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THE INFLUENCE OF ORGANIZATIONAL STRUCTURE ON M-COMMERCE PERFORMANCE IN KENYA'S COMMERCIAL BANKS

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A hand in a blue suit sleeve points towards the word 'Strategy' which is displayed on a glowing, circular screen. The background is dark blue with abstract light patterns and a large, curved graphic element in red, white, and blue that sweeps across the top and right sides of the page.

Strategy

THE INFLUENCE OF ORGANIZATIONAL STRUCTURE ON M-COMMERCE PERFORMANCE IN KENYA'S COMMERCIAL BANKS

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Abstract

Purpose: The purpose of the study was to explore the influence of organizational structure on Mobile-Commerce (M-Commerce) performance in Kenya's commercial banks.

Methodology: The study adopted a positivism research philosophy and descriptive research design. The technique used was stratified random sampling. A sample of 133 managers from a target population of 200 was picked. Structured questionnaires were used to collect the required data. For data collection procedure, the researcher recruited research assistants who dropped and picked the questionnaires from the banks.

Findings The study findings indicated that, path coefficient value was 0.237, thus the relationship between organizational structure and m-commerce performance was positive and significant ($t = 3.553$, $p = 0.000$). The study correlated organizational structure and m-commerce performance and found that organizational structure and m-commerce were positively and significantly related at the 0.01 level (2-tailed).

Unique Contribution to theory, practice and policy: Organizational structure is very important in enabling improved performance of m-commerce. The study recommends that banks modify their structures to support strategy implementation. This result showed that m-commerce performance or growth increased with a supportive structure.

Keywords: *Organizational Structure, Strategy Implementation, M-Commerce Performance, Kenya's Commercial Banks.*

1.0 INTRODUCTION

There are many definitions and frameworks for strategy formulation, however there is little scientific knowledge about the actual realization of strategy once planned, and most research take a general approach (Weernink, 2014). Neilson, Martin and Powers (2008), state that a brilliant strategy, great product or innovative technology can put an organization on the competitive position, however, it is only the execution that can keep the organization competitive. Blahová and Knápková (2011), added that formulation and implementation of business strategies is often associated with top management or shareholders. They however show that most companies struggle with implementation because they focus on structural reorganization which according to them produces only short-term gains and neglect the drivers of effectiveness and information flow.

This discipline therefore has to be built into a company's strategy, its goals, and its culture. Therefore, the leader of the organization must be deeply engaged in it, and cannot afford to delegate this, but they can delegate its substance. Dawes (2013), states that a culture of fast, effective decision-making and action throughout the organization enables true flexibility and responsiveness. Dawes, (2013), argue that in a rapidly changing business landscape, executing the right decisions better than competition is the key to success.

Dion, Allday, Lafforet, Derain and Lahiri, (2007); Kaplan and Norton, (2001), report that strategy implementation failure rates is high at between 50 percent and 90 percent. Candido and Santos, (2008), also show that strategy has received much attention but indicate that the focus of most studies has been the making and developing of strategic decisions. Neilson, Martin, and Powers (2008) in their reviews of strategy, indicate that companies have expertise in developing strategies, but frequently fail to successfully implement them.

The success of implementation is attached to moving strategy from the boardroom to back offices and the market places using the discipline of project management (Longman & Mullins, 2004). These, are organizational ways of responding to environmental turbulence in the attempt to dislodge organizations from hierarchical structures and embracing more modular forms of structures (Balogun & Johnson, 2004). Olson, Slater, Tomas and Hult (2005), echoed the importance of a firm's structure and processes in strategy implementation. The concept and practice of strategy implementation has been adopted worldwide and across various sectors because of its perceived contribution to organizational effectiveness (Strickland & Thompson, 2007).

