International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. X, Issue 2, Feb 2022

http://ijecm.co.uk/

PERFORMANCE IMPLICATIONS OF ADOPTION OF A RESTRUCTURING STRATEGY IN A SMALL AND MEDIUM SIZE COMMERCIAL BANK

Fatuma B. Omar

Doctoral Student, Department of Business Administration, School of Business, Kenyatta University, Kenya

James M. Kilika

Senior Lecturer, Department of Business Administration, Kenyatta University, Kenya
kilikam3@yahoo.com

Anne Muchemi

Lecturer, Department of Business Administration, Kenyatta University, Kenya

Abstract

The study reports findings of an empirical survey of Tier 2 and 3 commercial banks in Kenya that were studied to understand the extent they have adopted three types of a restructuring strategy and how this adoption has contributed to their performance. Data was obtained from relevant departments considered critical for the design and implementation of the restructuring strategy. The banks have adopted the three types of restructuring strategies to a high extent. The adopted strategies have resulted to growth in various measures of performance in the last four years the banks have been implementing the strategy. Overall the restructuring strategies explain a 36.2% variation in the achieved performance. While portfolio and operations redesign restructuring strategies have a significant positive effect on performance, cost cutting restructuring strategy has a negative non significant effect. The findings raised implications on the viability of the sampled banks as well as the theoretical literature underpinning the choice of a restructuring form of strategic choice. Future research is called upon to consider expanding the scope of the operationalisation of the restructuring strategy as well as the context of the study.

Keywords: Restructuring strategy; operations redesign; portfolio restructuring; cost cutting; small and medium size banks

INTRODUCTION

Changing business environments require organizations to make strategic responses by adjusting their internal systems to enhance their fitness in the external context. Among the strategic choices that firms adopt are restructuring strategies that offer an opportunity to align the internal systems supporting business generation with external environmental demands. Restructuring strategies are strategies aimed at changing or adjusting the strategy, structures, management processes, programs, operations, activities and systems employed by a company in an attempt to change the company's diminishing performance and improving efficiency by reconfiguring its costs, assets and structure, (Barker & Duhaime, 1997; Kitching, Blackburn, Smallbone, & Dixon, 2009; Schoenberg *et al,* 2013;& Padhjay *et al,* 2015). Restructuring strategies are strategic, operational, entrepreneurial, and efficiency focused and aimed at retrenching or investing resources to achieve organizational performance recovery (Haggde *et al.,* 2011 & Santana *et al.,* 2017). Restructuring strategies are corporate level strategies, which provide organizations with opportunity to revitalize the capability of business units to perform (Bianchi, 2016).

Santana, Valle, and Galan (2017) argued that restructuring strategies are corporate strategies employed by an organization that has experienced poor performance over a period of time and might suffer eventual disappearance. According to Mintzberg (2008) a restructuring strategy encompasses decisions that are long-term, consequential, directive as well as activities projected to reverse perceived crisis threatening the existence and survival of a firm. Further, Scherrer (2003) observed that restructuring strategies bring a sustainable positive change in the performance of a firm so as to attain desired results and eventually improve the way organisations perform over a period of time.

The construct of restructuring has been conceptualized differently by different scholars. Pearce and Robinson (2007) operationalized restructuring strategy from the perspective of financial restructuring with a view to strengthening the balance sheet and provision of funding. Schoenberg, Collier, and Bowman (2013) in their attempt to describe the nature of restructuring strategies, investigated it from the viewpoint of the content and process for helping organizations restructure and recover and suggested that restructuring strategies would consider the cost and asset structures, operational activities, leadership and risk management. Angwin *et al.* (2015) on their part measured restructuring strategies as consisting of product-market pruning, traditional asset cost surgery, and piecemeal strategies. Mintzberg (1990) and Kazozcu (2011) had proposed corporate restructuring strategies as a form of problem-solving strategy meant to improve performance by an organization.

Kalwani (2012) studied restructuring strategies from the lens of organizational learning and conceptualized corporate restructuring strategies as phases, strategies, and macro-level actions undertaken to recover. He further argued that companies undergo corporate restructuring in an effort to be profitable and attain a competitive position. Doppelt (2017) presents restructuring strategies as a learning approach where restructuring strategies can be applied for not only reversing performance in distressed companies but also in helping in implementation of the strategies to enable management achieve the desired and expected levels of performance at the appropriate time in the life of an organization as the situation may demand. Further to achieving a firm's objectives, restructuring strategies must resolve the financial crisis, reverse causes of distress, enable attainment of a quick positive change in firm performance, gain stakeholder approval, prevail over in-house constraints and hostile sector attributes (Shein, 2011).

