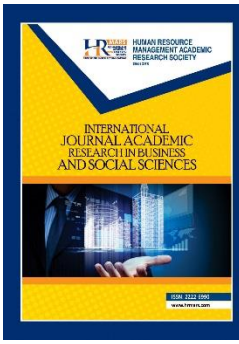
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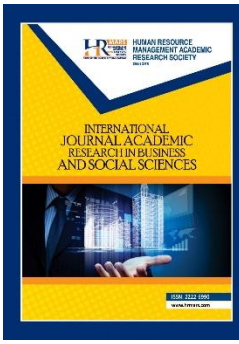
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Organizational Structure, in the Context of Change Management and Performance of Companies Listed in Nairobi Securities Exchange in Kenya

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Abstract
Companies listed in Nairobi Securities Exchange are faced with difficulties in adopting flexible and effective organizational structures that are capable of realigning the business processes/operations in change management processes for a more efficient, effective response to the turbulent and changing business environment. This study sought to determine the extent to which organizational structure in the context of change management affects performance of companies listed in NSE in Kenya. This study anchored on pragmatism philosophy, adopted a cross sectional survey and correlational research designs. A quantitative research approach to collecting and analyzing data was used. The target population was 64 companies listed in NSE and met the condition of having traded for five years from 2013 to June 2017.The study used Mugenda and Mugenda (2003) sample determination proposition that a sample size of 10% to 30% was a good representation of the target population. Multistage sampling techniques was used, at the first stage stratified random sampling technique was used since the population was subdivided into groups, six were in agricultural sector, two were in automobiles and accessories, ten were in banking sector, thirteen were in commercial and services, five were in construction and allied, five were in energy and petroleum, six were in insurance, three were in investment, one was in investment services, nine were in manufacturing and allied, one was in telecommunications and technology and lastly, one was in real estate investment trust (NSE Handbook, 2015).At the second stage, purposive sampling was used and was confined to specific types of people who can provide the desired information namely; chief executive officers,

heads of human resources, finance and marketing since they deal much with policy formulations. The number of companies sampled was 38 4 senior managers = 152 senior managers. The study used semi-structured questionnaire to collect data. The split-half reliability test showed a Cronbach's Alpha of r=0.704, this was above 0.7, hence the tool was reliable. Data analysis was done through descriptive and inferential statistics such as correlation, hypothesis testing, and linear regression model. The findings showed that all the elements were effective in contributing to adaptive organizational structures with the most effective to the least effective in this order: centralization of decision making, formalization of change process, Specialization of managers and configuration of change Process. The study revealed that there was a significant strong positive correlation between organizational structure and performance of companies listed in NSE, r= 0.723**,p<0.001,CL=95%. The ANOVA F-statistic p-value being < 0.001 which is less than 0.05 hence, the study rejected the null hypothesis that organizational structure does not significantly affect performance of companies listed in Nairobi Securities Exchange. It was recommended that companies listed in NSE should seek to strengthen specialization of managers and configuration of change process which are the elements of organizational structure that contributed the least to more flexible and effective organizational structures, this will ensure better performance outcomes. The study showed that organizational structure positively affects performance of firms listed in NSE, therefore managers of these firms should adopt an organizational structure that is efficient, flexible and innovative in order to be able to achieve better performance.

Keywords: Organizational structure, Performance of companies in Kenya, Nairobi Securities Exchange (NSE).

Background of the Study

Companies which have organizational structures that do not realign their businesses/operations according to the changing business environment may face challenges in competition and profitability in their performance. Organizational structures remain a critical part in the operation of a business firm. Wolf (2002) refers to organizational structure as the architecture of business competence, leadership, talent, functional relationships and arrangement. Underdown (2012) opined that organizational structure is the formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate to achieve an organization's goals. Tran and Tian (2013) observed that companies arrange their functions such as marketing, accounting, finance and engineering in order to use the experience of groups to accomplish tasks and projects. Herath (2007) opined that organization structure directs the competence of work, enthusiasm of employees and coordination among the top management and subordinates for flow of plans and goals in the organization to craft their plans. Tran and Tian (2013) observed that the static nature of organizational structure sometimes cannot meet requirements of efficiency and adoptability.

Specialization of managers refers to how the company is often closely related to the number and distribution of specialist roles when companies split into departments. Firms which have more specializations will have more divisions and possibly sub-divisions too (Matsui, 2000). Formalization or standardization of change processes refers to the proportion of codified jobs and the range of variation that is tolerated within the parameters, procedure and so on (Lunenburg, 2012). Centralization of decision-making process refers to the degree to which decision-making is

centralized or decentralized in the manner in which an organization allocates resources and determines policies and objectives. A centralized organization will typically have a high degree of hierarchical authority and low levels of participation in decisions about policies and resources. Decentralized organization is characterized by low hierarchical authority and highly participative, decision-making (Andrews, Boyne, Law and Walker, 2009). Configuration of change process refers to the number of hierarchical layers and span of control such as how many subordinates each manager has.

