated with decentralized structures and exploitation associated with centralized structures.

The results show that 50.5% of the respondents agreed, moderately agree had 20.5%. While disagree had 29.1% that organizations have flexible job design. Flexible job design allows employee to be also flexible in their work which can contribute to their efficiency.

4.2.5 Spearman's rho Correlations

Table 4.9 Spearman's rho Correlations

	Division of tasks	Coordination	Centralization	Formalization	OSI
Division of tasks	1.000	.381**	.313*	.242*	.261*
	.000	.000	.000	.008	.004
	120	120	120	120	120
Coordination	.381**	1.000	.237**	.166	.230
	.000		.009	.042	.011
	120	120	120	120	120
Centralization	.313*	.237**	1.000	.173	.224
	.000	.009		.059	.014
	120	120	120	120	120
Formalization	.242*	.166	.173	1.000	.277
	.008	.042	.059		.002
	120	120	120	120	120
OSI	.261*	.230	.224	.277	1.000
	.004	.011	.014	.002	
	120	120	120	120	120

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

The results in table 4.9 above show the results of Correlation analysis which was performed to test the correlation between organization structure and organizational strategy implementation. The results in the table above also showed the Inter-correlations between the organizational structure dimensions.

4.2.6 Correlation between division of tasks and strategy implementation.

Spearman's rho correlation results above shown that the correlation between division of tasks and strategy implementation was significant and positive ($r=0.261$, $p=0.004$). This point to the fact that as division of task goes up strategy implementation also rises. Therefore the null hypothesis "division of tasks has no significant effect on strategy implementation" was rejected. The alternate hypothesis, "division of tasks has a significant effect on strategy was accepted.

4.2.7 Correlation between coordination and strategy implementation

The results of correlation between coordination and strategy implementation was significant and positive ($r=0.230$, $p=0.011$). This point to the fact that as coordination goes up strategy implementation also rises. Therefore the null hypothesis "coordination has no significant effect on strategy implementation" was accepted. The alternate hypothesis, "coordination has a significant effect on strategy implementation" was hence rejected. As shown in the table below

4.2.8 Correlation between centralization and strategy implementation

The results of correlation between centralization and strategy implementation was positive and significant ($r=0.224$, $p=0.014$). This again points to the fact that as centralization goes up strategy implementation also raises. Therefore the null hypothesis "centralization has no significant effect on strategy implementation" was accepted. The alternate hypothesis, "centralization has a significant effect on strategy implementation" was hence rejected.

4.2.9 Correlation between formalization and strategy implementation

The results of correlation between formalization and strategy implementation was significant and positive ($r=0.277$, $p=0.002$). The p-value is less than alpha (0.05) as shown by table 9 above. Therefore the null hypothesis "formalization has no significant effect on strategy implementation"

was rejected. The alternate hypothesis, "formalization has a significant effect on strategy implementation" was hence accepted.

The results of inter-correlations between independent variables shown that division of tasks has a positive and significant correlation with the other variables. Division of tasks-coordination relationship($r=.381^*$ $p=0.000$), Division of tasks-centralization($r=.313^*$ $P=0.000$), Division of tasks-formalization($r=.242^*$ $p=0.008$).Coordination shows positive and not significant correlation with other variables. Coordination-centralization($r=.237^*$ $p=0.009$). Formalization- Coordination ($r=.186$, $p=0.42$).Centralization also show a correlation with other variable. Centralization-Formalization shows a correlation but insignificant one since the p value is greater than alpha 0.05 ($r=.173$ $p=0.14$). Likewise the formalization shows a positive correlation with other variable as shown above. (Table 4.9)

4.2.10 the effect of organization structure on strategy implementation

Regression analysis was conducted between independent variables and dependent variable. Regression analysis (multiple regressions) was used to address the last objective" to determine the effect of organizational structure on strategy implementation" Table 4.10

Table 4.10: Regression Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 ^a	.494	.456	.76334

a. Predictors: (Constant), Mean Formalization, Mean Coordination, Mean Centralization, Mean Division of Tasks

The results in table 4.10 above show the R Square which shows the percentage contribution of the independent variables into the variability of the dependent variable. In this case the contribution is 49.4%.

The table below tested the significance of the coefficients for each independent variable. Only division of tasks and formalization has significant coefficients as p is less than 0.05. Coordination and Centralization have no significance coefficients as their p value is greater than 0.05. This means that the significance of centralization and coordination diminishes when a test is conducted for all of independent variables.

Table 4.11: Regression Coefficients

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.104	.512		.170	.866
Division of Tasks	.530	.122	.402	4.332	.000
Coordination	.306	.166	.159	1.847	.067
Centralization	-.048	.110	-.037	-.436	.664
Formalization	.394	.141	.224	2.795	.006

The independent variables are contributing only 49.4% of the variability in the dependent variable. There is need for further research to identify other variables that affect strategy implementation that would contribute to the 50.6% not accounted for by this study. Furthermore, the beta coefficients shows that division of tasks contributes the highest to the model ($\beta=0.402$), followed by formalization ($\beta=0.159$), coordination at ($\beta=0.037$) and centralization has a negative contribution ($\beta=-.224$)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The main objective of this study was to determine the effects organization structure on strategy implementation. The four dimensions of organizational structure shown different effects on strategy implementation. Division of tasks had a significant effect on strategy implementation which had a p- value of (0.00) which is less than (alpha 0.05).Coordination had no significant effect on strategy implementation (p=0.084) which is greater than (alpha 0.05).Centralization had no significant effect on strategy implementation (p=0.085) which is greater than (alpha 0.05).Formalization had significant effect on strategy implementation (p=0.004) which is less than (alpha 0.05).