Koh, Durand, Dai, and Chang (2015) observed that organizations may employ varying restructuring strategies depending on the factors the organization has identified as the cause of performance decline. Several restructuring strategies have been proposed for adoption in different organizations, depending on whether they are profit or non-profit in nature. Restructuring strategies may be prompted by organizational development programs such as investments in new products, segmentation, international expansion and diversification through external modes such as acquisitions and joint ventures. According to Panicker and Manimala (2015), the linkage of the recovery strategy to the cause of decline is a common theme across restructuring strategies. This study focused on three types of restructuring strategies; operations redesign restructuring, business portfolio restructuring and cost-cutting restructuring strategies. These restructuring strategies are most applicable to the study because they provide a possible end to end management process and strategic base for performance recovery and are considered suitable given their potential to address causes of poor performance that may result from cost structures, operational challenges and dysfunctional business models.

Commercial banks have been affected by global economic events; global competition, dynamic technological changes and changing business environment that calls for constant restructuring to remain competitive due to the negative effects these changes have had on the institutions in this sector leading to a decline in performance and raising serious challenges to the business models adopted (Ongwae & Moronge, 2016). Restructuring strategy has been approached in the literature as a form of turnaround strategy suitable to address the decline in performance by tackling its sustaining causes (Schoenberg et al 2013; & Padhyay et al, 2015). The restructuring strategy addresses several aspects of the business that could be leading to decline in the areas of finance, operations, business portfolio, and generally the way the business is organized.

In the context where this study was done, the banking sector has been reported to experience performance difficulties for the period 2017 through to 2020 leading to performance decline manifesting through reduced market share, increased non performing loans and reduced revenue. The commercial banks according to the industry regulator, Central Bank of Kenya (CBK) has clustered the banks into three tiers (categories) based on the weighted composite index computed using customer deposits, net assets, loan accounts and capital and reserves held. Thus these are the three categories, small, medium and large. Those in the small and medium categories are reported to have recorded a downward trend in the period 2016-2017 of pretax drop, gross loans and advances and ratio of gross non performing loans to gross loans increases by 9.6%, 5.6% and 3.1% respectively. In view of these developments, the KIPPRA Economic Survey Report (2018) suggested the need for adoption of relevant restructuring strategies that target the business models used by small and medium commercial banks to enhance their stability and sustainability in service provision. There is need therefore to ascertain how the restructuring strategy has been adopted by the banks and the contribution it has made towards performance of the banks.

Statement of the Problem

Restructuring strategies have been studied from the view point of business turnaround perspective, in which case the attention given has been relatively general (Schoenberg *et al*, 2013; & Padhyay *et al*, 2015). Little attention has been given to specific sets of strategies that are closely aligned to the business models in use by organizations (Ngige, 2012; Otieno, 2017). Most of the studies carried out have focused on other sectors of the economy with little focus being given to the financial sector of the economy (Padhyay et.al, 2015; Fleming2017). In the context where this study was done, the attempts made towards understanding restructuring in the commercial banking sector are limited by their scope in conceptualization and low methodological rigor (Waweru, 2019). Due to the critical role of this sector in the performance of the economy, the case has often been raised for empirical attempts towards explaining the effect of adopted strategies for enhancing sustainability of the banks by addressing the causes of declining performance. In view of the prevailing state of the conceptual and empirical literature, the study adopted three types of restructuring strategies; operations redesign restructuring, business portfolio restructuring and cost-cutting restructuring strategies. The study was guided by three objectives; finding out the level of adoption of the restructuring strategies, the level of performance among the banks due to the restructuring strategies and the effect of the level of adoption of the strategies on the performance level attained by the banks.

The research findings contribute to the continuing dialogue on the role of restructuring strategies as a core component of business turnaround strategies. The extant literature has given a more general focus on the restructuring strategies such that it has not been well explained on how the strategies can interface with the business models adopted. By adopting the three types of restructuring strategies, the authors make specific contribution towards this aspect of the interface between restructuring and business models. The study operationalized each of the constructs to bring out specific components of the strategy that address aspects of the business model in relation to the need for restructuring**.** The study therefore extends the current understanding towards better linkage of the operationalisation of restructuring strategy with a business model.

