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Influence of Restructuring Capability on Strategy Execution in Deposit Taking SACCOs in Kenya

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Abstract:

The purpose of this paper is to examine the influence of restructuring capability on strategy execution in Deposit Taking Savings and Credit Cooperative Organizations in Kenya. The study population was 500 heads of department in Kenya's 164 fully licensed DT-SACCOs in 2017. 183 complete responses were received from a sample of 222 heads of department. To test the hypotheses, structural equation modelling was the main analytical framework used. The research found out that ability to restructure has a significant positive influence on strategy execution. This study adds to the existing body of knowledge on the restructuring capability and strategy execution linkage. Further, the study offers insights on how to improve both the ability to restructure and strategy execution in organizations by focusing on the efforts that go in before restructuring and the results expected as a result.

Keywords: *Restructuring, strategy execution, capability, cooperatives, SACCOs*

1. Introduction

Execution plays a very important role in business; it brings strategy to life (Ireland, Hoskisson, & Hitt, 2013). It is for this reason that execution is deemed to be at the core of the strategic management process. Through execution, strategic intent is turned into tangible action and organisational structures, resources and support systems are deployed as may be necessary to bring strategy to fruition (Amason, 2011). Despite the advancement of strategic management, a gap between strategy and execution remains. Weak execution continues to undermine the potential of many good strategies. A majority of failed strategies have been tracked down to a breakdown during the execution phase (Noble, 1999). Subsequently, Amason (2011) proposes that good strategists should be obsessed with strategy execution because it is the key to strategic success. Today, more than ever before, business leaders are concerned with how to execute strategy in light of the changes happening in their internal and external environments. In particular, organisations have the need to align their structure with strategy. According to Thompson, Peteraf, Gamble, & Strickland III, (2016), it is usually unwise to attempt to carry out a new strategy without restructuring. Organisational restructuring capability is considered as the ability of a firm to formally rearrange the interactions between people, tasks and resources (Pearce & Robinson, 2011). Largely, restructuring is an intentional change management process that results in the overhauling and streamlining of the activities within an organisation (Thompson et al, 2016). It is postulated that the ability to restructure positively influences strategy execution.

A main guiding principle to organisational restructuring is that structure should follow strategy (Chandler, 1962). This principle advances the need for structuring and restructuring efforts to be in line with the desired strategic direction. Hitt, Ireland, and Hoskisson (2015) argue that there is adequate proof that a firm's performance goes down when its strategy is not matched with a fitting structure. Further, Soni (2016) ascertains organisational restructuring as a requirement when the existing structure is no longer effective and a new one is inevitable for the organisation to counter challenges in its internal and external environments. In many organisations, restructuring is not a one-off activity but an ongoing process. The ability to successfully restructure is vital in supporting the change that happens during strategy execution.

Empirical evidence on the importance of restructuring across the different industries appears contradictory. There seems to be a lack of consensus on the benefits of restructuring. While in some organisations, organisational restructuring is beneficial, in others organisational restructuring efforts cause disruptions and create uncertainty (Lin, Lee & Gibbs, 2008).

Further, Turner (2006) points out that fixation with organisational structures can be the main reason why people resist change and restructuring fails as a result. In addition, Benos, Kalogeras, Verhees, Sergaki, and Pennings (2016) state that organisational restructuring does not seem to influence strategic performance directly, contradicting the link between restructuring capability, and strategy.

Globally, SACCOs have experienced major organisational restructuring. In the USA, Australia and Europe, regulatory authorities enforced mergers in the 1980s and 1990s to promote efficiency and stability in the sector (Fried, Lovell, & Yaisawarng, 1999; Garden & Ralston, 1999). As a result, mergers and acquisitions is the most widely studied form of restructuring in the sector. Bauer, Miles and Nishikawa (2009) note that mergers and acquisitions have had mixed benefits; while members of target firms have experienced improved performance and stability, there has been little effect on the acquiring firm's performance. In Africa, the number of SACCOs continues to grow with little or no consolidation, but with organisational restructuring to accommodate growth and improve efficiency. Further, the sector in Kenya has experienced a tighter regulative framework in the recent past; in particular, new regulations have affected DT-SACCO capital adequacy requirements (SASRA, 2016). The sector has also had to catch up with technological advancement. This has resulted in the need for DT-SACCOs to focus more on restructuring their operations.

