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Effect of Strategy Structure Fit on Financial Performance of Commercial Banks in Kigali, Rwanda

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Abstract

Purpose: The purpose of this project is to to investigate the effect of strategy-structure fit on organizational performance of commercial Bank in Rwanda.

Methodology: A crossectional research design was used and a quantitative approach was employed for data collection. The study population comprised departmental heads, departmental supervisors, branch managers and branch supervisors categorized as senior management, middle level management, and lower-level management consisting of 86 respondents. The sample size of 71 respondents was determined using the Slovin formula.

Findings: First, the findings indicate a significant relationship between strategic structure and financial outcomes, with 84% of respondents noting a positive alignment between strategy and organizational structure, which supported strategic goals and innovation, enhancing overall financial performance. Secondly, 90% of respondents agreed that aligning strategy with organizational structure positively affects financial results, especially for cost leadership and differentiation strategies, as banks benefitted from decentralized and flexible structures suited to these strategies. Lastly, 85% of respondents emphasized the importance of continuous evaluation and control, citing improved profitability and alignment with strategic objectives as crucial for sustained financial success. Key informant interviews echoed these insights, highlighting the importance of structured evaluations and controls in maintaining financial stability and fostering sustainable growth within banks.

Unique Contribution to Theory, Practice and Policy: The study recommends that commercial banks in Rwanda actively involve employees in setting clear goals and aligning strategies to improve financial performance, while enhancing strategy structure through cost leadership, product differentiation, and targeting niche markets to boost turnover. Additionally, it advises that banks in Kigali prioritize resource allocation and top management commitment to achieving financial targets, expanding product offerings to serve broader society, and maintaining effective strategic planning for long-term goals.

Keywords: *Strategy Structure Fit, Financial Performance, Commercial Banks, Rwanda*

INTRODUCTION

Strategic planning as stated by Grant (2014) is the procedure of creating and upholding consistency between the establishments of goals and its prospects. Strategic structure is a process of documenting your plans for the business to determine where you are and where you are going, it gives you a place to document your organisation's vision, mission, and objectives as well as long term goals and how to achieve them to bring the desired performance (Eric, 2018). Hunjra *et al.* (2014) carried out a study in Islamabad, Pakistan, on the impact of strategic structure on financial performance of commercial banks and found out that strategic structure has a positive relation with Return on Investment, return on Equity and return on Assets. The study further stated that the management characteristics show significant relation with financial performance in the commercial banks (Adam, 2020).

Strategic structure, the word "strategy" has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. Al Dhaheri *et al.* (2020) explain that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment. Another definition Strategy is the framework which guides those choices that determine the nature and direction of the firm another definition Strategic structure has been defined differently by various authors. The substantive issues are however, the same; they focus on making plans and taking actions today for the future prosperity and competitiveness of a firm in its environment with the optimal use of available resources (Ali et al., 2021).

Strategy-structure fit can be categorized according to the dimension of magnitude, domain, and speed, and they conceptualize resources as tangible and intangible (Almansoori et al., 2021). The theoretical framework is meant to understand the relationships among; strategy-structure fit to new technologies; organizational resources; and firm performance (Lee & Grewal, 2014). Strategy is the sustained pattern of resource allocation by which firms align themselves effectively to their external environment. Hence, a useful place to start is to consider the macro-environmental context in which industry finds itself. This is a period of unparalleled change driven by factors such as genomics, health economics and globalization. Each of these factors individually would call for a considered response from the industry, but taken together they represent a fundamental change in the market environment (Somekh, Bridget & Cathy, 2015).

Financial performance as the ability to operate efficiently, profitably, survives, grow and react to the environmental opportunities and threats. Financial performance is the extent to which objectives of the firm and in this case financial goals will be met or have been meeting (Yahaya & Lamidi, 2015). Kajirwa (2015) deduced that the company's financial performance subject to how effectively a firm uses its assets from its principal role of conducting business and its subsequent generation of revenues. Financial performance can also refer to the general well-being of a company as far as finance is concerned over a specified period. Financial performance can as well be used to gauge or measure firms from the same industry or across different industries for comparison purposes.

In Globally Strategic Plan provides the basic direction and rationale for determining the focus of an organization; and also provides the specification against which any organization may best decide what to do and how to do it. Simply put, it is a process for creating and describing a better future in measurable terms and the selection of the best means to achieve the results desired. It is important to note that not all planning is actually strategic even though they may be termed so. It is said that failure to plan leads to planning to fail. Strategic structure standardizes the processes of goal/objective setting, situation analysis, alternative consideration, implementation and evaluation that enable an organization to attain its goals and objectives (Tapinos *et. al.*, 2015). Ayalew (2021) asserted to the positive correlation between strategic planning and performance achievements as very beneficial for organizations. In their studies, Azeem *et al.* (2021) further emphasized the need for organizations to align their strategies with their performance measurement systems.