The contingency theory of organizational structure is static and fails to deal with organizational change and adaptation (Galunic and Eisenhardt, 1994). While most organizations focus on deciding what to change to improve company performance and quality, the human element of executing these decisions is often left unattended (Suresh, 2011).Concrete purposes of change management for different organizations are probably not the same, but the ethos of change management is the same by making the organizations more effective, efficient and responsive to the turbulent environmental changes (Song, 2009).Therefore, the effect of organizational structure on performance of companies listed in the Nairobi Securities Exchange in Kenya needs to be addressed to establish whether it would produce positive or negative outcome on performance of companies in the NSE. Capital Markets Authority and Nairobi Securities Exchange being regulatory bodies have an obligation to ensure that listed companies comply and operate according to the laid down rules when trading in the stock exchange (CMA, 2002; NSE, 2013). The financial statements on performance of listed companies are shared with these regulatory bodies, investors and the public to ensure that there is an element of transparency (NSE, 2014). They reflect the company's profitability and competiveness at the end of each and every financial year. This study intends to determine the extent to which the organizational structure affects performance of companies listed in Nairobi Securities Exchange in Kenya.

Statement of the Problem

Globally, companies are faced with challenges of designing and adopting robust, flexible and effective organizational structure that conform to the changing business environment in business processes/operations and which has a significant effect on organizational performance. Organizations that are listed and trading in NSE faces similar challenges and this affects their performance in profits for quality goods and services for the customers and it is this gap that this study addressed in the Kenyan context.

The Capital Markets Authority (CMA) being a Government regulator is charged with licensing and regulating the capital markets, approving public offers and listings of securities traded at NSE (CMA, 2002). And every Capital Markets Authority is different from country to country. For example, Kenya Airways have been struggling to return to profitability and have attributed reduced losses to passenger numbers by more than 5% to 4.5 million. Their rationalization of operations resulted in a decline in direct operating cost by ksh.2.5 billion to 65.2 billion in the financial year ended March, 2016 with a reduction of its headcount by 142 to 3,870 staff members (NSE, 2016). Mumias Sugar Company Limited reported the second worst loss despite a noticeable 14% increase in revenue with a turnover of Sh.6.3 billion and a loss of Sh.4.7 billion in the financial year ended June 30, 2016 compared to Sh.4.6 billion the previous fiscal year (NSE, 2016). Uchumi Supermarkets posted the third worst loss of Sh.2.8 billion in the financial year ending June 30, 2016 by over half a billion shillings

less than its loss the previous fiscal year. The loss was accompanied by a 50% slump in turnover and a reduction of employee numbers by 747 to 2,317 (NSE, 2016). These companies were suspended from trading in NSE because of poor financial performance which was attributed to organizational structures which were not flexible enough by adding value to the companies as a lot of resources were channeled to non-core functions hence, creating wastage and duplication of roles that was draining the companies financially as they were not sustainable in the long run.

Beshtawi and Jaaron (2014) study focused on change management in telecommunication sector. They used forty-two semi-structured interviews on 23 managers and supervisors and 19-line employees in Palestine. Their study did not use both non-financial and financial indicators to measure performance and did not focus on the organizational structure. By (2005) study used a critical review of theories and approaches to organizational change management. This study was not an empirical test and failed to address organizational structures of the companies. Irungu (2007) study focused on the effect of top management teams on performance of publicly quoted companies in Kenya. His study was longitudinal survey on 47 companies in NSE in Kenya for a period of 5 years (2001-2005) and failed to look at how the organizational structure affects performance of companies. Machuki (2011) study focused on external environment-strategy co-alignment, firm level institutions and performance of public quoted companies in Kenya. His study was longitudinal survey but on 53 companies for a period of 5 years (2005-2009). His study did not focus on the effects of organizational structure on performance of companies listed in NSE in Kenya.

These studies failed to consider organizational structure and did not adopt sample size and sampling procedures which the current study used with a target population of 64 companies listed in NSE for a period of 5 years (2013-2017). There are conceptual, contextual and methodological research gaps which have been noted during the review of previous studies that this study intends to address by combining the two variables such as organizational structure and performance. This study is important because it shows companies how to address pertinent issues affecting employees and the company's growth in a turbulent changing business environment. Failure by companies listed in NSE in Kenya to adopt to a suitable organizational structure may lead to losses and suspension from NSE by Capital Markets Authority and lack of investor confidence and failure to meet customers' needs that will bring the companies down to its knees. This study intends to determine the extent to which organizational structure affects performance of companies listed in NSE in Kenya.