Previous studies put a strong case forward both for and against restructuring. Romme, Kunst, Schreuder, & Spangenberg (1990), demonstrates strategy structure link but fails to substantiate whether there is need to build a restructuring capability within the different kinds of organisations to match changes happening in the environment. Additionally, the credit union studies by Fried, Lovell, and Yaisawarng (1999), Garden and Ralston (1999) as well as Ralston, Wright, & Garden (2001) highlight the importance of effective restructuring but fail to show whether there is variation in the restructuring capability of the credit unions studied. Olson, Slater, & Hult (2005) makes a solid argument on the importance of restructuring effectively; however, the study only focuses on marketing structure and collects data from marketing managers. Finally, Oloyede and Sulaiman (2013) point to the poor performance of banks after restructuring, without highlighting if banks have built corresponding restructuring capability.

The lack of consensus means that strategy scholars continue to investigate how organisational restructuring efforts can be more successful in supporting a firm's strategic direction (Barkema & Schijven, 2008). This study sought to investigate the linkage between restructuring capability and strategy execution in these DT-SACCOs in Kenya. The resulting research hypothesis was that organisational restructuring capability significantly influences strategy execution.

2. Literature Review

2.1. Organizational Restructuring Capability

Organisational restructuring the independent variable in this study is also referred to as operational restructuring and defined as the conscious configuration of interactions and responsibilities for the tasks, people and resources in an effort to implement strategy, improve firm performance, and drive competitiveness (Hambrick & Cannella, 1989; Jones & Hill, 2013; Pearce & Robinson, 2011). As a capability, organisational restructuring is viewed as an organisation's ability to take a particular course of action for remodelling its different distinct features (Soni, 2016). It is this capability that helps organizations to effectively design and redesign their organisational structure in line with the chosen strategic direction (Pearce & Robinson, 2013).

At a Daly (2000) interview, Peter Drucker stated that the corporation was unlikely to survive the next 25 years in the same way structurally, postulating the need to restructure with time. The ability to restructure is crucial for every firm hoping to survive into the future. Effective restructuring reinvigorates firms making them stronger (Hyderabad, 2014; Zhao, Michalisin & Stubbart, 2011). There is a misconception about organisational restructuring as some restructuring efforts focus mainly on moving the reporting lines around (Cassidy & Martin, 2014). This study recognises that organisational restructuring capability goes beyond organisational structures and moving of boxes on the organisational chart to shaping how a firm runs. Organisational restructuring is carried out for various reasons, including improving efficiency and effectiveness, controlling costs, improving productivity, and coping with the changing business environment (Bowman & Singh, 1993; Lin et al., 2008; Oloyede & Sulaiman, 2013; McKinley & Scherer, 2000). Competitive pressures, changes in the legal or regulatory environment, poor or lower valuation, a desire to unlock a firm's hidden value, and technological advancements also drive restructuring (Hyderabad, 2014). In many organisations, restructuring is not a one-off activity but an ongoing process.

Organisational restructuring capability is a multidimensional variable and there is no single widely-used measure to assess it. Teece (1996) states that an organisational restructuring takes into consideration the pre-restructuring efforts required, the key changes to be implemented and the expected results. Further, according to Kłosowski (2012), organisational restructuring has six main steps, namely identification of the need to restructure, strategic diagnosis, analysis of external and internal determinants, preparation of organisational restructuring, implementation of organisational restructuring, and the control of organisational restructuring. The first four steps comprise the pre-structuring efforts while the last two validate the restructuring results. This study therefore looks at organisational restructuring capability as being reflected in pre-restructuring efforts and in post-restructuring results.

What happens prior to restructuring can make or break an organisation. To restructure successfully, well-coordinated pre-restructuring efforts are needed. In the identification of the need to restructure, Pearce and Robinson (2011) state that a

key question that every organisation must ponder is; “What is the best way to organise people and tasks to execute the strategy effectively?” (p. 295). Therefore, it is important to prepare for restructuring by having in place a restructuring strategy. Such a strategy takes into consideration the key changes expected in the organisation and is based on the needs identified during pre-restructuring diagnosis (Kłosowski, 2012; Olson et al., 2005; Teece, 1996). This requires an understanding of the current structure as well as the desired overall new structure in support of strategy.

In addition to pre-restructuring efforts, post-restructuring results need to be positive for organisational restructuring to be considered a success. A key outcome of the restructuring efforts is a structure that matches the strategy. In addition, an increase in efficiency is at the centre of restructuring results (Liao, 2005; Nag & Pathak, 2009). This idea was advanced by Chandler (1962), who argued that “unless structure follows strategy, inefficiency rules” (p. 314). Besides, Hambrick and Cannella (1989) argue that structure not only impacts roles and relationships, but also how decisions are made and how the information flows within the organisation, all of which are critical during strategy execution. Therefore, improvements in role allocations, relationships, decision-making, and information flow need to be seen post-restructuring. Overall, organisational restructuring efforts should yield improvements in financial performance and competitiveness (Hyderabad, 2014; Oloyede & Sulaiman, 2013; Renneboog & Szilagy, 2006).