Research Problem

A study by Balogun, (2006); (Hrebiniak), 2006; Saunders *et al.*, (2009), state that most organizations experience serious challenges in implementing their intended strategies. Cater and Pucko, (2010), indicates that 80 percent of firms have the right strategies, but only 14 percent manage to implement them well. Hrebiniak (2006), argued that while strategy formulation is difficult, executing strategy is even more difficult. Supporting similar studies, Zaribaf and Bayrami (2010), state that most executives in organizations spend time, energy and money in formulating a strategy, but do not provide sufficient input to implement it adequately.

Strategic management literature has focused primarily on planning and strategy formulation and neglected strategy execution and its importance (Smith, 2011). According to Bossidy, Charan and Burck (2002), the focus on strategy planning and formulation and the neglect of

implementation, is a problem to strategic management because people view strategy implementation as the tactical side of business. Some leaders delegate implementation, while they focus on perceived “bigger” issues. Bossidy (2002), argues that this approach to strategy implementation is wrong and that implementation is not just tactics, but a discipline and a system.

A study by Brinkschröder (2014), on challenges of strategy implementation in relation to firm performance, reviewed an interplay of strategy, structure and behavior. While there are several studies undertaken on m-commerce, the studies have not addressed strategy implementation. This study therefore, seeks to close that gap.

Purpose of the Study

To assess the influence of organizational structure strategy implementation on m-commerce performance in Kenya’s commercial banks

Research Objective

To explore the influence of organizational structure on m-commerce performance in Kenya’s commercial banks

2.0 LITERATURE REVIEW

The literature review presented the conceptual framework and reviewed the relationship between organizational leadership, organizational structure and mobile commerce performance measured through the following elements; growth of new applications, growth of m-commerce users, growth of bank accounts and growth of savings.

The Agency Theory

Mintzberg, Joseph, and James (2003) state that the source of strategies in an organization, is the agency theory because the agents are charged with the responsibility of strategic formulation by the organizations’ key stakeholders who control the organization. Gibbons (2003), says that the agency theory rests on the firm’s shareholders as the principal and the CEO as the agent. Gibbons (2003), however, uses this context to propose that this scenario can be moderated by analyzing a chain of command in organizations. The chain of command is structured in the following order; Principal, Supervisor and Agent. It is from this argument that Aosa (2011), observes that the chain of command comprises of corporate strategy, strategic business units’ level tactical level and operational level where each one is in charge of every level of strategy formulation as an agent. The efforts therefore of all agents, would be influenced by sound management skills in regard to resources apportioned to their individual levels which would enhance synergy that leads to successful implementation of strategy and the achievement of competitive advantage. A strength identified by Agency Theory proponents is the Theory’s explanatory power. By focusing on the principal-agent relationship, the contribution of this Theory provides logical predictions about what rational individuals may do if placed in such relationship (Wright, Mukherji & Kroll, 2001). As a result, Agency theory “Provides a unique realistic, and empirically testable perspective in problems of cooperative effort” (Eisenhardt, 1989). This strength of the Theory can be used to estimate the level of strategy implementation affected in principal agent problem situation.

Resource Based View

The RBV literature suggests that firm's sustainability of competitive advantage come from building on the resource endowment and core competencies of the organization (Kostopoulos, 2003). Conceptually and empirically, resources are the foundation for attaining and sustaining competitive advantage and eventually high performance for the organization (Ismail, Raduan, Uli, & Abdullah 2011). The RVB model assumes that each organization is a collection of unique resources and capabilities. Accordingly, organizations' performances are attributed to their unique resources and capabilities rather than the industry's structural characteristics. RVB also assumes that firms acquire different resources and develop unique capabilities based on how they combine and use the resources; that resources and capabilities are not highly mobile across organizations and that the differences in resources and capabilities are the basis of competitive advantage (Hitt, 2013). Grant (1996), argued that it is not resources themselves that generate competitive advantage, but the managerial capabilities. Other supporters of this view include (Kraaijenbrink & Wijnhoven, 2008; Stieglitz & Heine, 2007; Teece, 2007). This brings out the complex interdependencies that exist between multiple levels of strategy (Kor & Leblebici, 2005). The perspective taken in this study is that of Grant's work which provides a promising starting point for further developing the RBV with a more refined concept of resource.

