


**EFFECT OF ORGANIZATIONAL STRUCTURE ON FIRM PERFORMANCE OF  
INSURANCE COMPANIES IN KENYA**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES,  
UNIVERSITY OF NAIROBI**

**NOVEMBER, 2023**

**DECLARATION**

I declare that this research project is my original work and has not been presented for a degree in any other university for purposes of examination.

Signature .....  ..... Date.....27/11/23.....

**Jesse Gitau Kevin**

**D61/11214/2018**

This research project has been presented for examination with my approval as the University supervisor.

Signature .....  ..... Date ...27/11/2023.....

**Dr. Winnie Njeru**

**Senior Lecturer,**

**Faculty of Business and Management Sciences,**

**University of Nairobi.**

## **ACKNOWLEDGEMENT**

Many people have assisted me in one way or another to create this study. I owe a great debt of gratitude to the University of Nairobi fraternity, management and staff for the academic support throughout my entire duration in undertaking this master's degree. Secondly, I extend thanks to my dedicated supervisor who has consistently guided me throughout this project. Her profound knowledge has been of great importance in generating this project. I would also want to thank the department's faculty members who taught me in the appropriate academic units for all their help. Sincere appreciation to my loved ones for their unwavering enthusiasm and encouragement throughout my academic pursuits. And last but not least, I want to thank the Lord Almighty for how far He has brought me.

## **DEDICATION**

Thanks to my parents, siblings and nephew, I learned the value of diligence and self-control, and I dedicate my work to them.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>LIST OF FIGURES .....</b>	<b>viii</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background to the Study .....	1
1.1.1 Organizational Structure .....	3
1.1.2 Firm Performance .....	4
1.1.3 Insurance Companies in Kenya .....	5
1.2 Research Problem .....	6
1.3 Research Objective .....	9
1.4 Value of the Study .....	9
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>11</b>
2.1 Introduction.....	11
2.2 Theoretical Foundation.....	11

2.2.1 Systems Theory.....	11
2.2.2 Resource-Based Theory .....	13
2.3 Organization structure and firm performance.....	14
2.4 Empirical Studies and Research Gaps .....	18
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>22</b>
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Population .....	22
3.4 Data Collection .....	23
3.5 Data Analysis .....	23
<b>CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION .....</b>	<b>25</b>
4.1 Introduction.....	25
4.2 Response Rate.....	25
4.3. General Information.....	26
4.3.1 Company Ownerships .....	26
4.3.2 Number of Years the Insurance Firm has been in operation .....	27
4.4 Organization Structure .....	28
4.4.1 Centralization.....	28
4.4.2 Formalization .....	30

4.4.3 Complexity.....	33
4.4.4 Departmentalization.....	35
4.5 Firm Performance .....	38
4.6 Correlation Analysis .....	40
4.7 Discussion of Findings.....	41
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>45</b>
5.1 Introduction.....	45
5.2 Summary of Findings.....	45
5.3 Conclusion .....	47
5.4 Recommendations.....	48
5.5 Limitations of the Study.....	49
5.6 Suggestion for Further Studies.....	50
<b>REFERENCES.....</b>	<b>51</b>
<b>APPENDICES.....</b>	<b>57</b>
<b>APPENDIX I: RESEARCH QUESTIONNAIRE.....</b>	<b>57</b>

## LIST OF FIGURES

Figure 4.1: Company Ownerships ..... 26

Figure 4.2: Number of Years the Insurance Firm has been in operation ..... 27



## LIST OF TABLES

Table 4.1: Response Rate.....	25
Table 4.2: Centralization.....	28
Table 4.3: Formalization.....	30
Table 4.4: Complexity .....	33
Table 4.5: Departmentalization.....	35
Table 4.6: Firm Performance .....	38
Table 4.7: Correlation Analysis .....	40