Organisations need to have organizational restructuring capability not for the simple reason of identifying who reports to who, but to help break down what needs to be done into distinct components (Thompson & Martin, 2010). Organisational restructuring should result in better coordination of the efforts of employees, arrangement of tasks and responsibilities, order, and accountability in the organisation (Jones & Hill, 2013). Measuring post-restructuring success is not easy because most of the benefits are expected in the long term (Hyderabad, 2014). This study therefore sought to measure the pre-restructuring efforts and post-restructuring results based on the experiences of heads of department that had worked in their organizations for more than one year.

2.2. Strategy Execution

Crafting and executing strategy are believed to be the top-priority strategic management tasks. This is because of the need for managers to proactively shape how business is conducted and mold the efforts and decisions of different divisions, departments, managers and groups into a coordinated compatible whole to drive performance (Hough, Thompson, Strickland, & Gamble, 2011). Strategy formulation and execution are seen to be intertwined in a very complex way, each is said to impact the other and both exert great influence over overall firm performance (Amason, 2011; Noble, 1999). Andrews (1971) is accredited with introducing execution also referred to as implementation as one of the key facets of strategic management (Rasche, 2008). Strategy execution involves putting strategy into action in order to achieve the desired results (Pearce & Robinson, 2013). Execution plays an important role in actualizing strategy; it is for this reason that it has been described as the “Achilles heel” of strategic management (Roney, 2004, p. 233).

Strategy execution is the most open-ended part of strategic management traversing every corner of an organisation (Hough, Thompson, Strickland III, & Gamble, 2011; Thompson et al., 2016). The process is difficult, never-ending and involves coordinated change in the internal environment of the organisation (Jones & Hill, 2013; Noble, 1999). Ansoff and MacDonnell (1988), state that “it is no trick to formulate a strategy; the problem is to make it work” (p.165). Participation by all during the execution process is important, helps achieve unity of purpose and bring order (Arasa, Aosa, & Machuki, 2011). The best business strategies only become profitable if successfully executed (Jones & Hill, 2013).

In operationalising strategy execution, its different facets are looked at. To be considered effective, the chosen intended strategy must be implemented successfully (Thompson & Martin, 2010). However, there is no ready-made recipe for effective execution cutting across all organisations and no single measure that can tell the entire story about strategy execution (Noble, 1999). Okumus (2001, 2003) argues that strategy execution needs to be looked at from both actions and outcomes. The strategy execution construct was therefore viewed in light of various actions and outcomes that portray effective execution of strategies. In particular, the actions were measured through action planning and resourcing, while outcomes were measured through strategic fit considered by many scholars as the main outcome of the strategy execution process (Agnihotri, 2013; Amason, 2011; Higgins, 2005).

Action planning is at the centre of strategy execution. Thompson and Martin (2010) argue that action plans reflect the “detailed activities that need to be carried out to implement strategy successfully” (p. 738). In addition, organisations find strategic execution success through resourcing (Connor, 2002). Resourcing is seen as the black box of strategy execution (Hambrick & Cannella, 1989). Without resources, it is impossible to execute strategy. Finally, effective execution leads to strategic fit. To achieve strategic fit, organisations need to execute strategy in line with the environments in which they operate (Ansoff & McDonnell, 1988). Pettigrew (1987) distinguishes the environments into inner and outer. Strategic fit with both the inner and outer environments is an important criterion for strategic success (Agnihotri, 2013; Amason, 2011). Operationalization of these three sub-constructs namely action-planning, resourcing and strategic fit aided in measuring the strategy execution construct.

2.3. Restructuring Capability and Strategy Execution

Organisational restructuring is linked to strategy and to execution in particular. The main guiding principle for this linkage is Chandler (1962)’s well-known notion that structure should follow strategy. This implies that organisational

restructuring should be guided by the intended strategy. The need for organisations to restructure on an ongoing basis remains a common theme in strategy literature. Restructuring is by itself considered an important strategy in support of overall strategic direction. Leading organisations globally, such as IBM and General Electric (GE), have gone through organisational restructuring to reorganise and remain relevant as the environment changes (Lin, Lee & Gibbs, 2008). In addition, transforming activities are at the centre of strategy execution. Organisational restructuring is a transforming activity that leads to change. Both restructuring and strategy execution are change processes with restructuring capability supporting strategy execution.