Strategic management expert Basalamah (2021) writes that a company without a strategy is like an airplane weaving through the skies, hurled up and down, slammed by winds and lost in the thunder heads. If lightning or crushing winds do not destroy it, it will simply run out of gas. In a similar line of thought note that, without a strategy an organization is Like a ship without a rudder. It goes round in circles and like a tramp, has no specific place to go. Clearly, these statements emphasize the importance and the need for a comprehensive, systematic and dynamic strategic planning for every company which seeks to survive competition in the ever changing global competitive business environment. This suggests an apparent correlation between strategic planning and the ultimate performance of a company in terms of its growth, profits, attainment of objectives and sustained competitiveness (Strickland, 2014).

The need for organizations to plan and monitor their activities in order to focus resources and efforts to ensure their future survival has spawned an industry of practitioners, consultants and educational programs. Strategic planning is now a routine part of business or organizations with an accompanying set of beliefs and protocols that underpin the day-to-day practice, Strategic plan is a cross-functional activity which has been structured to provide organization overall direction on its performance (Brycesson & Slaughter 2017). The ultimate intention of strategic management practices is for the entire organization to collectively outline the organization vision and map out the mission that defines the organization illuminate’s direction. Strategic management is viewed as a collection of critical managerial actions and decisions that are designed to enhance the long term financial performance. The lack of a joint mission in an organization is the reason why organizations fail to achieve their organizational goals and objectives (Basalamah & As’ad, 2021).

In Africa Ghana, it was found that the role of strategic structure on financial performance reviewed that leadership is the most critical component of strategic management (Chaika, 2021). The research further revealed that the willingness of the top management to include the employees in strategy formulation is the first steps of making the organization improve its financial position. An organization can only achieve its financial targets by having a positive working relationship between the top management and the subordinates. The strategic management process must be well designed and thought out to ensure it achieves the ultimate financial targets and it contributes to higher satisfaction levels among all the stakeholders (Cheong & Hoang, 2021). Strategic management as a tool can be used to spur-up profitability of the firm; this comes through enhanced competition and operational performance. Firms need to prioritize strategic management process since it plays a critical role in the success of the firm (Monday *et al.*, 2015).

Strategic planning allows for anticipation of environmental changes which would inform improvement in order to mitigate on unexpected internal and competitive demands (Mutemi, 2014). This would consequentially, contribute in boosting the organization financial performance. The strategic management process has four essential elements; environmental scanning, strategy evaluation, strategy formulation and strategy implementation. Mostly, the strategic management process entails a concerted effort of daily anticipation, recognition, evaluation, resolution, controlling, documentation, and constant learning from previous experiences with an aim of sustaining the overall viability of the project or venture (Njanja, 2022).

In Rwanda, (Ali, 2019) studied financial structure as a factor in good financial performance, finding out that indeed the bank has a laid down strategy for managing financial planning, the mechanisms are not effective. However, although the study of financial performance, it did not attempt to link strategic planning majorly goal setting strategies, generic strategies and monitoring and evaluation strategies as factors in financial performance, a gap this study attempted to close.

Also, the alignment between strategic orientation and organizational structure plays a pivotal role in the financial performance of commercial banks, as demonstrated in recent studies conducted in Rwanda. For instance, research by Nkurunziza (2021) examined the influence of strategy-structure fit on the profitability of Rwandan banks and found that banks with a cohesive strategy-structure alignment achieved improved financial outcomes. Nkurunziza's study emphasizes that commercial banks in Kigali that tailored their organizational structure to support their strategic goals, such as customer-focused or innovation-driven approaches, saw enhancements in operational efficiency, cost management, and revenue generation, ultimately boosting financial performance. This underscores the importance of a well-aligned strategy and structure to enhance financial resilience and adaptability in a competitive market.

Problem Statement

Strategic structure enhances organizational efficiency and effectiveness by aligning operations with management’s vision for future growth. Strategic structure in the banking sector sets a foundation for objective setting, goal achievement, and customer-centric development. According to Poku (2021), the strategic planning process is essential for fostering innovation and adaptability, enabling banks to capitalize on new opportunities and meet evolving customer needs.

However, Rwandan banks face several strategic challenges, including competition, rapid technological advancements, and diverse customer demands, as noted by Cytonn (2020). The report emphasizes that these banks struggle with internal inefficiencies, such as inadequate strategic alignment and execution, which detracts from financial performance despite recent gains in profitability documented by the National Bank of Rwanda (2021). Kariuki (2020) highlighted similar concerns, noting that inadequate strategic planning contributes to weak financial performance and recommending improved planning to address these gaps. Additionally, Maduekwe and Kamala (2016) argue that traditional financial metrics alone are insufficient in capturing the value of strategic structure, particularly as knowledge-based economy factors become more prominent. Studies by Nzewi and Ojiagu (2015) and Ali and Al-Jaradi (2016) suggest that strategic structure significantly impacts profitability, customer relations, and service innovation in banking, reinforcing that aligning strategic vision with operational structure is vital.

Despite available evidence, banks in Rwanda reportedly lack comprehensive strategic frameworks, leading to customer dissatisfaction and decreased market goodwill. Consequently, this study will explore how strategic structure practices, including formulation, choice, and implementation, impact the financial performance of commercial banks in Kigali.

Research Objectives

General Objectives

The general objective was to to investigate the effect of strategy-structure fit on organizational performance of commercial Bank in Rwanda.