Secondly, the current study focused on a sector that has been given little attention. Much of the previous empirical efforts has been given to other sectors with the extant attempts failing to comprehensively address the uniqueness of the sector. The choice of the variables and their general indicators has been customised to the unique nature of this sector. Thirdly the study extends the conceptual and theoretical scope given to studying restructuring strategy. The previous attempts have used the RBV lens, which was adopted and complimented to through adoption of the BCG Model and the Greiner Model of organizational growth. This allowed the authors to extend the scope of the lenses previously used so as to consider the application of the restructuring strategy from a broader organizational studies lens. The study therefore offers a more enriched explanation of its findings from the viewpoint of organization studies.

LITERATURE REVIEW

Theoretical Review

The study was anchored on the BCG Model, the Greiner Model of Organization growth, Resource Based View (RBV) theories as well as Balance Scorecard Model. The BCG model was advanced by Boston Consulting Group’s Bruce Henderson (1970’s) to serve as a portfolio based technique adopted in strategic management for analysis of business units to enable corporate level managers to make appropriate strategic decisions on different businesses in a portfolio of investments (Kotler, 1999). The BCG model assumes that an organization has invested its resources into different business units which form the organization's portfolio and that each business unit in the portfolio has a clearly defined market. The relative market share that each unit commands as well as the business unit’s growth rate in each market is adopted as the key parameters to assess the unit’s performance in the portfolio (Mohajan, 2017).

According to the BCG model four types of businesses are recognized as: stars, cash cows, question marks and dogs (Joubert, Jooste, & Lotriet, 2011). The classification of the businesses into the different categories paves way for managers to consider appropriate strategies for stability, growth or retrenchment. The businesses in the categories of cash cows, question marks and dogs will display characteristics in both their internal and external market conditions that call for some form of restructuring so as to enhance their capacity to improve their performance ratio in the matrix. Under such restructuring, companies may consider options such as mergers and acquisitions, streamlining of operations and overhauling business models in the deployment of key resources so as to change the cost structure (Proctor & Hassard, 2015).

The Greiner model was proposed by Larry E.Greiner in 1972 (Greiner, 1972). The model is based on the various developmental phases that organizations go through in their growth process. The author pointed out that the growth of organizations is characterized by different phases each of which begins with a period of evolution and culminates with a period of revolution. The evolution period is characterized by steadiness, growth and stability while the revolution phase is characterized by substantial organizational turmoil and change. Management makes decisions at each of the revolution phases so as to solve the problem faced. It is the decisions made to solve the crisis at each revolution that determines whether the organization will move forward towards its future or will decline and eventually become extinct (Greiner, Motamedi, & Jamieson, 2011). In proposing this model, Greiner identified several factors that help to explain the phenomenon of organizational growth through various phases as: organization size, age, stage of evolution and revolution. The model as suggested is vital to explain development in entities and the call for diverse strategic actions in routine business strategy making. Similarly, the model offers a theoretical justification on how various types of organizational characteristics impact growth of entities. The author posits that so as to continue to exist, time must be taken by management to study and comprehend their contextual activities and industry growth rate as well as the respective phase of development and formulate corresponding relevant strategies (Karami, 2016).

The resource based view (RBV) theory is grounded on the work of Penrose (1959) but has been extended further by others including Rumelt (1984), Wernerfelts (1984), Dierickx and Cool (1989) and Barney (1996). Barney (1991) postulates that an entity obtains a competitive advantage not only by acquisition but also through development, accumulation and effective employment of its internal resources in such a manner which creates distinctive and inimitable value. The resource-based view explains the association between organization’s performance and the corresponding internal resources and responds to questions such as why performance of different organizations differs in the same market (Newbert, 2008). The resource-based view postulates that, an organization may well be viewed as a combination of resources/possessions that can be converted by management into firm's strengths and weaknesses (Kinyua, 2015). This determines the capacity of a firm to provide superior service and product unlike its competitors. According to Prajogo and Oke (2016), the resource based view theory advocates for building organization's efficiency, creativity, innovation and customer responsiveness, which can be achieved through creativity, innovation and efficient utlization of unique competences and capabilities developed and accumulated overtime by an organization.

Kaplan and Norton (1920) advanced and developed the Balanced Scorecard model, as a performance evaluation mechanism. It offers a multi-measurement approach of evaluating performance and monitoring organizational achievements and assist management assess and validate plan implementation by employees, by measuring non-financial and financial outcomes emanating from employees' activities and implement remedial measures where deviations occur. The non-financial metrics such as stakeholders' satisfaction, increased quality, efficiency, growth, and survival of business, are other indicators with financial performance metrics proposed in Balance Scorecard. The essential features that distinguish balanced scorecard are its strategic agenda orientation, a small data items selection to monitor financial and non-financial data items mix to gauge performance (Afonina, 2015). Corporate managers adopting balance scorecard are empowered to plan and appraise the performance of an entity and make corrections where deviations from plans emerge during a restructuring process (Gitonga, 2014).