Restructuring efforts are not only meant to keep failing businesses alive, but are also meant to increase competitiveness and improve the performance of sound organisations (Oloyede & Sulaiman, 2013). Many have mistakenly viewed organisational restructuring as synonymous with turnaround strategies or with outright downsizing or retrenchment, which occurs in times of crisis. Restructuring is associated with several stimuli, with the three main ones being addressing poor performance, correcting valuation errors, and exploiting strategic opportunities (Renneboog & Szilagyi, 2006). This study focusses on the organisational restructuring that results from the need to exploit strategic opportunities. This restructuring is a strategic weapon to support organisations as they grow (Kłosowski, 2012). As a long-term strategy, organisational restructuring is an ability that even financially sound firms need to realign their activities in anticipation of future pressures (Hyderabad, 2014).

During strategy making, the need to prioritise the designing or redesigning of the organisation in order to make execution a reality is emphasised in literature. Ansoff and MacDonnell (1990) point out that the shape of the firm needs to respond to the evolving internal complexity and adjust accordingly. Matching strategy and structure provides the stability needed during strategy execution, while maintaining competitive advantage and may even be a source of new competitive advantages (Pearce & Robinson, 2011). As a result, Thompson and Martin (2010) argue that structure should not be thought of as the end of the strategy process but as part of it with new structures also being a source of strategic change (p. 631). During organisational restructuring the strategy-critical activities are prioritised (Pearce & Robinson, 2011).

The essence of strategy execution is change; core to this change are the structures that influence how organisations respond to change (Teece, 1996). The ability of an organisation to effectively restructure supports successful execution and ultimately the overall firm performance. Restructuring takes place during execution and the new strategic direction is reflected in how an organisation organises itself. Overall firm performance goes down when strategy is not matched with structure (Hitt et al., 2015). It is usually unwise to attempt to carry out a new strategy with an outdated organisational structure (Hough et al., 2011). This is further supported by Jones and Hill (2013), who argue that “the fortunes of a company rest on its manager’s ability to design and manage its structure to best implement its business strategy” (p. 415). Olson et al. (2005) demonstrate that overall performance is strongly influenced by how well a firm matches structure to strategy. Similarly, Cater and Pucko (2010) argue that adapting an organisational structure that supports strategy execution would positively influence strategic performance. As such, a major new corporate strategy usually requires a matching structure.

Although the organisational restructuring capability and strategy execution linkage is plausible, it has not yet been empirically demonstrated in DT-SACCOs in Kenya. In the USA and Australia, Garden and Ralston (1999) and Ralston et al. (2001) traced the below-par performance of credit unions undergoing restructuring to a lack of an internal capability to manage the restructuring effort effectively. Further Fried et al. (1999) point out that while members of acquired credit unions may benefit from a merger, the restructuring may disadvantage those acquiring. It is inaccurate to say that restructuring efforts have been fully beneficial, as some restructuring in aid of new strategies has not been fruitful. From the Kenyan context, there is insufficient research on the influence of restructuring on strategy execution. It is therefore not possible to make a substantive conclusion on this linkage. This study therefore investigated the influence of restructuring capability on strategy execution in the context of DT-SACCOs in Kenya.

3. Research Methodology

To evaluate the influence of restructuring capability on strategy execution, data was collected from heads of department in 164 DT-SACCOs. These DT-SACCOs are categorized into three tiers based on asset base. Those having an asset base of more than five billion Kenyan Shillings are considered large, five billion to one billion are medium and less than one billion are small (SASRA, 2015). At the start of 2017, there were 15 large, 56 medium and 93 small duly licensed DT-SACCOs According to SASRA (2017). A list of all the 164 DT-SACCOs gazetted by SASRA on 31st January 2017 and their categorization was obtained from SASRA. The total population of heads of department was estimated at 500 as presented in Table 1.

Category	Asset Base in Ksh Billions	Number of Saccos	Average Number of Heads of Department Per SACCO	Total Number of Heads of Department
Large	> 5	15	6	90
Medium	5 - 1	56	4	224
Small	< 1	93	2	186
Total		164		500

Table 1: Population of Heads of Department in the 164 DT-SACCOs

A 95% confidence level equivalent to the 5% level of significance widely used in business research was employed in computing the sample size. The sample size was computed according to Yamane (1973) formula $n = N/[1+N(e)^2]$. Where n is the computed sample size, N is population size of 500, and e the error term is equivalent to the 5% level of significance (.05) giving a sample size of 222. The DT-SACCOs categorization according to asset base was used to stratify the population during sampling. The sample was distributed disproportionately to give the best representation of the three tiers and thus increase the statistical efficiency.

Quantitative data was collected using a self-administered survey questionnaire. Restructuring capability had 21 measurement items while strategy execution had 19. All the items were measured through the respondents' perceptions using a 5-point Likert scale ranging from strongly disagree to strongly agree. The Likert scale designed by Rensis Likert is a very popular rating scale for measuring ordinal data in social science research (Bhattacharjee, 2012). The participants were requested to read the statements and indicate their level of agreement with each statement using the given scale. The survey questionnaire was pre-tested for validity through the opinion of subject matter experts.