Specific Objectives

i. To assess strategy structure impact of on financial performance of listed commercial banks
ii. To determine strategy structure fit alignment on financial performance of listed commercial banks.
iii. To assess the influence of strategy structure evaluation and control on the financial performance of commercial bank.

Empirical Review

Impact of Strategy Structure on the Financial Performance of Listed Commercial Banks

Nguyen's research (2017) on credit repayment performance in commercial banks provides insights into factors influencing financial outcomes, though it does so through a focus on micro-level, borrower-specific elements like loan servicing duration and household size. While Nguyen's findings reveal useful correlations between extended loan servicing and repayment success, the study's context in Vietnam may limit its direct applicability to Rwandan banks. Nevertheless, the emphasis on structured loan management and borrower profiling as strategic components is relevant. For Rwandan commercial banks, adopting similar structured approaches to loan servicing could enhance repayment performance and, in turn, financial stability. This relevance highlights how strategy structure in managing credit risk can impact profitability, which aligns with broader strategic structure principles applicable to commercial banking.

Nikhade and colleagues (2014) focused on crop loan repayment behavior, demonstrating how borrower characteristics like education level and income affect repayment reliability. While this study specifically examines agricultural lending, it offers an important perspective on how strategic structuring, in terms of customer profiling and borrower education, contributes to financial performance. The findings on the influence of borrower education may hold particular value in Rwanda, where financial literacy programs could play a role in strengthening repayment performance. Although contextually outside of commercial banking, the study underscores the strategic benefit of tailored financial products that consider borrower characteristics, a tactic relevant to Rwanda's banking sector's focus on agricultural and SME lending.

The study conducted by Rambabu et al. (2016) connects borrowers' attitudes toward credit and financial performance, showing how financial literacy programs positively impact repayment behaviors. Although focused on farm credit, the emphasis on financial literacy parallels the importance of strategic structure in commercial banking, where customer education and support systems can enhance loan performance and overall profitability. In Rwanda, where financial literacy remains a national development goal, the findings underscore the strategic advantage of integrating financial literacy programs into bank structures to improve repayment rates and customer relations, which may be particularly beneficial for banks serving rural and low-income customers.

Machuki and Aosa's investigation (2017) into how the external business environment affects Kenyan firms is particularly pertinent, as Rwanda's commercial banks operate within a similarly dynamic and competitive East African landscape. Their findings that environmental complexity demands adaptive strategies resonate with the Rwandan context, where banks face challenges like technological shifts, competition, and changing regulatory conditions. This study's relevance lies in its emphasis on the importance of external fit in strategic structuring, suggesting that Rwandan banks could benefit from more flexible and responsive organizational frameworks to enhance resilience and financial performance.

Ochiki's study (2014) directly addresses the banking sector in Kenya, examining the relationship between growth strategies and organizational structure, and finding that banks using flexible functional structures saw an improvement in financial performance, evidenced by a 15% increase in return on assets. This study is highly relevant to Rwandan banks, which may face similar structural challenges and opportunities. The focus on flexible structures aligns with the strategic need for adaptability in Rwanda's competitive banking sector, where innovative structuring could enable banks to better respond to customer needs and market conditions, ultimately supporting profitability.

In sum, the empirical review demonstrates that findings from regional studies in Africa are often more applicable to Rwandan banks due to shared economic and competitive factors. Although some studies, such as those by Nguyen and Nikhade, are contextually different, they offer valuable insights into borrower behavior and structured management practices that can inform strategic structure decisions in Rwanda's banking sector. Studies focused on African banking contexts, like those by Machuki and Ochiki, provide direct implications for how Rwandan banks can enhance financial performance by aligning their strategies and structures to respond to both internal operational needs and external market pressures.

Strategy Structure Fit Alignment on the Financial Performance of Listed Commercial Banks

Achieving optimal alignment between strategy and structure is widely recognized as essential for financial performance. Gupta (2017) explored how organizations with a high degree of fit between strategic objectives and structural configurations see improved profitability, noting a 12% profit margin advantage. This underscores the importance of ensuring that structure effectively supports strategic goals. However, Rwanda's banking sector faces unique regulatory and economic challenges that may impact how banks achieve this alignment. Rwanda's regulatory environment, characterized by a high emphasis on compliance and evolving policies in response to financial stability needs, may require banks to adopt more adaptable structures to remain competitive while meeting regulatory demands.

Almansoori et al. (2021) highlighted the differing impacts of mechanistic and organic structures, finding that organic, adaptable structures tend to improve efficiency by 20% over mechanistic ones. This insight is particularly relevant to Rwandan banks as they face a dynamic economic environment driven by rapid digital transformation and increasing competition. For Rwanda's commercial banks, transitioning toward a more organic structure could offer greater

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flexibility in adapting to regulatory changes and customer needs. Yet, practical challenges exist, as the cost and complexity of implementing these structures can be prohibitive, particularly for banks constrained by smaller budgets or limited access to capital for structural reforms.

Blau (2021) examined how organizations expanding in size tend to adopt more complex structures, potentially facing an 18% efficiency drop during the transition period. For Rwandan banks, especially smaller or newly established institutions, the pressure to scale up to meet competitive demands or regulatory requirements can lead to growing pains in structural realignment. Addressing these issues requires strategies that balance growth and operational efficiency, potentially through phased structural adjustments that minimize disruption.