Research Objective

To determine the extent to which organizational structure in the context of change management affects performance of companies listed in Nairobi Securities Exchange

Research Hypothesis

H_0: Organizational structure does not significantly affect performance of companies listed in Nairobi Securities Exchange.

Conceptual Framework

This study was guided by the following conceptual framework. This is presented in Figure 1.

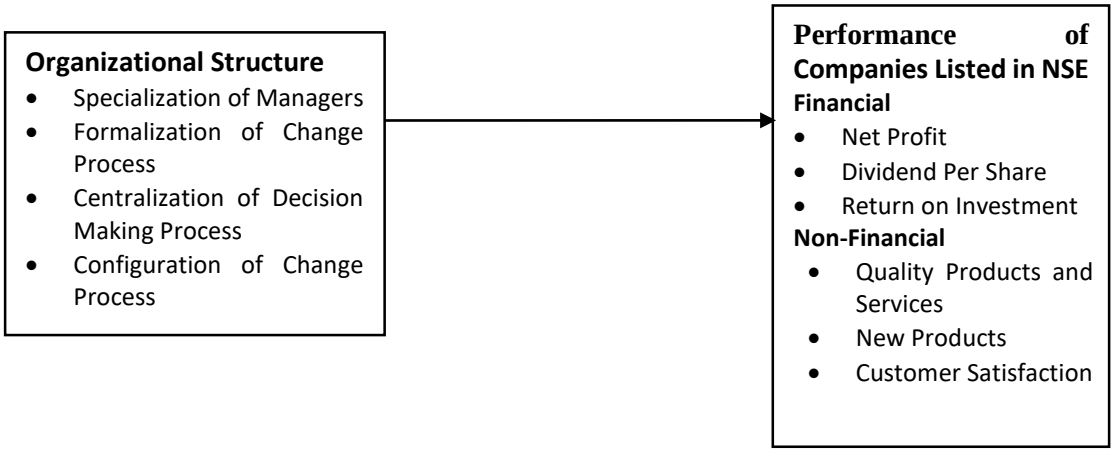

Figure 1: Conceptual framework of the study

Organizational structure was presumed to affect performance of companies listed in NSE and was presented on the left-hand side of the diagram in figure 1 as independent variable and performance of companies was the dependent variable and was presented on the right-hand side of the conceptual framework.

Theoretical Framework

a) Contingency Theory

The Contingency Theory was propounded by Fiedler (1971) and focused on the importance of both leader's personality and the situation in which that leader operates. Pfeffer (1982) opined that contingency theory of organizational structure may be referred to as structural contingency theory. Galunic and Eisenhardt (1994) argued that structural contingency theory is static and fails to deal with organizational change and adaptation because it deals with how a static state of fit between structure and contingency causes high performance. Parsons (1961) indicated that organizations adapt to changing environments and concluded that organizations change from one fit to another over time. Hamilton and Shergill (1992) observed that an organization in fit enjoys higher performance which generates surplus resources and leads to expansion such as growth in size, geographic extension, innovation or diversification. According to Donaldson (2000) criticism of structural contingency theory is that it is not sensible for organizations to move into fit with their contingencies because while the organization is changing its structure to fit the contingencies, the contingencies themselves change, so that the organizational structural change does not produce fit. Nevertheless, by moving towards the fit, the organization is decreasing misfit and thereby increasing its performance relative to what it would be if it were to make no structural change and yet this may increase performance enough to produce some expansion in the contingencies (Donaldson, 2000).

Contingency theory asserts that the effect of one variable on another depends on some third variable (Donaldson, 2000). Contingency variables usually represent environmental situations. Response variables mean organizational actions to respond to environmental contingencies. Performance variable are dependent variables to represent specific effectiveness and evaluate the fit between contingency variables and response variables. In the present study, contingency variable include technology. Response variable is the organizational structure. Performance variable comprises financial and non-financial performance of companies listed in NSE. Other theories include, a Framework for Comparative Analysis of Organizations was propounded by Perrow (1967) focused on structuring the arrangements among people for getting work done and technology compares organizations. Structuring of Organizations was propounded by Mintzberg (1992) focused on the key part of the organization, prime coordinating mechanism and type of decentralization. However, Contingency Theory informed the variable/concept of organizational structure in this study.

b) Industrial Organization Economics Theory

The Industrial Organization Economics Theory was propounded by Bain (1968) and was rooted in the experience of industrialized nations (Basu, 1993). The field of industrial organization had been transformed during the past twenty years and that game theory had emerged as a predominant methodology for analyzing business strategy (Shapiro, 1989). This means that the new industrial organization involves specifying a game among competing firms and solving that game in extensive form using the non-cooperative solution concept of Nash equilibrium or one of its refinements. Using extensive form games to model strategic interactions has the virtue of forcing the analyst to think carefully and to be quite precise about specific nature of competition. Currently, the game theory provides the only coherent way of logically analyzing strategic behavior (Shapiro, 1989).