A pilot study conducted prior to the main study established content validity and reliability of the data collected. During the main study, pre-notification letters were emailed to the Chief Executive Officers (CEOs) followed by a telephone call to confirm receipt. The letter described the study and made a request for heads of department to participate. A letter of authority from the university accompanied the letter to the CEOs. Additionally, each questionnaire was sent along with a participants' cover letter explaining the purpose of the study and assuring confidentiality of respondents. Three of the pilot study participants were requested for feedback on the understandability and relevance of the questions. They all indicated that the questions were easy to understand and interesting as they related to familiar aspects. The 22 responses received were statistically pretested for reliability using Cronbach's alpha. The Cronbach's alpha was greater than 0.7 and it was concluded that the instrument was reliable. Bhattacharjee (2012) argues that reliability of the research instruments is a prerequisite for validity. The questionnaire was found appropriate for the study and so was the research procedure. Those that participated in the pilot study did not take part in the main study.

After receiving the survey questionnaires from the field, the data was entered into Microsoft Excel, screened for errors and omissions and edited before transferring it to Statistical Package for the Social Sciences (SPSS). Hypothesis testing was through Covariance Based Structural Equation Modelling (CB-SEM). This statistical framework assumes multivariate normality and linearity. Therefore, the data was pre-tested for outliers, normality, and multicollinearity. These diagnostic tests confirmed that the data was suitable for further analysis as it met the requirements for SEM assumptions. The SEM process involved model specification, model identification, model estimation, model testing and model modification. The hypothesized model was specified and identified during literature review. Model estimation, testing, and modification was done during data analysis. Analysis of Moment Structures (AMOS) version 23 a plug-in to SPSS was the main statistical software used in the data analysis. Exploratory factor analysis was carried out to improve the hypothesized model. This is because unobserved variables were used, the measurement scale was unique to this study, and the number of measurements items involved was a large.

The hypothesized measurement models and the structural models were subjected to maximum likelihood CFA. Several fit indices were used to examine the model fit. These are the relative normed Chi-square which is the ratio of Chi-square to degrees of freedom (χ^2/df). Wheaton, Muthén, Alwin, and Summers (1977) propose values below five as acceptable while Carmines and McIver (1981) suggest values below three. The Normed Fit Index (NFI), the Comparative Fit Index (CFI), and the Tucker-Lewis Index (TLI) were also examined. All the three indices range from zero to one with zero indicating no fit and one indicating a perfect fit. Hu and Bentler (1999) proposes that values above .95 are indicative of perfect fit while values close to 0.9 demonstrate a good fit. Further, the Root Mean Square Error of Approximation (RMSEA) was used to assess structural model fit. RMSEA assess if the approximation is good or bad and the closer the RMSEA is to zero, the better the model fit (Hox & Bechger, 1998). Pituch and Stevens (2016) point out that RMSEA of below .05 shows close fit while that of .05 to .08 presents adequate fit.

The factor loadings which explain the strength of the correlations were evaluated in the structural model. In addition, the coefficient of determination (R^2) was used to explain variance in strategy execution explained by restructuring capability. Finally, to examine the relationship between restructuring capability and strategy execution and test the hypothesis, regression coefficients namely the standardized regression coefficient estimate (Beta weights), Standard Error (S.E.), Critical Ratio (CR) and the significance of path coefficient (p-value) were assessed. Beta weights were used to show the strength and direction of the relationship. The p-value of the main path relating restructuring capability and strategy execution was used in either rejecting or not rejecting the null hypotheses at a .05 level of significance.

4. Results and Discussions

The study's main objective was to evaluate the influence of restructuring capability on strategy execution in the DT-SACCOs in Kenya. This objective was realized by testing the null hypothesis that restructuring capability has no significant influence on strategy execution. The 191 questionnaires returned corresponded to 86% response rate. Out of these 191 questionnaires, seven were largely incomplete and one was unengaged and these were omitted from the final data analysis. There were therefore 183 usable questionnaires ($n=183$).

4.1. Exploratory Factor Analysis

The organisational restructuring capability initially had 21 items. Ten of the 21 items were dropped during exploratory factor analysis because of low factor loading and cross-loading, leaving 11 items. The factor framework for the organisational restructuring capability is as summarised in Table 2.

As presented in Table 2, the organisational restructuring capability first-order constructs yielded KMO statistics above .50 and therefore the sampling was considered adequate. In addition, the Bartlett's test results were found to be statistically significant as all the p-values were below .05. There were therefore satisfactory relationships between constructs, allowing further investigations through factor analysis. The 11 items retained had principal component loadings of above 0.8. All the seven items under RCB were retained; they explained 78.746% of the total variability in the construct. The four retained items under RCA explained 81.49% of the total variability in the construct. Both RCB and RCA explained 80.099% of the total variability in organisational restructuring capability.