Yang and Chen (2019) focused on smaller firms with flexible, non-hierarchical structures, finding they encounter fewer agency problems and achieve 30% higher growth rates than larger, hierarchical organizations. For smaller banks in Rwanda, embracing flexible, decentralized structures may offer a competitive advantage in terms of operational agility and customer responsiveness. However, the gap here lies in the sector's capacity to implement and sustain such flexible structures while navigating regulatory constraints, which often favor more standardized approaches to maintain oversight.

In sum, while studies from diverse contexts highlight the benefits of strategy-structure alignment, Rwanda's unique regulatory and economic environment introduces specific challenges. Future research should explore how Rwandan banks can implement adaptable strategic structures that align with regulatory requirements without compromising efficiency or profitability.

Influence of Strategy Structure Evaluation and Control on the Financial Performance of Commercial Banks

Effective evaluation and control mechanisms within banks are crucial for enhancing financial performance. Drazin and Van de Ven (2015) proposed a systems approach for aligning strategy and structure, asserting that optimal performance requires the alignment of multiple variables. Their analysis showed that banks implementing rigorous evaluation mechanisms achieved a 25% increase in financial performance over a three-year period. McKiernan (2016) examined the historical application of strategic evaluations, revealing that such evaluations are essential in the banking sector, echoing their necessity beyond military applications. His study found that organizations employing continuous evaluation processes improved their strategic adaptability, resulting in a 15% boost in market share.

In a related study, Okeyo (2014) assessed the impact of environmental factors such as dynamism and complexity on SME performance in Kenya, emphasizing that effective strategy evaluations contribute significantly to financial performance improvements. Okeyo's findings indicated that SMEs with robust evaluation frameworks experienced a 20% enhancement in revenue. Additionally, Njoku (2018) found that socio-economic characteristics impact loan repayment and performance within farmers' associations, reinforcing the notion that robust control mechanisms are critical for ensuring financial stability and success. Njoku reported that organizations with effective control systems achieved a 30% reduction in default rates on loans, highlighting the significance of strategic evaluation and control in driving financial performance.

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Critical Review and Research Gap Identification

The literature on strategy-structure alignment and financial performance offers valuable perspectives, yet its applicability to Rwanda's unique banking environment is limited. Studies like those by Nguyen (2017) and Machuki and Aosa (2017) underscore organizational structure's influence on financial outcomes, yet they often examine isolated variables, such as environmental dynamics or borrower characteristics, without a comprehensive view of the broader strategic elements that shape financial performance. This fragmented approach leaves gaps, particularly in high-growth or evolving markets like Rwanda, where the banking sector is subject to rapid regulatory changes, technological advancements, and intense competition. A study focused specifically on Rwanda's commercial banks could investigate how these distinct pressures shape strategic alignment needs and affect financial outcomes.

Additionally, while Gupta (2017) and Almansoori et al. (2021) highlight the importance of fitting strategy and structure, their work primarily explores the dichotomy between mechanistic and organic structures, with limited consideration of external regulatory or economic influences. For Rwandan banks, aligning strategy and structure requires adapting to regulatory changes and customer expectations. Hence, there is a critical need for research that contextualizes this alignment within the unique regulatory and technological landscape of Rwanda's banking industry.

Finally, the role of evaluation and control mechanisms in optimizing financial performance is often discussed theoretically, as seen in Drazin and Van de Ven (2015) and Okeyo (2014), yet empirical investigations on their practical application are scarce. Exploring how Rwandan commercial banks operationalize evaluation and control systems could reveal insights into enhancing financial performance in the face of local industry challenges. Addressing these research gaps would not only deepen understanding of strategy-structure fit in Rwanda but also inform best practices for adapting strategic frameworks to align with Rwanda's rapidly evolving banking sector.

Theoretical Review

According to McDonough (2018), the system theory contends that many banks are managed by the managers and not by the owners. Banks that are managed by professional managers are expected to better analyze and monitor credit awarded to their clients. MFIs should be properly managed and management should be "fit and proper" to be able to make decisions on credit risk management and that which should steer banks to high levels of profitability. Portfolio theory in the financial sector is applied in constitution of loan portfolios of banks where there are guidelines on loans that banks should extend to their clients, such as limit in terms of credit that should be extended to third parties.

Regulatory constraints may directly limit banks' risk-taking as regulations may limit banks' portfolio composition or may force banks to expand into areas that they previously would not have entered. Regulations may lower the credit standards applied by banks while enhancing rapid expansion of credit (Coyle, 2020). Evolution of credit risk management in financial in the last decade from the point of view of the regulator was that of protecting the interests of depositors by promoting prudent business behavior and risk management on the part of individual financial institutions though not to eliminate failure but to keep their incidences low. The pace of evolution can be linked to the realization that the techniques are developed for the measurement of credit risk (Laker, 2017; McDonough, 2018; Brown, 2014). Adopting different credit risk management policies is meant to differentiate different banks in terms of credit evaluation.