Fisher (1989) argued that game theoretic approach to industrial organization had been unsuccessful. The sensitivity of equilibrium behavior to the specification of the extensive form of the game had evidence that the game theoretic approach had failed since the specification may be hard to discern from available industry information. Whereas, Shapiro (1989) further reported that game theory tells us the conditions under which different outcomes occur and what factors are most critical in shaping behavior and performance in concentrated industries. According to Porter (1981) the traditional brain/mason paradigm of industrial organization offered strategic management a systematic model for assessing competition within an industry, yet the model was seldom used in the business policy field. Industrial organization and business policy differed in their frame of reference (public vs. private), units of analysis (industry vs. firm), views of the decision maker and stability of structure and in other significant respects. Porter (1981) concluded that the development of industrial organization theory during the 1970's had narrowed the gap between the two fields to the extent that industrial organization should now be of central concern to policy scholars. Other theories include, Stakeholders Theory propounded by Freeman (1984) focused on defined objectives for what each stakeholder group expects from the corporation and how each group contributes to the success of the corporation. Balance Scorecard Theory was propounded by Norton and Kalpan (1992) and focused on non-financial and financial measures of monitoring performance. However, Industrial organizational Economics Theory informed the variable/concept of performance of companies in this study.

Empirical Review of the study Variables

A study by Meijaard, Brand and Mosselman (2005) on organizational structure and performance in Dutch small firms reported that organizational structure mattered and deserved to be considered in models and future analysis of small firm performance. And that nine structure stereotypes could be delineated. The study used a stratified sample of 1411 Dutch small firms. They concentrated on small Dutch firms and did not consider large firms in their study. This study did not address the indicators of organizational structure such as specialization, centralization, formalization and configuration. In another study by Tajipour, Sarboland and Khodabakhshi (2014) on the impact of organizational structure levels on productivity in Imam Reza Mehr Fund in Khuzestan province reported that there was a statistically significant difference on impact of organization structure indicators such as formalization, complexity and centralization on productivity. The target population was 72 employees. The study used census by simple random sampling method with seventy-two questionnaires. Data was analyzed using deductive and descriptive statistical methods. Two-way variance analysis to test the hypothesis of the research was used. Questionnaires reliability was estimated by calculating Cronbach's Alpha. In order to determine the differences between the variables of the study, the SPSS tool was used. Tajipour, Sarboland and Khodabakhshi (2014) study did not consider other organizational structure indicators such as specialization of managers and configuration of change process.

Basol and Dogerlioglu (2014) study on structural determinants of organizational effectiveness increasing organizational effectiveness on software industry firms reported that formalization and specialization increases organizational effectiveness. They further reported that an increase of organizational size decreases the organizational effectiveness showing that software companies need to remain at small scale while increasing their organizational performances with the help of specialization and formalization. The structural variables considered in this research were formalization, specialization, centralization, organizational age and size. The survey comprised 120 software firms. Data was analyzed using statistical test techniques. The regression model proved that organizational size, formalization and specialization were the factors influencing organizational effectiveness. Basol and Dogerlioglu (2014) further indicated that improved communication may refer to more policies, procedures and rules which in turn will increase formalization. The study left out indicators such as configuration of change process and centralization of decision making which are also critical in organizational structure. The study only targeted software firms and this study intends to address companies in different sectors of the economy and are trading in the NSE in Kenya.

A study by Santos and Brito (2012) on toward a subjective measurement model for firm performance reported that the dimensions cannot be used interchangeably, since they represent different aspects of firm performance and corroborate the idea that stakeholders have different demands that need to be managed independently. Their study used confirmatory factor analyses data from 116 Brazilian senior managers to test its fit and psychometric properties. Santos and Brito (2012) study lacked convenience and geographic characteristics of the sample to allow generalization of the results and also failed to test the dimension of market value. Another study by Fauzi, Svensson and Rahman (2010) reviewed corporate performance, corporate financial performance and corporate social performance. They reported that the concept of triple bottom line as sustainable corporate performance should consist of three measurement elements namely; (i) financial, (ii) social

and (iii) environmental and the content of each of these measurement elements may vary across contexts and over time. Triple bottom line as sustainable corporate performance should be interpreted to be a relative concept that is dynamic and iterative. They recommended that continuous monitoring needs to be performed, adapting the content of the measurement elements to changes that evolve across contexts and over time in the marketplace and society.