5.2 Conclusions

Majority of employee held college diplomas. This was an indicator that many employee are educated and had sufficient skills. From the research it is also meaningful to conclude that in order to work at the managerial position one need to have experience in the same work for some years, this evidently seen by the score of 69% of 11-15 years category.

Division of tasks contributed positively to the general strategy implementation. Division of tasks and strategy implementation showed a positive and significance correlation. Availability of job rotation, quality circles and task teams and use of broad range of evaluation criteria when considering support for new initiatives all show the level of division of tasks in the organizations.

Coordination had no significance effect on strategy implementation. Coordination ranges from coordinating of human resource to capital resource. A firm sharing resources across its department encourages proper communication which in turn allows timely strategy implementation. In a firm where following of lines of authority and skipping levels is discouraged, employees feel stuck in a rigid system thereby there is less growth. When there are goals and objectives in an organization which are set by management and employees, such goals and objectives are easy to accomplish. Of

course when employees are involved in setting of goals they own those goals and they are able to deliver. Coordination within a firm is very important. A firm that has coordination has quick and smooth implementation of strategies. Leaders who invests resources even when the returns could take time to materialize also allows flexible organization which able to grab opportunities as they come by. Generally, coordination has significant effect on strategy implementation.

Centralization had no significance effect on strategy implementation although their correlation is positive and significant. When organization encourages centralization, it becomes rigid and employees feel less important, and may result them not owning the formulated strategies thereby being unable to implement them. When ideas of lower level employees are taken seriously in an organization, such employees encouraged and become more productive. Employees who are allowed to manage their own work and have flexibility to resolve problems portray efficient strategy implementation. Again when executives solve problem by brainstorming together they are able to enrich decisions made. Generally, centralization has significant effect on strategy.

Formalization has a significant effect on strategy implementation. The research indicated that many employees get bored with routine and at the same time they prefer clear guidelines about what must be done. Formalities create monotony and monotony creates boredom. This boredom may hinder proper strategy implementation. In organizations where employees have narrow career path and no room for change, such employees are reluctant in implementing any strategy. When employees have to ask permission while performing any task makes them dormant in their thinking and this may result to poor rate of strategy implementation. Organizations with flexible job design are able to implement their strategies effectively. Alternatively, management and control of resources characterized by renting, leasing, contracting and outsourcing encourages creation of formalities which generally slows the rate strategy implementation. Generally formalities have significant effect on strategy implementation. The research shows that there is a positive and significant correlation between formalization and strategy implementation.

When the four variables are correlated each with strategy implementation they all shown a positive and a significant correlation but when they are combined and a multiple regression was carried on them, it showed that division of tasks and formalization have an effect on strategy implementation while centralization and coordination have no effect. Therefore it can be

concluded that the effects of centralization and coordination as dimensions of organizational structure cannot be traced on strategy implementation.

5.3 Recommendations

From the study, recommendations are as below:

Organization should enhance division of tasks through, reducing the number of hierarchies and instead broadening their structures so as to facilitate consultation. Organization should rotate employees through different jobs to avoid boredom. Organizations should also ensure that there is coordination in their system through enhancing communication in the organization. Organizations should try to have a balance between centralization and decentralization in their decision making. This can be achieved by adopting MBO method of decision making. Organizations should reduce formal procedures in their decision making and instead adopt simplistic structures.

5.4 Suggestions for Further Research

The objective of the study was to determine the effects of organization structure on strategy implementation. The research indicated that division of tasks and formalization has significant effect, while coordination and centralization have no significant effect. Organizational structure contributes only 49.4% of the strategy implementation. There is need for further research to identify other variables that affect strategy implementation that would contribute to the 50.6% not accounted for by this study.

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APPENDICES

Appendix I

QUESTIONNAIRE

General Information

No.....

Part A: General Information

1. Kindly indicate your gender
 - A. Male []
 - B. Female []
2. Please indicate your age from the choices below
 - A. Below 25 years []
 - B. 26-35 years []
 - C. 36-45 years []
 - D. Above 45 years []
3. Kindly indicate your highest academic qualification
 - A. Primary school level []
 - B. Secondary school []
 - C. Diploma []
 - D. Degree []
 - E. Any other (please specify).....
4. Kindly indicate your job title
5. Please indicate how long have you been working with the current employer in your current capacity
 - A. Less than 5 years []
 - B. 6 to 10 years []
 - C. 11 to 15 years []
 - D. Over 15 years []

Section B: Effect of division of tasks on strategy implementation

8. The following statements relate to division of tasks in your organization. Using the scale below, please indicate to what extent you agree with the statement.