Expectancy Theory

According to Vroom (1964), employees have differing goals and could be said to be motivated at the belief that there would be a positive correlation between their performance and their effort. Vroom (1964), believed that favourable performance will result in a desirable reward, and that the reward would satisfy an important need. Thus the longing to satisfy the need would make the employee effort worthwhile. Expectancy theory is adopted for this study because it is a theory of management behaviour that promotes employee commitment to organizational goals and standards. Thus greater commitment leads to increased productivity and therefore, expectancy theory can be used to show managers how to enhance the value of employees' work and promote the perception that they can be successful and earn ensuing rewards (Quick, 1988).

Based on studies done on motivation, it is noted that motivation is the driving force behind all human efforts and is essential to all human achievements. Expectancy theory as an aspect of management, occupies a very important place in business (Parijat & Bagga, 2014). Expectancy theory is relevant in strategy implementation which requires a large number of stakeholders that are motivated by different interests in relation to strategy implementation.

Activity Theory

Activity theory can be viewed as a developmental process where both individual and social levels are interlinked. Activity Theory can be used to provide a broad conceptual framework that can be used to describe the structure, development and context of tasks. Activity Theory offers the possible integration of many theories and concepts, thus helping to maintain conceptual integrity in terms of designs, evaluation and usage. Activity Theory consists of 5 principles: The hierarchical structure of activity, object-orientedness, internalization /externalization, mediation and development. In activity theory, the unit of analysis is an activity directed at an object which motivates activity, giving it a specific direction. Activities are composed of goal-directed actions that must be undertaken to fulfill the object and for this

study, the goal-directed action is strategy implementation. According to this theory, actions are conscious, and different actions may be undertaken to meet the same goal (Kaptelinin, 1997).

There are three Generations of Activity Theory (Engestrom, 1996, 2001) the first is Vygotsky’s mediated action triangle, the second generation activity theory is attributed to Leontieva’s work that emphasized the collective nature of human activity, and the third generation activity theory is the application of activity systems analysis in developmental research where the investigator often takes a participatory and interventionist role in the participants’ activity to help participants experience change.

Conceptual Framework

The conceptual framework of this study focused on the relationship between variables that influence the implementation of M-Commerce in Kenya’s commercial banks. The independent variable in this study was organizational structure (OS) and the dependent variable was m-commerce performance. The hypothesized relationship between organizational structure and m-commerce performance stated that organizational structure does not significantly influence m-commerce performance in Kenya’s commercial banks. The study conceptual framework illustrated in figure 1.0.