First-order Constructs	Items Retained	KMO	Bartlett's test	Df	Sig	Principal Component Loading	Variance Explained in %	Items Deleted
RCB	RCB1	0.93	1268.24	21	.000	0.857	78.746	None
	RCB2					0.896		
	RCB3					0.875		
	RCB4					0.906		
	RCB5					0.883		
	RCB6					0.888		
	RCB7					0.905		
RCA	RCA10	0.85	552.035	6	.000	0.905	81.490	RCA1 to RCA9, RCA11
	RCA12					0.891		
	RCA13					0.900		
	RCA14					0.915		

Table 2: Summary of the Factors under Organisational Restructuring Capability

The strategy execution construct had three first order constructs namely; strategy execution action planning (SEA), strategy execution resourcing (SER), strategy execution strategic fit (SES). The KMO and Bartlett's Test results confirmed that the strategy execution constructs were suitable for factor analysis. Following exploratory factor analysis, six of the 19 measurement items were dropped because of cross and low loadings leaving 16 items. The strategy execution factor framework is summarized in Table 3.

First Order Constructs	Items Retained	KMO	Bartlett's Test	Df	Sig	Variance Extracted	PCA Component Loading	Items Deleted
SEA	SEA1	0.89	977.121	21	0	70.241	0.871	SEA7, SEA9
	SEA2						0.844	
	SEA3						0.885	
	SEA4						0.886	
	SEA5						0.842	
	SEA6						0.744	
	SEA8						0.786	
	SER						SER1	
SER3		0.838						
SER4		0.772						
SER5		0.796						
SER7		0.847						

First Order Constructs	Items Retained	KMO	Bartlett's Test	Df	Sig	Variance Extracted	PCA Component Loading	Items Deleted
SES	SES1	0.58	905.286	6	0	84.725	0.93	SES5, SES6
	SES2						0.928	
	SES3						0.917	
	SES4						0.906	

Table 3: Summary of the Factors under Strategy Execution

As presented in Table 3, the remaining six items under SEA explained 70.241% of the total variability in the construct. The five remaining items under SER explained 68.145% of the total variability in the construct. The four items retained under SES explained 84.725% of the total variability in the construct. Overall, these three sub-constructs explained 73.670% of the total variability in the strategy execution construct.

4.2. Measurement Models Analysis

The restructuring capability and strategy execution hypothesized measurement models were subjected to maximum likelihood CFA on AMOS 23. The relative normed Chi-square values (χ^2/df) were less than three, the NFI, TLI and CFI were above .900 indicating an adequate fit between the hypothesized model and the sample data. These fit indices are presented in Table 4.

Fit Indices	Restructuring Capability	Strategy Execution	Adequate Fit	Conclusion
χ^2	938.061	249.415		
df	316	101		
χ^2/df	2.969	2.469	<3	Adequate Fit
NFI	0.901	0.929	≈.90	Adequate Fit
TLI	0.895	0.905	≈.90	Adequate Fit
CFI	0.897	0.901	≈.90	Adequate Fit

Table 4: Model Fit Indices for the Measurement Models

4.3. Structural Model Analysis and Hypothesis Testing

Finally, the structural model relating organisational restructuring capability to strategy execution was subjected to maximum likelihood confirmatory factor analysis on AMOS 23. The modification indices of were examined and an opportunity to improve the model was identified. The results of the indices modified are presented in Table 5 .

Path			M.I.	Par Change	Findings
64	-->	65	12.393	.172	Correlation between measurement error of the same first-order construct
37	-->	38	5.412	.068	Correlation between measurement error of the same first-order construct

Table 51: The Modification Indices for Organisational Restructuring Capability and Strategy Execution Model

Slight modifications were made to improve the model fit. Error term e64 and e165 in the RCB construct as well as error term e37 and e38 in the RCA construct were covaried. The fit indices of the structural model were evaluated and are presented in Table 6.

Fit Indices	Values	Adequate Fit	Conclusion
χ^2	847.061		
df	316		
χ^2/df	2.681	<3	Adequate Fit
NFI	0.903	≈.90	Adequate Fit
TLI	0.895	≈.90	Adequate Fit
CFI	0.907	≈.90	Adequate Fit
RMSEA	0.055	<.08	Adequate Fit
PCLOSE	0.19	>.05	Close Fit

Table 6: Model Fit Indices for Relationship between Organisational Restructuring Capability and Strategy Execution

The relative normed Chi-square (χ^2/df) value of 2.681 indicated an adequate fit between the hypothesized structural model and the sample data. In addition, the NFI, CFI, and TLI ranged from 0.895 to 0.907 indicating an adequate fit. The RMSEA [.055 (90% CI: .087, .103) with $p > .050$] was also within the acceptable range indicating a reasonable error of approximation of the model. Altogether, these indices suggested that the data was an adequate fit of the hypothesised model relating organisational restructuring capability and strategy execution. The path diagram resulting from the modified structural model is presented in Figure 1.