Strongly Agree [5]

Disagree [2]

Agree [4]

Strongly disagree [1]

Moderately Agree [3]

Statement	5	4	3	2	1
Our organisation has a hierarchical structure with clearly defined authority and responsibility					
The organisation makes efforts to regularly rotate employees through different jobs.					
Our organisation has implemented quality circles and task teams.					
Employees are given support for self-initiated and unofficial activity that is to the benefit of the organisation.					
The organisation uses a broad range of evaluation criteria when considering support for new initiatives					

Effect of coordination on strategy implementation

9. The following factors relate coordination in your organisation. Using the scale below, please indicate to what extent you agree with the statement.

Strong Agree [5]

Disagree [2]

Agree [4]

Strongly disagree [1]

Moderately Agree [3]

Statements	5	4	3	2	1
Our organization's structure allows for resource sharing and encourages it.					
In our organization, people have to follow lines of authority and skipping levels is strongly discouraged					
In our organization, people are discouraged from informal job-related contacts across departments.					
Our organization has clear goals which have been mutually agreed upon by employees and management.					
Goals agreed upon by employees and management are quick to implement					
Our leader is willing to invest resources even if returns could take time to materialize					

Effect of centralization on strategy implementation

10. The following factors relate to centralization in your organisation. Using the scale below, please indicate to what extent you agree with the statement.

Strong Agree [5]

Disagree [2]

Agree [4]

Strongly disagree [1]

Moderately Agree [3]

Statements	5	4	3	2	1
Our organization can be described as a bureaucratic organization.					
The ideas and suggestions of lower level employees are taken seriously and valued. .					
Management makes all the important decisions for our organization.					
Employees are encouraged to manage their own work and have flexibility to resolve problems.					
Our senior executives solve problems by brainstorming together					
Our leader DOES NOT encourage open discussion with all employees.					

Effect of formalization on strategy implementation

12. The following factors relate to formalization in your organization. Using the scale below, please indicate to what extent you agree with the statement.

Strong Agree [5]

Disagree [2]

Agree [4]

Strongly disagree [1]

Moderately Agree [3]

Statements	5	4	3	2	1
I like to do things that are different as I get bored with routine.					
I prefer to have clear guidelines about what must be done and how to do them.					
The employees at our organisation have narrow career paths with no room for change.					
Employees have to ask permission from a superior before performing a task in a different way.					
Our organisation has flexible job designs rather than formal job descriptions.					
Our management and control of resources is characterised by renting, leasing, contracting and outsourcing.					

Organizational strategy implementation

Make a judgment of how successful your firm has been during the past three (3) years (2007-2009) in implementing its strategies. Please mark the number indicating your firm's level of performance as a result of its structure using the scale below

Strong Agree [5] Agree [4] Moderately Agree [3] Disagree [2] Strongly disagree [1]

MARKET SHARE/MARKET GROWTH	5	4	3	2	1
Our organization can be rated the top in the industry it operates in.					
Our organization has introduced other new products in the market for the last two years					
Our current products are doing well in the market more than our competitors'					

Our organization has expanded to new markets in the region.					
Our organization has been able to handle competition from imported similar products					
Our organization has depots which are widely spread in the whole country					
CUSTOMER SATISFACTION					
Our organization has been able to acquire new customers and retain old customers					
The level of customer complaints in our organization is quite low					
Our customers introduce other customers to our products.					
Our organization has a system in place to receive customer suggestions and give feedback					

Appendix II

REGISTERED FIRMS WITH LARGE PLANT IN NAKURU TOWN

NAME OF THE FIRM.	YEAR OF FORMATION.
EVEREADY LIMITED	1984
UNGA LIMITED	1992
HAPPY COW DAIRIES	2006
TOSTI BAKERY	1991
RIFT VALLEY MACHINERY	1999
BEDI FABRICS	1986
NAKURU BLANKETS	1986
SPIN KNIT LIMITED	1991
RUBY FOODS	2004
PYRETHURUM BOARD OF KENYA	1982
NAKUWELL WATER SERVICES	1998
BIDCO REFINENARY	1978
NAKURU TANNERS LIMITED	1998
MEGA DISTILLERS	1999
DORU INDUSTRIES	1998
FLAMINGO PAINTS	2000
UNITED MILLERS LIMITED	1996
LONDRA LIMITED	1982
MENENGAI OIL REFINERIES LIMITED	1986
COMPLY INDUSTRIES LIMITED	1984
ROSIN KENYA LIMITED	1995
KHAGRAMS KANTILALA SPIN LIMITED.	1998(CLOSED DOWN)
MEGA SPIN LIMITED	1997
VEER FIBRES LIMITED	1980(CLOSED DOWN)
P.Z FIBRE LIMITED	1989(CLOSED DOWN)
COIL PRODUCTS (K) LIMITED	1990
KAPI LIMITED	1990
UNGA FIRM CARE LIMITED	1993

NAKURU CRATER PURE WATER BOTTLERS 2000

KENYA FLEXOGRAVURE LIMITED

1992(CLOSED DOWN)