## **ABBREVIATIONS AND ACRONYMS**

**AKI:** Association of Kenyan Insurers

**BS:** Balanced Scorecard

**CEO:** Chief Executive Officer

**GDP:** Gross Domestic Product

**KCC:** Kenya Cooperative Creameries

**WIBA:** Workman's Injury Benefit Act

## ABSTRACT

The organizational structure of a firm is a fundamental factor influencing its performance. A well-designed structure supports effective communication, aligns with strategic objectives, facilitates decision-making processes, and fosters employee motivation. A well-defined structure establishes clear reporting relationships and delineates the flow of information within the organization. The objective of this research study was to determine the influence of organizational structure on firm performance of insurance companies in Kenya. This investigation was based on two theories, namely; Systems theory and Wernerfelt's resource-based theory. This study used a descriptive research design to examine the impact of organizational structure on performance of insurance businesses in Kenya. The purpose of the research was to gather extensive data from each of the 56 insurance companies in order to investigate the relationship between organizational structure and business success. The unit of analysis was 56 insurance companies while the respondents were the human resource managers in the insurance companies. Data was gathered via the use of a questionnaire for the research. Both closed and open-ended questions were included in the survey. The descriptive statistical analysis of the data was carried out on the research study. The purpose of this study was to examine the connection between company structure and performance by means of a correlation analysis. The study concludes that there exists a substantial association between centralization and the firm performance of insurance companies as established by the research. This relationship was found to be positive and strong. Furthermore, a noteworthy and robust positive association was found to exist between formalization and the firm performance of insurance companies, as shown by the correlation coefficient. In addition, the results of the research demonstrated a noteworthy and robust positive link between the complexity and their firm performance. The results of the research demonstrated that there exists a noteworthy and robust positive link between the departmentalization and firm performance of insurance companies. As per the study findings, departmentalization had strong influence on performance of insurance companies followed by formalization, then centralization and finally complexity. Insurance companies should consider strategically decentralizing certain functions or decision-making processes. While formalization has been associated with firm performance, it's crucial for insurance companies to find the optimal level that aligns with their specific operational needs. Striking the right balance is essential to avoid excessive bureaucracy, which could impede agility and responsiveness. To mitigate the negative impact of excessive complexity, insurance companies should prioritize simplifying their operational processes. To enhance firm performance, insurance companies should strategically align their departmental structures with overall organizational goals. This involves regularly reviewing the functions and responsibilities of each department to ensure they contribute directly to the company's strategic objectives.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the Study**

The organizational structure of a firm plays a pivotal role in shaping its overall performance and effectiveness. It serves as the framework that defines how tasks, responsibilities, and authority are distributed across various levels and departments within the organization. The impact of organizational structure on firm performance can be analyzed through several key dimensions (Schminke et al., 2020). A well-defined organizational structure facilitates clear communication and coordination among employees. When roles and reporting relationships are clearly established, it reduces ambiguity and minimizes the likelihood of misunderstandings or conflicts. This, in turn, leads to smoother workflow and higher productivity levels (Ali et al., 2018). Conversely, an unclear or overly complex structure can result in inefficiencies, delays, and a lack of accountability, all of which can hinder performance. Ensuring that the organizational structure is in line with the firm's strategic goals is of utmost importance. A company benefits from a customized structure that aligns with its unique demands and objectives, enabling enhanced concentration and implementation of plans. For instance, a hierarchical structure may be suitable for a more stable and traditional industry, whereas a flatter, more decentralized structure might be better suited for a dynamic and innovative environment. Misalignment between structure and strategy can lead to misdirected efforts and wasted resources (Holagh et al., 2018).

This investigation was based on two theories, namely; Systems theory (1972) and Wernerfelt's resource-based theory (1984). Von Bertalanffy (1972) defined systems theory as the concept that a system is composed of interconnected parts that are receptive

to and engage with their surroundings. An organization is seen as a system of interconnected components that need to be synchronized to achieve optimal efficiency and effectiveness (Chikere & Nwoka, 2015). Moldogaziev and Resh (2016) argue that in order for an organization to function well, it is crucial to ensure that key elements such as structure, technology, culture, and leadership are well-coordinated, functioning as a cohesive system. Resource-based theory, on the other hand, proposes and classifies organizational resources into four main categories, which are as follows: information or knowledge under the control of an organization, assets owned by the company, and the characteristics of the firm. According to the resource-based approach, certain resources do not meet the criteria for being considered strategic resources. The idea posits that companies with strategic resources are more likely to achieve sustained organizational success compared to organizations without such resources (Warnier, Weppe, & Lecocq, 2013).