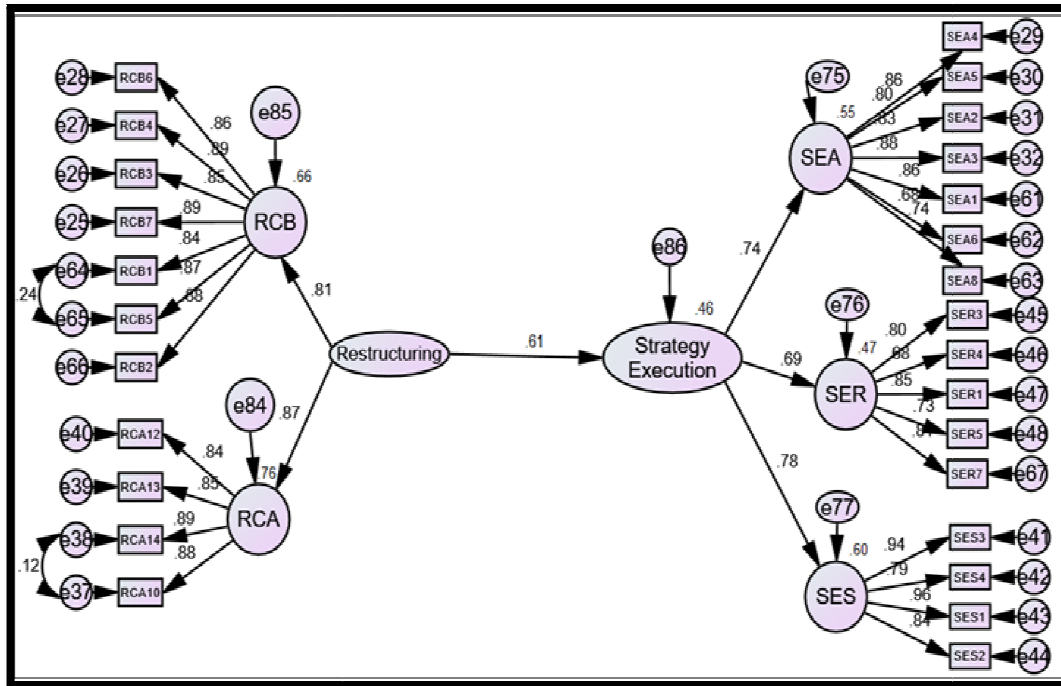


Figure 1: SEM Path Diagram - Relationship between Restructuring Capability and Strategy Execution

According to path diagram on Figure 1, all the factor loadings were equal to or above 0.5 and were therefore within the acceptable range. In addition, the R^2 was 0.46 indicating that restructuring capability explained 46% of the variance in strategy execution. The unexplained variance resulted from other factors not part of this model and the error terms in the model. The path diagram further shows that restructuring capability and strategy execution hypothesized path was positive ($\beta = 0.61$). The Beta weight of 0.61 signifies that a change of one standard deviation in the restructuring capability will result in a change of .61 standard deviations in strategy execution.

Finally, the structural model regression coefficients were assessed. The regression coefficients statistics were used to examine the significance of the relationship along the main path between restructuring capability and strategy execution and thus test the null hypothesis. These results are summarized in Table 7.

Path	Beta (β)	S.E.	C.R.	P	
Strategy Execution	Restructuring	0.612	0.086	8.317	***
RCA	Restructuring	0.871	0.093	9.962	***
SEA	Strategy Execution	0.740			
SER	Strategy Execution	0.688	0.139	7.094	***
SES	Strategy Execution	0.777	0.156	8.571	***
RCB	Restructuring	0.814			

Table 7: Regression Coefficients for Relationship between Organisational Restructuring Capability and Strategy Execution
 $P < 0.05$ *, $P < 0.01$ **, $P < 0.001$ ***

The p value was used to assess the significance of the relationship between restructuring capability and strategy execution. The p-value was less than 0.05 denoting that the hypothesized path between restructuring capability and strategy execution was statistically significant at .05 level of significance. The null hypothesis that restructuring capability has no significant influence on strategy execution was rejected at .05 level of significance. Therefore, the study findings support the research hypothesis that restructuring capability has a positive significant influence on strategy execution.