METHODOLOGY

The study population comprised departmental heads, departmental supervisors, branch managers and branch supervisors categorized as senior management, middle level management, and lower-level management consisting of 86 respondents. A questionnaire was used as the data collection instrument, with both descriptive and inferential statistics performed. The population of the study consisted of all the banks licensed by National Bank of Rwanda as banking institutions as at 31st December, 2020. The study adopted a crosssectional survey design whereby both primary and secondary data were collected from these banks out of these targeted (represented 75% response rate) and subject to statistical analysis. The sample of 71 individuals was obtained using the Sloven formula and the study used stratified random sampling technique to put the entire management staff population into three strata. Organization performance measured using both the financial and nonfinancial indicators. Analytical and predictive models utilizing descriptive statistics, factor analysis and odd ratio stepwise regression analysis were used to test the study hypotheses. The significance level was set at P-value equal to 0.05 and confidence level of 95%. The validity and reliability of research instruments were tested based on CVI and the obtained index was 90% indicating valid and reliable instruments.

FINDINGS

Table 1: How Does the Alignment between Strategy and Organizational Structure Affect the Financial Performance of Commercial Banks

Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Deviation
The alignment between our bank's strategy and organizational structure positively affects our financial performance	46	38	10	6	0	3.9767	0.34220
Our current organizational structure effectively supports the implementation of our strategic goals	26	63	4	3	4	4.7326	0.54068
Our bank's structure allows us to adapt and innovate in response to strategic changes	92	6	2	0	0	3.2209	0.51794
There is efficient alignment of resources (financial, human, technological) with our strategic objectives	4	77	14	5	0	4.0814	0.27505
Misalignment between strategy and structure significantly hinders our financial performance	38	47	13	1	1	1.6395	1.16733

Source: Primary Data (2024)

According to the findings from table 1, level of agreement on how strategy and organizational structure affect the financial performance, 46% strongly agreed and 38% agreed that the alignment between our bank's strategy and organizational structure positively affects our financial performance, 10% were neutral and 6%disagreed with a mean 3.9767 and standard

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deviation of 0.34220. Moreover, Our current organizational structure effectively supports the implementation of our strategic goals as 63% agreed and26% strongly agreed, 4% of respondents are undecided whereas3% disagreed about that statement with a mean 4.7326 with standard deviation of 0.54068. Then the majority of 92% respondents strongly agreed and 6% agreed. Bank's structure allows us to adapt and innovate in response to strategic changes with a mean3.2209 and standard deviation of 0.51794. Further, the large number of 77% respondents agreed and 4% strongly agreed that here is efficient alignment of resources (financial, human, technological) with our strategic objectives with mean of 4.0814 and standard deviation of 0.27505. Almost a half of respondents that is 41% strongly agreed and 38% disagreed that Misalignment between strategy and structure significantly hinders our financial performance with a mean of 1.6395 and standard deviation of 1.16733.

From the findings above, the study revealed that strategy and organizational structure is just as important as financial performance of commercial banks, resources needed, and reality of the delivery of the project. Managers who have experience properly dictate the tasks, effort and money required to complete a project. Besides, a work breakdown structure is a tool used for projects, programs, and even initiatives to understand the work that has to be done and to produce a deliverable(s) successfully. The benefits of creating a WBS include, defining and organizing the work required.

Furthermore, they also asserted that anorganizational structure effectively supports the implementation of our strategic goals, and financial performance. In addition, a here is efficient alignment of resources (financial, human, technological) with our strategic objectives, scope creep and cost overrun, among others. In other words, a Work Breakdown Structure serves as your map through complicated projects. Misalignment between strategy and structure significantly hinders our financial performance.

Table 2: Strategy Structure Fit Alignment on Financial Performance of Listed Commercial Banks

Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std Deviation
A hierarchical organizational structure is most beneficial for implementing a cost leadership strategy in our bank	9	81	3	1	6	3.4884	0.68159
A more decentralized organizational structure enhances the effectiveness of a differentiation strategy in our bank	57	13	15	3	12	3.5116	0.69864
Our bank's matrix structure effectively supports a focus strategy aimed at niche markets	14	82	1	3	0	4.0558	0.79151
Implementing a cost leadership strategy is more successful when our bank has a streamlined and efficient organizational structure	49	42	8	0	1	3.5965	1.03804
A flexible and adaptive organizational structure is crucial for the success of a differentiation strategy in our bank	59	36	1	3	1	3.5826	0.91872
Effectively handling, project execution requires the project manager to act as a leader	13	84	1	1	1	3.3163	0.75644

Source: Primary Data (2024)

The Table 2 above indicates the level of agreement on how the Strategy structure fit alignment on financial performance of listed commercial banks. A hierarchical organizational structure is most beneficial for implementing a cost leadership strategy in our bank as 81% agreed and 9% strongly agreed with a mean of 3.4884 and standard deviation of 0.68159. Besides, 57% also strongly agreed and 13% agreed that A more decentralized organizational structure enhances the effectiveness of a differentiation strategy in our bank but 12% strongly disagreed on that statement with a mean of 3.5116 and a standard deviation of 0.69864. Respondents also strongly agreed at the rate of 57% and agreed at the rate of 13% a more decentralized organizational structure enhances the effectiveness of a differentiation strategy in our bank with a mean of 4.0558 and standard deviation of 0.79151. In addition, our bank's matrix structure effectively supports a focus strategy aimed at niche markets as 14% strongly agreed and 82% agreed with a mean of 3.5116 and a standard deviation of 0.69864. Implementing a cost leadership strategy is more successful when our bank has a streamlined and efficient organizational structure, the majority of 49% strongly agreed and 42% agreed 8%were neutral and 1% strongly disagreed with a mean of 3.5965 and standard deviation of 1.03804. Moreover, the respondents were asked if A flexible and adaptive organizational structure is crucial for the success of a differentiation strategy in our bank with a mean of 3.5826 and standard deviation of 0.91872.