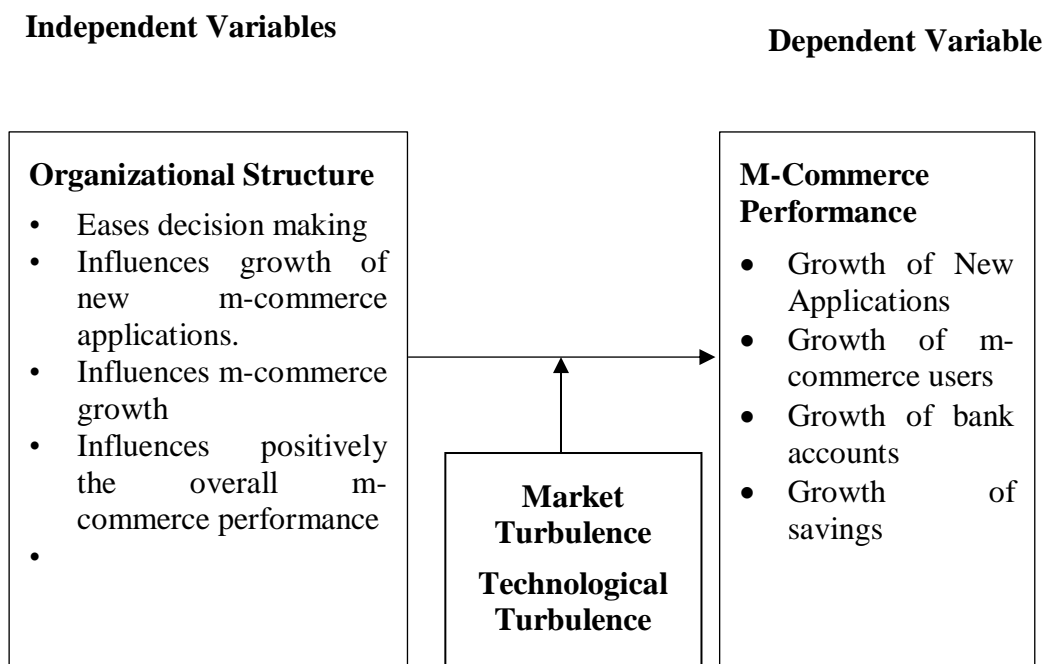


Figure 1.0 Conceptual Framework

Organizational Structure

Organizational structure is defined as the formal framework by which job tasks are divided, grouped, and coordinated. It helps people pull together in their activities and promote effective strategy implementation (Pearce & Robinson, 2013). To achieve strategic objectives, organizational structure coordinates and integrates tasks executed by all employees at all levels, and across all divisions and functions (Hill & Jones, 2009).

Empirical Studies

A study on the relationship between organizational structure and organizational performance in a semiconductor industry, indicated that there was a significantly positive relationship between the two items. (Hsiao, Weng & Shih-Chin, 2008). Using a conceptual model of Teixeira, Koufteros and Peng (2012), in their study to explore how organizational structure would enhance supply chain integration and how supply chain integration was related to manufacturing organization performance, the study found out that organizations that integrated with customers and suppliers had a great positive performance in regards to product innovation, quality, delivery time, flexibility, and cost performance.

Dalton, Daily, Ellstrand, and Johnson (1998), employed an empirical model in the quest to assess the relationship between specific board composition configurations or board leadership structures and firm financial performance. They concluded that there was no substantive relationship between board composition and financial performance. Their analyses were based on firm size, the nature of the performance indicators, and board composition which provide no evidence of influences of these variables too. The evidence derived from the analyses for board leadership structure and financial performance has the same character, i.e., there was no evidence of a meaningful relationship.

Using Tobin's Q as an approximation of market valuation, Yermack (1996) presented evidence consistent with theories that small boards of directors in organizations are more effective. In a sample of 452 large U.S. industrial corporations between 1984 and 1991, the study showed that companies with small boards exhibit more favourable values for financial ratios, and provide stronger chief executive performance incentives from compensation and the threats of being dismissed.

Kyereboah-Coleman (2007) examined the effect of corporate governance on the performance of firms in Africa by using both market and accounting based performance measures. The findings from the study show that large and independent company boards improve firm value, and that combining the positions of chief executive and board chair has an adverse effect on the organization's performance. He also found that the tenure of a chief executive enhances a firm's profitability while intensified board activity negatively affects profitability. Finally, the study suggested that for enhanced performance of corporate organizations, a clear separation of the positions of chief executive and board chair should be maintained, and the use of independent audit units enhanced.

Mang'anyi (2011), looked into ownership structure and corporate governance and its effects on performance of firms in Kenya with reference to banks. The study revealed that there was no significant difference between ownership structure and financial performance, and between banks ownership structure and corporate governance practices. Further results from the study showed that there was great difference between corporate governance and financial performance of banks.

Lee (2008), examined the effect of equity ownership structure on firm finance performance in South Korea. The study focused on two dimensions of ownership structure: ownership concentration (shares owned by majority shareholders) and identity of owners (foreign investors and institutional investors). The findings were that firm performance measured by the accounting rate of return on assets generally improved as ownership concentration increased, but the effects of foreign ownership and institutional ownership were insignificant.