Conceptual and Empirical Review

Operations Redesign Restructuring Strategy

Jones and Jones (2013) observed that operations redesign restructuring strategy entails change of an organization's top management, operations and organizational strategies. Operations redesign restructuring strategy helps organizations to achieve operational efficiency by changing its vision, competitiveness of human resource strategies in an attempt to improve its performance by undertaking operations review as well as functional analysis to identify issues prompting performance problems (Gulati & Puranam, 2009; Higgins, 2005).

Operations redesign restructuring strategy involves a process of redesigning the firm's operations and managerial structure which contribute to the organization's distressed position. Notably, as companies develop through various life cycles, the management and employees must equally evolve successfully and align themselves with the various organizational changes as well (Rees, Hassard, Morris, Sheehan & Yuxin, 2010; Doz & Kosonen, 2010). A number of previous studies revealed that operation redesign strategy was adopted by organizations to a level of high extent and had been implemented to position the entities for enhanced competitiveness and gain capacity to survive in turbulent environment (Ngige, 2012; Jarso, 2013; Evans, Chitnomrath & Christopher, 2013; Karanja, 2015; Ongwae and Moronge, 2016; Sije, Omwenga & Iravo, 2016; Otieno, 2017, Akumu, 2018; & Waweru, 2019). The studies undertaken have mostly taken a general view of the strategy and thus have not pointed out specific attributes that would address the existing business models. In addition, generalizability has been a challenge in that the studies done in the Kenyan context of the commercial banks have either been a case study or have applied qualitative methodological approaches thus limiting the scope to which inferences can be made.

Business Portfolio Restructuring

Business portfolio restructuring is a recovery strategy that revolves around business right-sizing by eliminating non-performing ventures, mapping and concentrating on performing portfolios through investments, creating profit centres, liquidation and divestments of underperforming areas to harvest and redeploy resources to generate revenue (Fleischli & Davis, 1994; Porter & Kramer, 2011; & DePamphilis, 2019). The strategy entails the process of reviewing and relocating resources where they are best suited so as to achieve operational efficiency and performance (Jones & Jones, 2013). This strategy helps organizations to divest from non-performing ventures and concentrate resources where there is high value return to achieve quick recovery and return the organization to performance. In the current study, the variable was operationalized as portfolio investment, portfolio diversification, portfolio retrenchment, portfolio divestiture and capital reduction (Fleischli & Davis, 1994; Jones & Jones, 2013). Past studies operationalized the construct through various dimensions whose results indicated that organizations that applied business portfolio restructuring strategy improved their performance and strove to survive in difficult business environment and economic meltdowns (Schönhaar, Pidun & Nippa, 2014; Manna & Byun, 2017; Makimattila, Rautiainan & Pihkala, 2016; Tikici, Omay, Derin, Seçkin & Cureoglue, 2011). While the studies demonstrate a considerable empirical effort in trying to link portfolio restructuring strategy with performance, it is however observed that these studies reported on portfolio restructuring demonstrate several limitations. First, they have not been able to link the specific type of restructuring strategy with performance. Secondly, the conclusions arrived at may not be generalizable due to limitations arising from the exploratory design adopted as well as the conceptual and contextual scope taken by the researchers outside the respective industries in which they were carried out.

Cost Cutting Strategy

Cost-cutting strategy is a restructuring strategy where the organization operates on strict budgets, cuts down on non-core expenses, reviews and reduces cost centres so as to achieve an acceptable level of cost-income ratio. This is a strategy where positive and continuous cost reduction approaches are applied, operational costs analyzed and appropriate cost reduction made where possible through shrinkages, maintenance costs reduction, tools and machinery lease, reduction of expenses in research and development (R&D) and marketing, and other non-essential expenses (Cameron, 1994; Domingo, 2007; Tikici et al,. 2011; & Flouris & Oswald, 2016). The strategy is often used when a worthwhile business goes into crisis while the management first determines the root cause of the problem of performance.

Across the globe, the cost of production, raw materials, fuel, and human resources continue to rise yearly and this has prompted organizations to apply cost reduction strategies in order to survive in difficult times (Bragg, 2010; Namu, Kaimba, Muriithi, & Nkari, 2014; & Lechner, & Gudmundsson, 2014). Researchers have investigated the construct and depicted it from various perspectives and majority of the findings indicated that cost cutting restructuring strategy contributes to the improved performance of an entity and thus enables organizations to overcome business and environmental challenges (Ukaidi, 2016; Su & Tang, 2016; Birir, Kombo & Kipchumba, 2014; Tikici, Omay, Derin, Seçkin & Cureoglue, 2011). Whilst the studies revealed positive and significant effect, they also presented several limitations. First, there is a limitation arising from the narrow scope in which restructuring has been operationalized and the application of inappropriate measures of performance. Secondly they suffer from poor anchorage of the variables in the relevant theoretical body of knowledge. Finally the studies have not attempted to link the independent variable to performance of organizations.