Methodology of the Study

This study was anchored on pragmatism philosophy because it involved objective testing of empirical hypothesis that was formulated as predictions of the observed phenomena. The study adopted quantitative approach to data collection and analysis. The study applied a cross sectional survey research and correlational research designs. The target population was 64 companies listed in NSE and met the threshold for having traded for five years from 2013 to 2017 as at 30th June, 2017 (NSE Handbook, 2016). The study used Mugenda and Mugenda (2003) sample determination proposition that a sample size of 10% to 30% was a good representation of the target population and hence, adequate for analysis for this study because it fulfilled the requirements of efficiency, representation, reliability and flexibility. The sample size was determined based on precision rate and confidence level. Multistage sampling techniques, at the first stage stratified random sampling technique was used since the population was subdivided into groups, six were in agricultural sector, two were in automobiles and accessories, ten were in banking sector, thirteen were in commercial and services, five were in construction and allied, five were in energy and petroleum, six were in insurance, three were in investment, one was in investment services, nine were in manufacturing and allied, one was in telecommunications and technology and lastly, one was in real estate investment trust (NSE Handbook, 2015).At the second stage, purposive sampling was used and was confined to specific types of people who can provide the desired information namely; chief executive officers, heads of human resources, finance and marketing since they deal much with policy formulations. For the purposes of this study, a desired minimum precision rate of +5% and a confidence level of 95% was used (Kothari, 2009). The sample size of this study used Cochran's formula of 'return sample size method' for categorical data as propounded by Mugenda and Mugenda (2003). The number of companies sampled was 38 * 4 number of Senior Managers = 152 Senior Managers being the final sample size estimate was adjusted as recommended by Mugenda and Mugenda (2003).The research instrument for the collection of primary data was a semi-structured questionnaire. The study piloted the instruments to 15 senior managers namely; 3-Chief Executive Officers, 4-heads of human resources, 4-heads of finance and 4-heads of marketing from a sample of 152 respondents which is 10% of 152 equals to 15 senior managers. The split-half reliability test showed a Cronbach's Alpha of r=0.704, this was above 0.7, hence the tool was reliable. The recommended value was 0.7 which this study used as cut-off reliabilities. Data analysis was done through descriptive and inferential statistics such as correlation, hypothesis testing, and regression model.

Research Findings and Discussion

Organizational Structure and Performance of Companies listed in NSE

The respondents were asked to state their level of agreement/disagreement with statements on organizational structure in a 5-point Likert scale where; 1-Strangly disagree, 2-Disagree,3-Neutral,4-Agree and 5-Strongly Agree. The results are presented in table 1.

Table 1: Descriptive Statistics for Organizational Structure

Statements	S.D	D	N	A	SA	$\bar{x}$	SD
Specialization of Managers							
Companies form departments/divisions and sub-division which are driven by specialization.	0.6%(1)	7.4(9)%	20.6%(25)	46.9%(56)	24.5%(29)	3.87	0.888
Skilled labor is not important in the operations of the organization than managers.	2.3%(3)	13.7%(16)	9.7%((36)	34.9%(42)	19.4%(23)	3.56	1.026
Specialists can destroy the organization by disrupting the routines or operations of the organization.	0.6%(1)	8.0%(10)	20.6%(25)	48.0%(58)	22.8%(27)	3.85	0.887
Formalization of Change Process							
It ensures consistency and can help the organization stay legal and safe.	0.0%(0)	10.3%(12)	19.4%(23)	45.7%(55)	24.6%(30)	4.01	2.454
Rules, policies and procedures are written to guide the organization during change process.	2.9%(3)	9.2%(11)	26.4%	44.8%(54)	16.7%(20)	3.63	0.963
Change process does not follow any formal rule during implementation.	1.1%(1)	8.6%(10)	14.9%(18)	45.7%(55)	29.7%(36)	3.94	1.864
Centralization of Decision Making							
The control is held centrally with managers and staff making decisions.	0.6%(1)	5.7%(7)	12.6%(15)	46.3%(56)	34.8%(42)	4.09	0.866
There is no participation in decision making by employees.	2.9%(3)	9.7%(12)	23.4%(28)	39.4%(47)	24.6%(30)	3.73	1.029
Decentralization is not practiced in change process.	0.6%(1)	6.3%(8)	22.1%(27)	45.7%(55)	25.3%(30)	3.89	0.877
Configuration of Change Process							
Our organization is divided into different departments/division.	4.0%(5)	11.4%(14)	35.4%(42)	31.4%(38)	17.7%(21)	3.47	1.038
Some departments have been merged and others phased out during change process.	6.9%(8)	21.7%(26)	22.3%(27)	33.6%(40)	15.5%(19)	3.29	1.170
There is no confusion and conflict during the transfers/placement of employees from one department to the other.	1.1%(1)	2.3%(3)	19.5%(23)	50.4%(60)	27.1%(33)	3.29	0.813
Composite Mean						**3.78**	**1.067**