Lee (2008) concluded that there was a strong relationship between ownership concentration and firm performance, stating that firm performance peaks at intermediate levels of ownership concentration. The study provided empirical evidence supporting the role ownership structure plays in performance, and thus offering insights to policy makers interested in improving corporate governance systems in an emerging economy.

The business structure and strategy of a bank are deemed to be a very important element in the assessment of a bank's capacity to perform in the future according to a study by (European Central Bank, 2010). According to the European Central Bank (2010), sustainable indicators constructed on the basis of economic capital models and financial planning frameworks within the banks may be of important use. They conclude that a good performance measurement framework should incorporate more forward-looking indicators and be less prone to manipulation from the markets. According to this study, other ways of measuring banks' performance requires a deeper analysis of the way banks run their business and make use of their stress-testing results, or even enhancement of their high-level discussions with supervisors on consistency between performance and business strategy. Other measures would include reassessment of the risk function with respect to its independence and the available tools and an adequate level of risk awareness at the top-tier management level. This is expected to create an opportunity for regulators to address these issues with bank managers.

A study by Ferri, Kalmi and Kerola (2010), using a panel of over 300 banks for 15 years from 19 countries, demonstrated the impact of ownership structure on performance in European banking. They used return on assets (profitability), loan losses (loan quality), and cost-to-income ratio (efficiency). Their rationale for using these measures were that these were standard set of performance variables in banking. Their results contradicted the belief that shareholder ownership is superior to stakeholder ownership in banking. They concluded that there were no significant differences in profitability across ownership classes. They found that co-operatives and publicly owned savings banks outperformed commercial retail banks in terms of cost efficiency and loan losses. They state that there was diversity within the stakeholder-owned banks. The study indicated that diversity of ownership structure is a universal feature of the European banking industry. Together with profit-maximizing commercial banks, most European countries host a significant sector of stakeholder banks such as co-operative banks and or non-profit savings banks. According to them the impact of such diversity is under-researched and hence the need for this study to provide further empirical studies to close the gap.

3.0 RESEARCH METHODOLOGY

This study adopted descriptive research design. This is because descriptive research design aims to build the overall picture to identify, describe and provide quantitative image of the study. The study used descriptive research design to answer the what, who, when and how regarding m-commerce strategy implementation. The rationale for using descriptive research design, was because the study gathered quantitative data that described the constraints to strategy implementation in Kenya's commercial banks. The target population, for the study were the 40 commercial banks. Five managers from different management levels were interviewed. The tool used by the study researcher to collect the data was a questionnaire.

4.0 RESEARCH FINDINGS AND DISCUSSIONS

Based on the tools sent out, the response rate was 84.76 percent. This was a return of 178 out of a total of 210 tools distributed as illustrated in table 1.

Table 1: Response Rate

	Sample size	Percentage (%)
Returned questionnaires	178	84.76
Un-returned questionnaires	32	15.24
Total	210	100

4.1 Demographic Characteristics

The response rate by gender indicated that that female response rate was slightly higher at 52 percent (n=70), while the male response rate was 48 percent (n=64).

The response rate by age group 30-39 years (n=87) represented 49 percent while ages 40-49 (n=74) represented 42 percent, age 21-29 where (n=9), was 5 percent and above 50 years (n=8), represented 4 percent. Staff above 50 years was a small percentage and this can be attributed to the banks' periodic realignments which typically result in the exit of older employees through either individual Voluntary Early Retirement (VER) or employer initiated early retirement. The findings suggest that majority of bank staff involved in strategy implementation are individuals that are below 50 years of age as indicated in Table 2.