RESEARCH METHODOLOGY

Research Design

The research applied positivism philosophy as recommended by Saunders (2009) and relied on objective collection and analysis of data to provide findings suitable to test and answer the study hypotheses. Therefore considering the philosophical orientation of the study, the study adopted descriptive and explanatory research designs as supported by Saunders, Lewis and Thornhill (2009). Descriptive research design, as posited by Cooper and Schindler (2008), permits the researcher to capture and describe the attributes of a given population while explanatory study ascertains underlying interactions among constructs under study (Saunders *et al*., 2009).

Population and Study Respondents

All 32 small and medium commercial banks in Nairobi City County were the target population of the study and were studied through the relevant functional areas (marketing, operations, finance and human resources) where restructuring strategies were being implemented. A census method was adopted for this study since the target population was small, thus all the 32 identified banks in the selected categories were included in the study. Saunders (2007) indicated that a census is the process of collecting and analysing of data from all group members in a population of interest. The banks were studied on the basis of the two levels of analysis, at the bank level (unit of analysis) and at the functional level (unit of observation). The respondents were drawn from the various functional areas in each bank where decisions for restructuring are formulated and/or implemented.

Research Data and Analysis

The study relied on a structured questionnaire to obtain primary data. The research questionnaire had several sections that presented statements for obtaining data on respondents' characteristics, respondent's opinions on the study variables and level of performance. The questionnaire was self designed by the authors based on the operationalisation of the study constructs in the relevant literature (Jones &Jones,2013; Flouris & Oswald, 2016; DePamphilis, 2019). A 5-point likert scale was used to measure the research items in the various sections. The research instrument was administered with the help of a research assistant and applied drop and pick and online methods where majority preferred the online option and as a result, the questionnaires administered were 128 in total out of which 108 were suitable for statistical analysis. The authors considered the effect of any outlier in the analysis based on the 108 returned questionaires and the study adopted the suggestion by Anscombe and Barron (1966) for treatment of outliers in sample size three of giving all observations equal weight.

Statistical Package for Social Sciences (SPSS) software was used to analyse the data. Descriptive statistics were performed and the output presented in the form of tables to facilitate convenience in interpretation. The output tables summarize the data through mean scores, frequencies, standard deviation and percentages allowing meaningful description of how scores are spread through the application of few indices. The data was further subjected to inferential analysis using multiple regression analysis to allow testing of the effect of the independent variable on the dependent. This helped to determine which variables affect the outcome variable as well as the strength and nature of the effect. Once inferential analysis was done, the output was presented in tables showing the model summary, coefficients and ANOVA. In order to assess the contribution of the independent constructs to the variation in the dependent variable coefficient of determination (R^2) was applied while ANOVA table was adopted to determine the model fit. Significance level of 0.05 was used to test the significance of the effect of the independent variable.

RESEARCH FINDINGS

Respondents' Characteristics

Out of the 128 questionnaires administered, 108 questionnaires were returned indicating a response rate of 84.4%. A Summary of the respondents' characteristics is shown in Table 1.

Table 1: Respondents' Characteristics

Gender	**Frequency**	**Percent**	**Valid Percent**
Male	50	46.3	46.3
Female	58	53.7	53.7
Total	**108**	**100**	**100**
Education Level			
Diploma	11	10.2	10.2
Bachelors	78	72.2	72.2
Master	16	14.8	14.8
PhD	3	2.8	2.8
Total	**108**	**100**	**100**
Years of Experience			
Less than 5 years	18	16.7	16.7
5-10 years	64	59.3	59.3
11-15 years	21	19.4	19.4
Above 15 years	5	4.6	4.6
Total	**108**	**100**	**100**
Job Position in the Bank			
Top level management	12	11.1	11.1
Middle level management	65	60.2	60.2
Operational management level	31	28.7	28.7
Total	**108**	**100**	**100**
Department of Operation			
Finance	29	26.9	26.9
HRM	21	19.4	19.4
Marketing	32	29.6	29.6
Operations	26	24.1	24.1
Total	**108**	**100**	**100**
Categorisation of the Sampled Banks			
Medium	50	46.3	46.3
Small	58	53.7	53.7
Total	**108**	**100**	**100**