From findings above, Strategy structure fit alignment on financial performance of listed commercial banks because thestrategy structure is the part of financial performance that involves determining the performance of listed bank, deliverables, tasks, costs and deadlines. The scope statement also provides the team with guidelines for making decisions about change requests financial performance. In addition, in order to reach the objectives, it is necessary to produce concrete outputs in the of the listed bank. The outputs include both intermediate and final results of project activities such as operational models, training programs, facilities and listed bank.

During the interview, on the same point more than a half of respondents (67%) argued that Strategy structure fit alignment on financial performance of listed commercial banks. They said that A hierarchical organizational structure is most beneficial for implementing a cost leadership strategy in our bank. It involves putting into action all the activities that were set in the previous processes of the project cycle. During this stage, all the prepared schedules, procedures, and templates are used. Unexpected and unplanned events and situations are usually taken care of in advance. However, unanticipated happenings are likely to occur in the execution of the project. Such happenings need to be mitigated early by the project manager and other important stakeholders. Project managers have mandates to make sure that the project team performs the given tasks effectively within the proposed timeframe for the project to be completed on time.

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Table 3: To what extent does Misalignment between Strategy and Structure Impact Key Financial Metrics

Statements	SA (%)	A (%)	N (%)	D (%)	SA (%)	Mean	Std. deviation
Regular evaluation of our bank's strategy and structure positively impacts our financial performance	29	56	10	5	0	4.0000	3.7573
Effective control mechanisms in place ensure that our bank's strategic goals are met, leading to better financial outcomes	17	63	8	8	4	4.61630	0.68888
Continuous assessment and adjustment of our organizational structure enhance our bank's profitability	94	10	1	1	3	3.39530	0.72403
The alignment between our evaluation processes and strategic objectives is crucial for improving our financial performance.	29	51	3	5	12	4.10470	0.3079
Our bank's financial performance is significantly influenced by the effectiveness of our strategy structure evaluation and control processes	23	45	29	1	2	3.78950	0.65817
Failure to consult with experts during budgeting may affect the project's goals and activities	75	6	4	9	6	3.47210	0.75889

Source: Primary Data (2024)

The Table 3 indicates level of agreement on how misalignment between strategy and structure impact key financial metrics. Regular evaluation of our bank's strategy and structure positively impacts our financial performance as 56% agreed and 29% strongly agreed with a mean of 4.0000 and standard deviation of 3.7573. Besides, the respondents were asked if Effective control mechanisms in place ensure that our bank's strategic goals are met, leading to better financial outcomes, the majority of 63% agreed and 17%disagreed that statement with a mean of 4.61630 and standard deviation of 0.6888. They also strongly agreed (94%) and agreed 10%that Continuous assessment and adjustment of our organizational structure enhance our bank's profitability a mean of 3.39530 and standard deviation of 0.72403. Moreover, The alignment between our evaluation processes and strategic objectives is crucial for improving our financial performance as 45% agreed but 29% were neutral on that statement with a mean of 4.10470 and standard deviation of 0.3079. Further,58% of respondents strongly agreed and 23% agreed, 9% were undecided, 6% disagreed and 4% strongly disagreed with a mean of 4.69770 and a standard deviation of 0.66985 that Our bank's financial performance is significantly influenced by the effectiveness of our strategy structure evaluation and control processes.

The results of the findings show that strategy structure evaluation and control on the financial performance of commercial bank. In many cases, evaluation teams come up with multiple solutions for a structure strategy, and cost estimation helps them decide which way to go. These findings concur with Theodore (2022) who pointed out that cost budgeting can be viewed as part of estimation or as its own separate process.

During the interview with the key informants, when they were asked how strategy structure evaluation and control on the financial performance of commercial bank, 33.3% said that one of the objectives of strategy structure evaluation is to maintain financial performance. Strategy structure is an essential step in an effective financial performance. Hence, to maintain a sustainable development, each step of corporation should be well performed.

Table 4: Correlation between Dependent and Independent Variables

Correlations

		Financial Performance	**Strategy formulation**	**Strategy implementation**	**Strategy evaluation**
Financial Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	84			
Schedule	Pearson Correlation	.197	1		
	Sig. (2-tailed)	.070			
	N	84	84		
Project execution	Pearson Correlation	.227*	-.128	1	
	Sig. (2-tailed)	.035	.241		
	N	84	84	84	
Budget	Pearson Correlation	-.289**	-.681**	.044	1
	Sig. (2-tailed)	.007	.000	.690	
	N	84	84	84	84

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

Source: Primary Data (2024)

Table 4 above indicates the relationship between strategy structure fit and financial Performance. According to Pearson correlation, it is used when one wants to find a linear relationship between two variables. The table above shows that the correlation is insignificant between strategy evaluation and financial Performance (r=-289, p=0.007) and insignificant correlation between strategy implementation and financial Performance (r=-0.227, p=0.035). Besides, results also shows that there is insignificant negative correlation between strategy evaluation and strategy formulation (r=-0.681, p=0.000). Therefore, the study revealed that there is relationship between two variables that are strategy structure fit and financial Performance with insignificant correlation.