Table 2: Respondents by Age Group

Main Factor	Factor Level	Frequency	Percentage (%)
Age	21-29 years	9	5
	30-39years	87	49
	40-49years	74	42
	Above 50 years	8	4

4.2 Frequency Distribution

The study presented descriptive statistics for organizational structure. The study analyzed the respondents' views on the influence of organizational structure on m-commerce performance. The statement on whether the banks structure allows easy decision making and contributes to the growth of new m-commerce applications was highly rated at 91 percent being agreed, one percent disagreed, 8 percent were non-committal. The statement regarding the bank's structure being hierarchical, and influences positively the growth of new m-commerce applications, had 88 percent of the respondents agreeing, while 12 percent were neutral and 1 percent disagreed. 87 percent of the respondents agreed that the banks structure was flat and influenced positively the return of new m-commerce applications and the overall m-commerce performance in the bank. However, 8 percent of the respondents disagreed that reporting structure influenced positively m-commerce growth. Details are illustrated in Table 3.

Table 3: Frequency Distribution for Organizational Structure

No.	Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)
OS1	The bank's structure allows easy decision making and contributes to the growth of new m-commerce applications	0	1	8	65	26
OS2	The bank's structure is hierarchical, and influences positively the growth of new m-commerce applications	0	1	12	75	13
OS3	The bank's structure is flat, and influences positively return of new m-commerce application	2	4	7	76	11
OS4	The reporting structure influences positively m-commerce growth	0	8	8	61	24
OS5	The organizational structure influences positively the overall m-commerce performance in the bank	2	3	9	76	11

4.3 Factor Analysis

Factor analysis was used to reduce items of organizational structure. The study found that Organizational structure had a KMO of sample adequacy of 0.657, which was above the threshold of 0.6 and Bartlett's Test of Sphericity, with $p < 0.05$, this is an indication of suitability of data for structure detection. The results are presented in table 4

Table 4: KMO and Bartlett's test for Organizational Structure Influence

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.657
Bartlett's Test of Sphericity	Approx. Chi-Square	144.884
	df	6
	Sig.	0.000

Exploratory factor analysis using PCA with promax rotation revealed that the following factor loadings (OS1 = 0.556, OS2= 0.385, OS4= 0.9 OS5 = 0.857), were above the acceptable threshold of 0.5. The factors with low standardized regression weights were deleted. Results presented in Table 1.5

Table 5: Factor Loadings for Organizational Structure

No.	Statement	Factor Loading
OS1	The bank's structure allows easy decision making and contributes to the growth of new m-commerce applications	0.556
OS2	The bank's structure is hierarchical, and influences positively the growth of new m-commerce applications	0.385
OS4	The reporting structure influences positively m-commerce growth	0.9
OS5	The organizational structure influences positively the overall m-commerce performance in the bank	0.857

The following items OS1, OS2, OS4 and OS5 were therefore retained for measurement model estimation as they achieved the required thresholds for reliability and convergent validity. Factor loadings results applied were above the accepted threshold of 0.5.

4.4 Correlation Analysis between Organization Structure and M-Commerce Performance

The study correlated organizational structure and m-commerce performance and found that organizational structure and m-commerce were positively and significantly related. The results are presented in Table 6.

Table 6: Correlation between Organizational Structure and M-Commerce Performance

		M-Commerce Performance	Structure
M-Commerce Performance	Pearson Correlation	1	.513**
	Sig. (2-tailed)		.000
	N	178	178
Structure	Pearson Correlation	.513**	1
	Sig. (2-tailed)	.000	
	N	178	178

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

4.4.1 Chi Square Test of Organizational Structure Influence on M-Commerce Performance

Chi Square test was used to test the strength of association between organizational structure and m-commerce performance. The results indicated a strong association between organizational structure and m-commerce performance. The results are presented in Table 7.

Table 7: Chi Square Test of Organizational Structure Influence on M-Commerce Performance

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4931.447 ^a	3476	.000
Likelihood Ratio	669.291	3476	1.000
Linear-by-Linear Association	46.522	1	.000
N of Valid Cases	178		

a. 3599 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

4.4.2 ANOVA on Organizational Structure Influence on M-Commerce Performance

ANOVA test was done to test the mean difference between organizational structure and m-commerce performance. The results of the study indicated that there was a relationship between organizational structure and m-commerce performance. The results are presented in Table 8.