Table 1…

Number of Bank Branches			
1-30 Branches	90	83.3	83.3
31-60 Branches	5	4.7	4.7
Above 60 Branches	13	12	12
Total	**108**	**100**	**100**
Bank Ownership			
Public	22	20.4	20.4
Private	74	68.5	68.5
Foreign	12	11.1	11.1
Total	**108**	**100**	**100**
Duration of Banks' Operation in Kenya			
1-5years	6	5.6	5.6
6-10 years	7	6.5	6.5
11-15 years	4	3.7	3.7
16-20 years	9	8.3	8.3
Over 20 years	82	75.9	75.9
Total	**108**	**100**	**100**

Findings on Objective One

The first objective of the study sought to understand the extent to which restructuring strategies have been adopted by commercial banks in the small and medium size categories. The study addressed this objective using three constructs as operational indicators of restructuring strategy. The respondents were required to show the extent of adoption in a 5-point likert scale where 1=Not at all; 2=Slight extent; 3= Moderate extent; 4=High extent and 5=Very high extent. The primary data was summarized using mean and standard deviation and the findings presented in Table 2.

Table 2: Extent of Adoption of Restructuring Strategies

Strategy	Reliability (α) Score	Aggr. Mean	Standard Deviation	Comment
Operations Redesign Restructuring	0.813	4.3222	0.6443	Adoption to high extent
Business Portfolio Restructuring Strategy	0.700	4.3303	0.6954	
Cost Cutting Restructuring Strategy	0.706	4.3468	0.6520	

The aggregate mean score of the respective variables were all above 4 which according to the scale used is the level of high extent. This therefore implies that the various sampled banks implemented the various restructuring strategies to a high extent. The low standard deviation indicates that there was a relatively high consensus among the banks on the extent of adoption of the restructuring strategies.

Findings on Objective Two

The second objective sought to find out the level of performance attained by the small and medium commercial banks in Kenya. The performance construct was measured using several indicators of ROA, ROE, Net Interest Margin, number of customers, profit at risk ratio, improvement on loan written off and loan loss provision cover. The banks were required to indicate how the banks have fared for the last four years by indicating the extent to which there has been a percentage growth/improvement on each indicator of performance. The respondents were required to give an indication on the percentage change in the measure of performance in each of the years within the last four years in a scale of 1-5, *where 1=1-5% ;2=5-10%;3=10-15%; 4=15-20%;5= Above 20%.* The four year pattern of the indicators was plotted in a curve to show the trend of the performance over the period that the banks have been implementing the various forms of restructuring strategy. The trend analysis was summarised in figure 1 and table 3 where for each of the metrics, the periodic mean and standard deviation were computed and presented.

Figure 1: Trend Analysis of Bank Performance Indicators

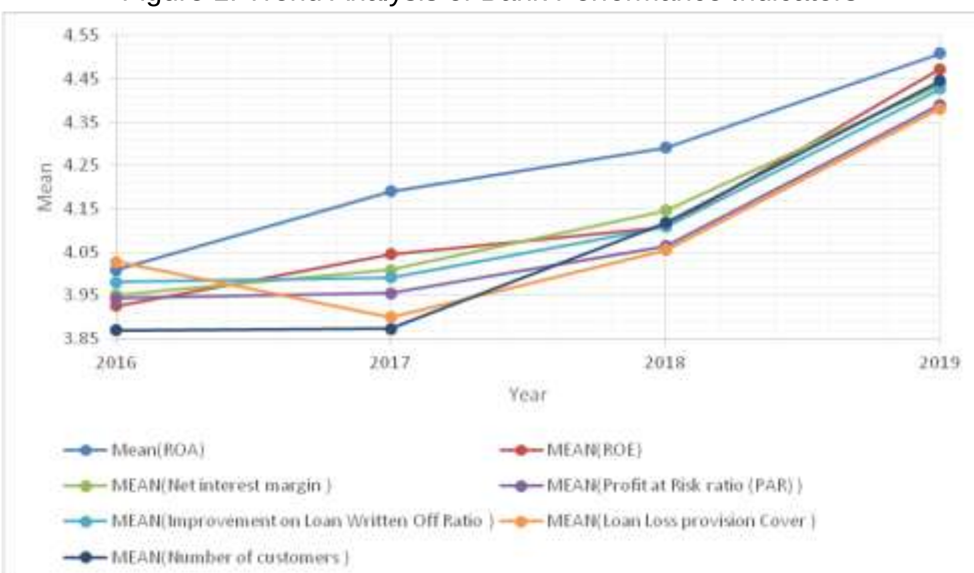

Table 3: 4-Year periodic mean Performance scores

Measure of Performance	Mean	Std Dev
ROA	4.2501	0.64382
ROE	4.1381	0.66528
Net Interest Margin	4.1358	0.69074
Profit at Risk Ratio	4.0881	0.68555
Improvement on Loan Write off Ratio	4.1272	0.73904
Loan Loss Provision Cover	4.0911	0.72142
Number of Customers	4.0764	0.73157
Aggregate Scores	**4.1295**	**0.69677**