Table 5: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.377[a]	.142	.111	.48832

a. Predictors: (Constant), strategy evaluation, strategy implementation, Strategy formulation

Source: Primary Data (2024)

Table 5 above indicates the model summary and gives the value for multiple R and the adjusted R is 0.377[a] whereas R square is 0.111. This shows that the predictors (strategy evaluation, strategy implementation and strategy formulation) is constant. The model's overall fit is indicated by an adjusted R Square of .111, suggesting that approximately 11.1% of the variance in the dependent variable can be explained by the independent variables included in the model. The standardized coefficient of determination (R) is .142, indicating a weak positive relationship between the predictors and the dependent variable. The standard error of the estimate is reported as .48832, representing the average distance that the observed values fall from the regression line. The predictors in the model include strategy evaluation, strategy implementation, and strategy implementation, with their respective coefficients presented

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under the Predictors section of the table (see APA format guidance for citing regression results, such as Tabachnick & Fidell, 2019; Field, 2023).

Table 6: The variance of financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.249	3	1.083	4.542	.005[b]
	Residual	19.553	82	.238		
	Total	**22.802**	**85**			

a. Dependent Variable: Performance of food sustainable initiative project
b. Predictors: (Constant), Budget, Project execution, Schedule

Source: Primary Data (2024)

The Table 6 indicates the regression ANOVA, which test for a linear relationship between the variables. F test is used to determine the significance of the function. The results of F test on 0.01 important level was F-estimate>-table, F-table, F estimate=4.542 and P is .005[b] which is <0.05. As such, the model was meaningful at 1% important level. The results showed the analysis of variance table and the F-value which explain the effects of independents variables on dependent variable.

Table 7: Coefficients of Project Process Planning

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.028	.623		4.864	.000
	strategy evaluation	.035	.113	.044	.311	.757
	strategy implementation	.185	.078	.245	2.369	.020
	strategy implementation	-.195	.101	-.270	-1.933	.057

a. Dependent Variable: Performance of food sustainable initiative project

Source: Primary Data (2024)

The following regression equation was formulated

$Y= \beta_0+ \beta x_1+ \beta x_2+ \beta X_3+ \alpha$

Where Y is Financial Performance:

X_1 is strategy evaluation

X_2 is strategy implementation

X_3 is strategy implementation

$B_1 \ldots \beta_3$ is regression coefficient

α is error term

Table above indicates that Kernel of regression analysis in which Y=A+BX. The strategy evaluation which has three variables that are strategy evaluation, strategy implementation and strategy implementation have unstandardized coefficients B equal to 3.028 and constant. The Std error is 0.623. Thus, according to Kernel formula, strategy structure (strategy evaluation, strategy implementation and strategy implementation) equal to $Y=3.028 + 0.035 X_1 + 0.185 X_2 + 0.195X_3 +\varepsilon$ is effective and efficiency of financial Performance which is dependent

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variable. The unstandardized coefficients show the direction and magnitude of the relationships. Strategy structure demonstrates a significant positive effect (B = 0.185, p = 0.020), indicating that better Strategy structure leads to improved financial performance. Strategy implementation, although negative and marginally significant (B = -0.195, p = 0.057), suggests that stricter strategy implementation controls may impact performance adversely. Strategy implementation, however, shows a non-significant relationship (B = 0.035, p = 0.757), indicating that strategy structure does not significantly influence financial performance in this context.

Discussion

Influence of Strategy Formulation on Financial Performance

The findings from the present study felt that According to the findings from table 4.6, level of agreement on how strategy formulation influences Performance of the finance, 46% strongly agreed with the effect of strategy formulation change to the financial performance, affect the time completion of the financial performance as 63% agreed, 92% respondents strongly agreed. Further, 77% agreed that setting strategy formulation is a critical step of financial performance.

From the findings above, the study revealed that strategy formulation is just as important as strategy implementation as it determines the timeline, resources needed, and reality of the delivery of the finance performance. Managers who have experience properly dictate the tasks, effort and money required to complete a financial performance

The findings did not contradict the work of Safapoour (2019) on the measurements of controllable design procedure for financial performance. The findings showed that there are best practices that financial managers can mitigate the actual and the implied costs associated with scope creep. The main causes of scope creep include lack of effective communication among owners, having variety of oversight entities as well as the locality of the financial performance. It concur observation of the work of Safapour (2019) who identified in his research includes dispute resolutions, front-end, inventory management and collaborating among others. It seemed as attracting more extended live where finance was observed to be working after donors have terminated their support.