On whether the companies form departments/divisions and sub-division which is driven by specialization, 0.6% (1) of the respondents strongly disagreed, 7.4% (9) disagreed 20.6% (25) were neutral, 46.9% (56) of the respondent's agreed and 24.5% (29) strongly agreed. The item mean was 3.87 (SD=0.888),this was above composite mean of 3.78.This meant that companies that formed departments/divisions and sub-division which were driven by specialization realized flexible and effective organizational structure to a large extent.

Concerning whether skilled labor is not important in the operations of the organization than managers, 2.3% (3) strongly disagreed, 13.7% (16) disagreed, while 29.7% (36) were neutral, 34.9% (42) of the respondents agreed, 19.4% (23) strongly agreed. An item mean of 3.56 (SD=1.026),this falls below composite mean of 3.78.This meant that organizations that handled skilled labor as less important than managers in the operations had less contribution in building flexible and effective organizational structure.

The respondents were asked whether specialists can destroy the organization by disrupting the routines or operations of the organization. 0.6% (1) strongly disagreed, 8.0% (10) disagreed while 20.6% (25) of respondents agreed, 48.0% (58) were neutral, 22.8% (27) strongly agreed. An item mean of 3.85(SD=0.887) was recorded which is above composite mean of 3.78.This meant the companied that held the view that specialists can destroy the organization by disrupting the routines or operations of the organization realized flexible and effective organizational structure to a large extent.

On whether formalization ensures consistency and can help the organization stay legal and safe; 4.0% (5) strongly disagreed,11.4% (14) disagreed, while 35.4% (42) of respondent were neutral, 31.4% (38) respondent agreed,17.7% (21) of respondent strongly agreed. The item mean was 4.01 (SD=2.454) which was above composite mean of 3.78.This meant that the companies that believed that formalization of change process ensures consistency and can help the organization stay legal and safe realized flexible and effective organizational structure to a large extent.
On whether rules, policies and procedures are written to guide the organization during change process; 6.9% (8) strongly disagreed, 21.7% (26) disagreed, while 22.3% (27) of respondent were neutral, 33.6% (40) respondent agreed, 15.5% (19) of respondent strongly agreed. Item mean was 3.63 (SD=0.963) which above composite mean of 3.78.This meant that companies that put in place rules, policies and procedures to guide the organization during change process realized flexible and effective organizational structure to a large extent.
On whether change process does not follow any formal rule during implementation; 1.1% (1) strongly disagreed, 2.3% (3) disagreed, while 19.5% (23) of respondent were neutral, 50.4% (60) respondent agreed, 27.1% (33) of respondent strongly agreed. Item mean was 3.94 (SD=1.864) which was above composite mean of 3.78, this meant that companies that believed that change process does not follow any formal rule during implementation realized flexible and effective organizational structure to a large extent.
On whether the control is held centrally with managers and staff making decisions; 0.6 % (1) strongly disagreed, 5.7 % (7) disagreed, while 12.6 % (15) of respondent were neutral, 46.3% (56) respondent

agreed, 34.8 % (42) of respondent strongly agreed. The item mean was 4.09 (SD= 0.866) which was greater than the composite mean of 3.78, this meant that companies where control was held centrally with managers and staff making decisions realized adaptive organizational structure to a large extent.

On whether there is no participation in decision making by employees, 2.9% (3) strongly disagreed, 9.7% (12) disagreed, while 23.4% (28) of respondent were neutral, 39.4% (47) respondent agreed, 24.6% (30) of respondent strongly agreed. The item mean was 3.73 (SD=1.029) this was less than the composite mean of 3.78, this meant that in companies where there was no participation in decision making, the realization of a flexible and effective organizational structure was to a small extent.

On whether decentralization is not practiced in change process, 0.6% (1) strongly disagreed, 6.3% (8) disagreed, while 22.1% (27) of respondent were neutral, 45.7% (55) respondent agreed, 25.3% (30) of respondent strongly agreed. The item mean was 3.89 (SD=0.877), more than the composite mean of 3.78 (SD=1.067). Companies that did not practice decentralization in change process realized flexible and effective organizational structure largely.