This study found that organisational restructuring capability positively influences strategy execution. According to Soni (2016), organisational restructuring is needed when the existing structure is no longer effective and a new structure is inevitable for the organisation to counter challenges in its internal and external environments. Therefore, organisational restructuring is imperative during strategy execution. As revealed in this study, organisations need to have the ability to restructure in line with their desired strategic direction. The findings on the influence of organisational restructuring capability on strategy execution were compared and both similarities and differences evaluated. However, there were limited previous studies linking organisational restructuring to strategy execution. This is despite the crucial role that restructuring capability plays in support of strategy execution. The main studies, especially on restructuring in SACCOs outside Kenya focused on mergers and acquisitions.

These previous studies on the relationship between organisational restructuring and strategy execution have had varied findings. Romme et al. (1990) found that different structures are associated with particular strategies. This is in agreement with the findings in this study that structure influences strategy execution. An organisation should be able to choose the best structure based on its overall strategic direction. Likewise, Olson et al. (2005) found that businesses that adopted structures that reinforced their chosen strategies were in a stronger position than the competition, further agreeing with the finding in this study that restructuring capability influences strategy execution. Although previous studies do not go into details of the restructuring capability, they demonstrate a strong link between restructuring and successful strategy execution. To put in place the right structure to support strategy execution, organisations need the ability to restructure.

Contrary to studies showing a positive link between organisational restructuring and strategy execution, there are studies that offer a differing opinion. Oloyede and Sulaiman (2013) found that banks in Nigeria had a significant decline in performance after restructuring. This is contrary to the findings in this study that restructuring positively influences strategy execution. However, Oloyede and Sulaiman (2013) do not clarify if these banks demonstrated restructuring as one of their capabilities. Additionally, the finding by Chaddha (2016) that restructuring affects employees adversely is contrary to the findings in this study on the positive influence of restructuring. However, there is a point of agreement on the need to develop the restructuring capability to ensure that employees' morale is not negatively affected. From a SACCO's perspective, the finding by Fried et al. (1999) that the acquiring and the acquired SACCOs often have different experiences during restructuring resulting from mergers and acquisitions further advances the need to build the restructuring capability. Building restructuring capability enables both the acquiring and the acquired SACCOs to easily execute the mergers and acquisition strategy. Overall, the finding from this study puts forward a strong case for building the restructuring capability. When present, the restructuring capability positively influences strategy execution. However, mismanagement of restructuring efforts both before and after restructuring has adverse effects on strategy execution.

5. Conclusions

Organisational restructuring capability was found to influence strategy execution significantly and positively. The study concludes that SACCOs must build their ability to restructure in support of their overall strategic direction. The study concludes that the ability to restructure can be enhanced by focusing on pre-restructuring efforts and post-restructuring results to positively influence strategy execution. Therefore, SACCOs need to focus more on efforts they put in prior to restructuring and be cognizant of the results expected in the post-restructuring period.

This study suggests that SACCOs need to develop their ability to restructure in support of their chosen strategic direction. Restructuring capability can be improved by paying closer attention to the efforts that go in before restructuring and clearly evaluating and communicating the results from restructuring efforts. This study also suggests that restructuring capability can be improved by being more strategic in the restructuring process. Once the need for restructuring is identified, deliberate diagnosis and proper planning prior to effecting any structural changes is required. This study suggests that all staff to be affected by proposed restructuring, need to be engaged. The reasons behind the restructuring and the restructuring process should also be effectively communicated to all stakeholders. Of utmost importance is building trust before, during, and after restructuring. Effective management of the restructuring process can greatly improve the ability to restructure. Further, the study suggests that to improve strategy execution, the impact that restructuring efforts are likely to have on an organisation must be well understood prior to restructuring. The study suggests that the benefits of restructuring such as improvement decision-making, efficiency, competitiveness and financial performance need to also be clearly communicated to minimise the fear that comes with change.

The study suggests that strategy execution in SACCOs can be improved by having in place a plan of action in support of the set objectives. The study also suggests that for strategy execution to be a reality, the required resources must be made available. In particular, resources should be allocated according to the priority areas as identified in the strategic plan. Finally, the study suggests that strategic alignment with both the internal and the external environment

must be considered. With a better understanding of the environment in which they operate, SACCOs will get better at strategy execution.

Restructuring capability has not attracted much attention in Kenya; therefore, this study presents a good basis for expanding the existing body of knowledge on the influence of the capability on strategy execution. This study had limitations resulting from collecting cross-sectional data and using a survey questionnaire. It is proposed that future studies focus on longitudinal data, extend to other study population such as staff and use structured interviews. Finally, a study focusing on restructuring capability across different sectors is proposed as the findings from this study may not be generalized to all sectors.

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