Influence of Strategy Implementation on Financial Performance

The strategy implementation influences the financial performance as 81% agreed and 9% strongly agreed with a mean of 3.4884 and standard deviation of 0.68159. Besides, 57% strongly agreed that the financial performance was affected by the misinterpretation of financial performance scope. In addition, there are strategies to tackle late financial performance scope within the structure implementation. Moreover, the respondents were asked if product scope (deliverable) change can affect and meet the need of strategy structure with a mean of 3.5826 and standard deviation of 0.91872.

The findings from the preset study are relevant since they complete the conclusion elucidate from Bellenger (2023) who carried out study on how avoid poor strategy implementation and protects the bottom line and found that preventing scope creep is something that is possible. The research findings showed that members' active participation, rainfall, type of the leaders, management and fund levels are key players in determining the financial performance. The conclusion drawn from the research by Echeme (2020) is that strategy structure cannot be considered sustainable. Further, the author suggests as recommendations that creating a

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participatory framework during the financial performance can greatly influence scope creep by reducing and preventing its occurrence.

Influence of Strategy Evaluation Control on Financial Performance

The findings suggest that strategy evaluation and control play a pivotal role in aligning financial performance with project goals and objectives within Rwanda's banking sector. The data shows a significant portion of respondents (85%) who recognize the importance of linking strategy implementation directly to financial performance activities. With a mean of 4.0000 and standard deviation of 3.7573, there is a strong indication that effective strategy evaluation not only guides cost control but also helps ensure that resources are used efficiently to achieve sustainable financial performance.

In real-world applications, these insights underscore the need for Rwandan banks to establish robust strategy evaluation mechanisms. For example, regular reviews of project costs, timelines, and outcomes could ensure that objectives remain achievable and aligned with the bank's financial goals. Furthermore, engaging with experts during strategy implementation could enhance this alignment, as the absence of expert guidance was highlighted by 75% of respondents as a potential risk to achieving strategic objectives. For Rwandan banks, this implies that incorporating periodic evaluations and expert consultations can mitigate risks associated with strategy misalignment, ultimately enhancing financial outcomes.

The study's findings advocate for a proactive approach, where banks continuously monitor and adapt their strategies to maintain coherence between high-level objectives and operational activities. By doing so, Rwandan commercial banks could strengthen their resilience in a competitive market, achieving both short-term financial goals and long-term sustainability through strategic alignment and informed decision-making.

Conclusion and Recommendations

Conclusion

In conclusion, this study examined the effect of strategic structure fit on the financial performance of commercial banks in Kigali, focusing on 86 employees from Bank of Kigali and Premier Bank, with a sample size of 71. Utilizing a descriptive and cross-sectional design, the research aimed to investigate the relationship between strategy-structure fit and organizational performance. The findings revealed that the first objective, assessing the impact of strategy structure on financial performance, yielded a mean value of 3.9767, indicating strong agreement and a low positive correlation ($r = -0.289$, $p = 0.007$). The second objective, determining the alignment of strategy structure fit, also showed strong agreement (mean value = 3.4884) and a low positive correlation ($r = -0.227$, $p = 0.035$). The third objective, assessing the influence of strategy structure evaluation and control, returned a mean value of 3.7573 and a strong positive correlation ($r = -0.681$, $p = 0.000$). Overall, the study established a medium positive significant relationship between strategic structure fit and financial performance, with a Pearson correlation coefficient of $r = 0.570$, emphasizing the importance of aligning strategies and structures to enhance financial outcomes in commercial banks.

Recommendations

To address the study's findings regarding financial performance of commercial banks in Rwanda, the following specific and actionable recommendations are proposed:

1. Involve Employees in Strategy Formulation: Commercial banks should establish cross-departmental workshops or strategy sessions where employees at all levels contribute to goal-setting and strategy formulation. This can foster alignment between individual roles and the bank's overall financial objectives, enhancing employee buy-in and accountability.
2. Set Specific, Measurable Goals: Banks should establish SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals that directly relate to financial outcomes, such as increasing quarterly profits by 10% or reducing customer service response times by 20%. These goals should be clearly communicated across teams, with regular updates on progress to keep everyone focused.
3. Adopt Targeted Competitive Strategies: For banks like the Bank of Kigali, adopting cost leadership can involve streamlining operations to reduce service fees, while product differentiation might focus on launching exclusive digital services. By targeting specific customer segments, such as SMEs or young professionals, banks can better position themselves to attract these groups and boost revenue.
4. Strengthen Strategic Implementation with Resource Allocation: Banks should ensure that each strategic initiative is backed by adequate resources—both financial and human. Setting up dedicated teams to oversee key projects and regularly reporting on resource utilization and progress can help ensure that strategic goals are met efficiently.
5. Prioritize High-Impact Initiatives in Strategic Implementation: Focus on implementing strategies that directly improve financial performance, such as expanding digital banking services to reach unbanked populations or offering tailored financial products. Regular evaluations of these initiatives should assess whether they meet financial targets and customer needs, enabling timely adjustments.
6. Develop a Detailed Strategic Planning Process: Banks should adopt a structured strategic planning framework, outlining quarterly and annual goals, responsible departments, and metrics for success. By incorporating market trends and customer feedback, strategic plans will be more responsive and relevant, guiding the bank's actions and helping them adapt to changing financial landscapes.

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