Figure 2 above indicates that ROA grew from 2016 to 2019 such that it registered a periodic mean score of 4.2501 and a relatively low standard deviation of 0.64382. The ROE metric similarly grew over the same period to attain a mean score of 4.1381 and a standard deviation of 0.66528. Net Interest Margin grew from a mean of 3.9252 in 2016 to a high of 4.4364 in 2018 before declining to 3.9252 in 2019. It recorded a periodic mean of 4.1358 and a standard deviation of 0.69074. The profit at Risk Ratio (PAR) grew from a mean of 3.9434 in 2016 to 4.3909 in 2018 and declined to 3.9519 in 2019. The mean score for the period was 4.0881 and registered a standard deviation of 0.68555. Improvement on Loan Write off Ratio grew from 3.9813 in 2016 to 4.4273 in 2019 and achieved a mean score of 4.1272 and a standard deviation of 0.73904. The Loan Loss Provision Cover declined marginally from 4.0280 in 2016 to 3.90 in 2017 and grew further to 4.3818 in 2019 to record a mean score of 4.0911 and a standard deviation of 0.72142. The number of customers grew from 3.8692 in 2016 to 4.4455 in 2019 and recorded a mean score of 4.0764 and a standard deviation of 0.73157. Overall, the performance indicators recorded an aggregate mean of 4.1295 and standard deviation of 0.69677 implying that the level of performance attained over the period was rated at high.

Findings on Objective Three

The third objective sought to explain the effect of the adopted level of restructuring strategies on the level of performance attained by the commercial banks. Multiple regression analysis was used to test the effect of the 3 strategies on performance of small and medium sized commercial banks and the regression parameters used to answer the study objective. The multiple regression model and the results are presented in Table 4.

The regression parameters showed values of R, R^2, and Adj-R^2 to be 0.616, 0.380, and 0.362 respectively. The coefficient of correlation (R^2) had a value of 0.380 and this indicates a strong correlation between the variables of the study. The Adjusted R-Squared (Adj. R^2) value of 0.362 indicates that 36.2% of the variation in performance of small and medium commercial banks was explained by the construct of restructuring strategies. The F-value had a positive coefficient and is significant at 95 percent level of confidence. The significant value of F-value in the ANOVA table supports the establishment of the general objective of this study, and thus it can be stated that restructuring strategies positively and significantly predicted performance of small and medium commercial banks in the sample.

Table 4: Regression Results on effect of Restructuring Strategies

Goodness of fit	Test Statistics		P-value
Adjusted R-Squared	0.362		
R-Squared	0.616		
F-Statistic (3,105)	21.406		0.000
Dependent Variable= Performance	**Linear Regression Results**		
Variable	**Coefficients**	**t-statistic**	**P-value**
Operations Redesign	0.389	3.224	0.002
Portfolio Restructuring	0.338	2.505	0.014
Cost-Cutting	-0.091	-0.761	0.449
Constant	1.772	4.774	0.000

The results of the multiple regression test showed values of regression parameters as ß = .389, t = 3.224, p = .002; ß = .338, t = 2.505, p = .014; ß = -. 761, t = -.761, p = .449 for operations redesign, portfolio and cost-cutting restructuring strategies respectively. While two of the coefficients are positive and statistically significant, one is negative and not significant. In terms of the focus of objective three of the study, it is observed that operations redesign and portfolio restructuring strategies have a significant positive effect on performance of small and medium sized banks while cost cutting has attained a negative effect that is not statistically significant.

DISCUSSIONS AND IMPLICATIONS FOR THEORY

The variables of the study as measured in the 5 likert scale indicated that the extent to which the independent variables were adopted and applied among the banks was at the level of high extent. The dependent variable measured using a diversity of indicators showed performance level rated at the mean level of four and the periodic mean scores showed that most of the indicators increased over the four year period while others had registered both a decline and growth in performance over the same period.