To find out whether organizations listed in Nairobi Securities Exchange in Kenya ensures consistency and can help the organization stay legal and safe, 0.0% (0) strongly disagreed, but 10.3% (12) disagreed, while 19.4% (23) were neutral, majority 45.7% (55) of respondents agreed, 24.6% (30) strongly agreed. The item mean was 4.01 (SD=2.454) and was above composite mean of 3.78. This also indicates that most of the organization listed in Nairobi Securities Exchange in Kenya ensures consistency thus helping the organization stay legal and safe, which positively affects performance of companies in NSE.

Asked whether some departments have been merged and others phased out during the change process, 33.6% (40) of the respondents agreed, 22.3% (27) neither agreed nor disagreed, 21.7% (26) disagreed, 15.5% (19) strongly agreed while the least respondents at 6.9% (8), strongly disagreed. The item mean was 3.29 (SD=1.170), this was less than the composite mean of 3.78, this meant that companies that did not merge some departments or phase them out entirely during the change process, realized adaptive organizational structure to a small extent.

On whether there is no confusion and conflict during the transfers/placement of employees from one department to the other, 1.1% (1) strongly disagreed, 2.3 % (3) disagreed, while 19.5% (23) of respondent were neutral, 50.4% (60) respondent agreed, 27.1% (33) of respondent strongly agreed. The item mean was 3.29 (SD=0.813) which is less than the composite mean of 3.78. This meant that in companies where there was no confusion and conflict during the transfers/placement of employees from one department to the other, adaptive organizational structure was realized to a small extent.

Table 2: Summary of Descriptive Statistics for Organizational Structure

Organizational Structure	Mean	Std. Deviation	Analysis n
Specialization of Managers	3.760	1.314	120
Formalization of Change Process	3.860	0.967	120
Centralization of Decision Making	3.903	0.981	120
Configuration of Change Process	3.350	0.916	120

The average score rate for specialization of managers, formalization of change process, centralization of decision making and configuration of change process were 3.760, 3.860, 3.903 and 3.350 respectively out of 5 possible points. The findings showed that all the elements were effective in contributing to adaptive organizational structure with the most effective to least effective in this order; centralization of decision making, formalization of change process, Specialization of managers and configuration of change Process.

Correlation Analysis for Organizational Structure and Performance of Companies

The study revealed that there was a significant strong positive correlation between organizational structure and performance of companies listed in NSE, $r = 0.723^{**}$, $p<0.001$, CL=95%.This meant that if organizational structure is enhanced then the performance of companies will also improve. A scatter plot between performance of companies and organizational structure depicted a linear relationship as shown in Figure 2.

Table 3: Correlation Coefficients for Organizational Structure and Performance Companies

Variable		Performance of Companies	Organizational Structure
	Pearson Correlation	1	.723**
	Sig. (2-tailed)		.000
Performance of Companies	N	143	143
	Pearson Correlation	.723**	1
	Sig. (2-tailed)	.000	
Organizational Structure	N	143	143