Table 8 ANOVA between Organization Structure and M-Commerce Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.905	1	46.905	62.982	.000 ^b
	Residual	131.073	176	.745		
	Total	177.978	177			

a. Dependent Variable: M-Commerce Performance

b. Predictors: (Constant), Structure

4.4.3 SEM Results for Influence of Organizational Structure on M-Commerce Performance – Unmoderated Moderated

The study sought to establish the influence of organizational structure on m-commerce performance and tested the following hypothesis.

HYPOTHESIS 1: There is no relationship between organizational structure and m-commerce performance in Kenya's commercial banks.

The results reveal that the path coefficient value was 0.237, thus the relationship between organizational structure and m-commerce performance was positive and significant ($t = 3.553$, $p = 0.000$). The findings are shown in Table.9.

Table 9: Relationship between Organizational Structure and M-Commerce

Path	Path coefficient	Standard Error	T Value	P Value	Hypothesis
OS -> M-commerce performance	0.237	0.067	3.553	0.000	rejected

4.4.4 SEM Results for Influence of Organizational Structure on M-Commerce Performance - Moderated

The path coefficient value of OS and MC Performance was positive at 0.166 but insignificant ($t=1.923$, $p=0.055$) in this respect the study failed to support H_2 after moderation. The study also found that the path coefficient for OS and MC performance when moderated by market turbulence was negative -0.058 and insignificant ($t=0.701$, $p= 0.484$) as illustrated in Table 10

Table 10: Relationship between Organizational Structure and M-Commerce Performance

Path	Path Coefficient	Standard Error	T-Value	P-Value	Hypothesis
OS -> MC Performance	0.166	0.086	1.923	0.055	Not supported
OS*Market -> MC Performance	-0.058	0.083	0.701	0.484	Not supported
OS*Technology -> MC Performance	0.036	0.083	0.433	0.666	Not supported

Similarly, moderation of organizational structure and MC-Performance by technological turbulence results with a positive path coefficient of 0.036 but insignificant relationship ($t = 0.433, p = 0.666$).

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

Summary

The study found that organizational structure influence was positively and significantly correlated with m-commerce performance, $r(178) = 0.513, p < 0.05$. The results of the Chi square revealed that there was a positive and significant association, $\chi^2(4931.447, 178) = 3476., p < 0.05$. The study conducted ANOVA test to test the relationship between organizational structure and m-commerce performance and found that there was a positive relationship between the two, $F(1, 176) = 62.982, p < 0.05$. SEM was used to analyze the structural relationship between organizational structure and m-commerce performance. The relationship was found to be positive and statistically significant. The path coefficient was positive and significant at 0.05 ($\beta = 0.237, t\text{-value} = 3.553, p\text{-value} = 0.000$). In this regard, the null hypothesis H_1 was rejected. Moderated relationship between organizational structure and m-commerce performance by market turbulence was negative and insignificant. Similarly, when OS and MC-Performance were moderated by technology turbulence, the relationship was insignificant. Hence hypothesis was supported. This therefore means that the two moderators do not moderate this relationship in the banks. The study found that the regression coefficient for the unmoderated model was positive and statistically significant. This means that organizational structure was positively related with m-commerce performance. The null hypothesis was therefore supported because the findings implied that the influence of organizational structure, significantly affected the implementation of m-commerce performance.

Conclusions

Therefore, banks must adjust their structures to support strategy implementation. This result showed that m-commerce performance or growth increased with a supportive structure. It therefore means that organizational structure is very important in enabling improved performance of m-commerce. This is because structure supports strategy as it is the frame that holds all elements of an organization together.

Recommendations

The study recommends that banks modify their structures to support strategy implementation. This result showed that m-commerce performance or growth increased with a supportive structure.

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