The third objective sought to test the effect of the three restructuring strategies on performance of small and medium commercial banks in Nairobi City County. The first strategy tested was operational redesign restructuring strategy. The strategy was drawn from the work of various researchers who operationalized it into indicators such as functional analysis, structural change, operations review, and job restructuring (Schoenberg, Collier, & Bowman, 2013; Karim, & Kaul, 2015; Koh, Durand, Dai, & Chang, 2015; & Bartlett, 2017). The study results demonstrated that operations redesign restructuring strategy had statistically significant effect on small and medium size commercial banks' performance. Notably, among the three dimensions of restructuring strategies, operations redesign restructuring strategy accounted for the greatest effect on small and medium size commercial banks' performance. From the conceptual literature, it was argued that operational redesign form of restructuring strategies relates to the organization strategic plan and how to achieve it by addressing issues affecting the value chain. Small and medium commercial banks were found to apply these dimensions of the operations redesign strategy to a high extent.

The variable was anchored by BCG and the Greiner models. The BCG model supported the strategy on the basis of the need to attain a strategic fit through alignment of the internal business processes and the external environment. The Greiner model was adopted in the study because of the focus on developmental phases that organization go through in their growth process which invites two different types of phases namely evolution and revolution. The evolution phase is characterized by steadiness and growth while the revolution stage is characterized by turmoil and change as a result of this the theory suggests that strategic decisions should be made at the revolution phase so as to solve problems faced in order to prepare an organization to move to the future.

The second strategy was business portfolio restructuring. It was operationalized in this study using four indicators; portfolio investment, portfolio diversification, portfolio retrenchment/ divesture and capital reduction. The strategy was anchored on the postulates of the BCG and the Greiner model. The BCG model argument related to portfolio restructuring touches on the emphasis on analysis of performance of each business, ranking and prescription of restructuring form of strategy for poor performing business units with a view to enhancing capacity of the business to improve performance. The model emphasises the need to overhaul an organization's business model as an important aspect of restructuring that should guide the deployment of resources. Management therefore considers restructuring to be effected through the manner in which resources are allocated to each Strategic Business Units.

The inferential statistics results indicated that business portfolio restructuring strategy had significant statistical effect on small and medium size commercial banks' performance. The regression coefficient of the strategy therefore indicates Business Portfolio Restructuring Strategy is a good predictor and contributed significantly to the performance of small and medium commercial banks in Nairobi City County, Kenya. The study therefore concludes that among small and medium commercial banks in Kenya, there is a significant statistical effect of business portfolio restructuring strategy on performance of the banks. The findings on the descriptive statistics on the strategy show that business portfolio restructuring strategy was applied by small and medium commercial banks to a high extent. One aspect of this strategy was found to be applied to a very high degree of extent namely that of identifying all performing portfolios. The focus of the strategy is recovery through business right sizing which is achieved by eliminating non-performing ventures. It also seeks to create profit centres through divestments and investment as facilitated by reviews that lead to re-allocation of resources.

The third strategy of the study was cost-cutting restructuring strategy which was found to have no statistically significant effect on the performance of small and medium commercial banks in Nairobi City County. It focused on cost reduction, cost rationalization, cost elimination and job layoff. The strategy was drawn from a conceptual argument that leans towards operating on strict budget, cutting down on non-core expenses so as to achieve acceptable level of cost income-ratio. The BCG model supporting this strategy was on the direction of changing the cost structure when deploying cost cutting restructuring strategy and even though the extent of the practices was rated at a level of high extent however the study revealed cost-cutting restructuring strategy had no statistical significant effect on small and medium size commercial banks' performance.

CONCLUSIONS AND FUTURE RESEARCH

The findings of the study as reported and discussed lead to several conclusions. With regard to the first objective, the small and medium size banks have adopted the various types of restructuring strategies to a high extent. This extent of adoption and application of the restructuring strategies has contributed to increased performance of the banks over the previous four year period. The adopted strategies have significantly contributed to the performance in that they account for 36.2% of the achieved level of performance for the period the banks have been implementing the strategies.

These conclusions however face some limitations arising from the scope of conceptualization and context of the study. The research adopted only three types of restructuring strategies which limits the extent of generalization in view of the state of extant literature which avails a wider set of restructuring strategies than those used in the study. Secondly, the sample was drawn from the small and medium sized banks. The research did not account for the effect of the bank size so as to explain how the aspect of size would change the findings in case the same study were to be undertaken in the entire banking sector including all types of banks in tier1 that were excluded. Future research is therefore called upon to consider expanding the scope of the operationalisation of the independent variable to include a wider range of strategies drawn from the restructuring strategy. In addition, the researches could consider measuring the effect of size so as to explain the behaviour of the restructuring strategy when applied to the large banks.

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