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

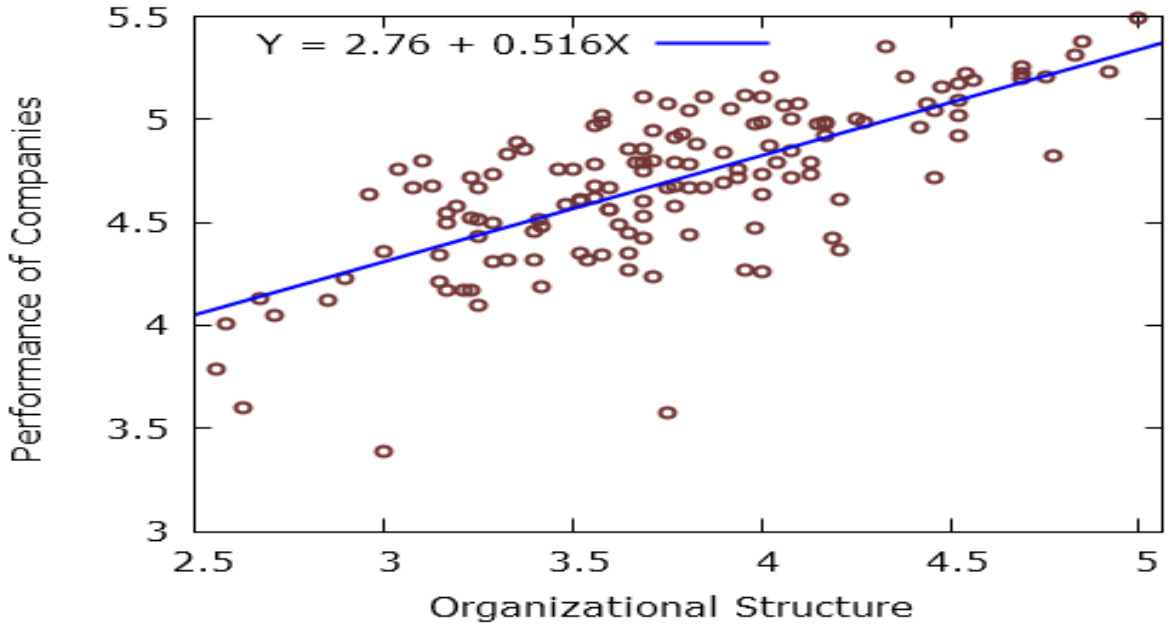

Figure 2: Scatter plot between organizational structure and performance of companies

Hypothesis testing for Organizational Structure and Performance of Companies listed in NSE

The study used ANOVA F-statistic and p-value to test the null hypothesis that null hypothesis that organizational structure does not significantly affect performance of companies listed in Nairobi Securities Exchange. The F-statistic was 154.167, the p-values being < 0.001 which is less than 0.05 hence, the null hypothesis was rejected. The alternative hypothesis was adopted i.e. there was a positive significant effect between organizational structure and performance of companies listed in Nairobi Securities Exchange in Kenya.

Table 5: ANOVA for Organizational Structure

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.288	1	10.288	154.167	.000[b]
	Residual	9.409	141	.067		
	Total	19.697	142			

a. Dependent Variable: Performance of Companies (Y)

b. Model 1 and 2 Predictors: (Constant)

Regression Analysis

The coefficient regression equation between organizational structure and performance of companies can be expressed as; $Y = \beta_0 + \beta_1 X_3$ which results to $Y = 2.76 + 0.516 X_3$. The results are presented in Table 4.

The coefficient determinant, R^2 was 0.522, this therefore implies organizational structure explained at least 52.2 % of variability of performance of companies which was significant.

Table 4 show that the p- value was< 0.001 which were less than 0.05, this meant that there was a significant positive association between organizational structure and performance of companies listed in Nairobi Securities Exchange in Kenya.

Table 4: Regression analysis for organization structure of and performance of companies

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.760	.158		17.514	.000		
	Organizational structure	.516	.042	.723	12.416	.000	1.000	1.000
2	(Constant)	-.338	.263		-1.282	.202		
	Organization structure*Z	1.026	.070	.779	14.761	.000	1.000	1.000

a. Dependent Variable: Performance of Companies (Y)

Discussion of Findings

The results are in convergence with the findings by Meijaard, Brand and Mosselman (2005) that organizational structure is critical for change management and performance of firms listed in NSE. The results also support findings by Tajipour, Sarboland and Khodabakhshi (2014) that there was a

statistically significant difference on impact of organization structure indicators namely; formalization, complexity and centralization on productivity.

The results further concur with findings by Basol and Dogerlioglu (2014) that formalization and specialization increase organizational effectiveness. The results indicate that most companies listed in Nairobi Securities Exchange have organization structures that are well defined with work specialization of managers, formalization of change processes, and centralization of decision-making and configuration of change process.

The findings showed that organizational structure is a determinant on which individuals gets to participate in decision-making processes in the various levels of the organizational level and the extent to which their views are used in managing firms trading in Nairobi Securities Exchange in Kenya. The findings of the study were in line with the Contingency Theory as propounded by Fiedler (1971).

Conclusion

The findings showed that all the elements were effective in contributing to adaptive organizational structure with the most effective to the least effective in this order; centralization of decision making, formalization of change process, Specialization of managers and configuration of change Process.
It was inferred that there was a strong positive correlation between organizational structure and performance of companies listed in NSE; a flexible organizational structure contributes to better performance for firms that are listed and trading in Nairobi Securities Exchange in Kenya.
It was also inferred that there was a positive significant effect between organizational structure and performance of companies listed in Nairobi Securities Exchange in Kenya.

Recommendation

The companies listed in NSE should seek to strengthen specialization of managers and configuration of change process which are the elements of organizational structure that contributed the least to more flexible and effective organizational structure, this will ensure better performance outcomes.
The study showed that organizational structure positively affects performance of firms listed in NSE, therefore managers of these firms should adopt an organizational structure that is efficient, flexible and innovative in order to be able to achieve better performance.

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