Based on the 2018 report from the Association of Kenyan Insurers (AKI), Kenya has the leading position in the insurance industry within the Eastern African area, which includes Tanzania, Uganda, Rwanda, and Burundi. Kenya's market share accounts for seventy percent (70%) of the overall market. The current surge in demand for insurance may be attributed to several causes, including the rise in urbanization, expansion of the real estate and infrastructure sectors, and the flourishing energy business. The aforementioned causes have resulted in a rise in the level of insurance coverage in Kenya. The insurance sector in Kenya operates within a distinctive regulatory and economic framework. Examining the effect of organizational structure on firm performance within this industry is crucial due to its unique challenges and opportunities. Insurance companies face

specific market dynamics, regulatory requirements, and customer expectations. A targeted study in this sector will provide tailored insights that are directly applicable to the organizational intricacies of insurance firms operating in Kenya (AKI, 2020).

### **1.1.1 Organizational Structure**

According to Ahmady, Mehrpour and Nikooravesh, (2016) organizational structure encompasses the official arrangement inside a company, including the distribution of tasks among workers, streamlining of personnel, and delegation of authority to enhance transparency and facilitate future expansion (Soderstrom & Weber, 2020). Barrick, Thurgood, Smith, and Courtright (2016) argue that organizational structure is essential for implementing departmentalization, chain of command, task specialization, centralization, complexity, formalization, and decentralization inside an organization. Departmentalization is the process of grouping jobs together. The chain of command establishes a hierarchical structure that extends from the highest level to the lowest level of the company and determines the routes via which information is reported within the business. The span of control refers to the quantity of managers needed to oversee and guide a group of employees.

Decentralization and centralization determine the locus of decision-making power. A corporation is considered centralized when the top leadership takes all decisions without seeking input from lower-level workers. Decentralization refers to the significant involvement of lower-level leaders (Helmrich et al., 2021). Formalization pertains to the extent to which a company has well defined processes and restricts employees' autonomy in job execution, as described by Bustinza, Bigdeli, Baines, and Elliot (2016). Organizational complexity, as defined by Eisenhardt and Bhatia (2017), refers to the

differentiation across many units inside an organization. It pertains to the quantity of resources that are engaged in a division, project, or team. An organization is considered complicated if its organizational structure or system is of significant scale. Hence, the assessment of organizational structure in this research included the evaluation of centralization, formalization, complexity, and departmentalization.

### **1.1.2 Firm Performance**

Performance refers to the act of transforming inputs into outputs with the purpose of attaining certain results (Pinto, Hawaldar, Rahiman & Sarea, 2017). Furthermore, performance pertains to the attainment of a company's goals via effective management and oversight. Firm performance refers to the assessment of the efficiency with which a firm's resources are used to create revenue. The Balanced Scorecard (BS) is a management framework, as defined by Kaplan and Norton (2015), that enables the translation of an organization's vision and strategy into concrete objectives and performance measures. The assessment considers several perspectives, including financial, customer, internal processes, and learning and development, to provide a comprehensive review of organizational performance. The financial viewpoint focuses on financial results, including the expansion of revenue, profitability, return on investment, and cost effectiveness (Quesado et al., 2018).

Conversely, the consumer viewpoint assesses the extent to which the firm is satisfying customer demands and fulfilling their expectations. The measurements include aspects pertaining to customer satisfaction, customer retention, market share, and client loyalty. Customer satisfaction measures the degree of contentment that consumers feel towards the organization's offerings, including goods, services, and overall experience. It is

assessed using surveys, feedback methods, and consumer ratings. Customer retention refers to the organization's capacity to maintain its current clients for a certain timeframe. High customer retention rates serve as a clear indication of client loyalty and the organization's achievement in providing value and achieving consumer expectations (Camilleri, 2021).

According to Benková et al. (2020), the Balanced Scorecard internal process approach emphasizes the internal processes and operational activities that are crucial for providing value to consumers and attaining financial goals. The process includes the identification and quantification of crucial procedures and indicators that enhance efficiency, quality, innovation, and time-to-market. Conversely, the learning and development viewpoint is on the organization's capacity to enhance its management, foster innovation, and cultivate its personnel and capacities (Tuan, 2020). Consequently, this research assessed business performance by considering financial, operational (internal processes) and customer perspectives.

### **1.1.3 Insurance Companies in Kenya**

The insurance industry in Kenya can be categorized broadly into general and life insurance. Within these two broad categories, there are various sub-categories. In the general insurance category, the sub-categories are motor-private, motor commercial, aviation, fire for both domestic and industrial, engineering, workman's injury benefit act (WIBA), personal accident liability, theft and other miscellaneous liabilities. The life insurance category covers ordinary life insurance and superannuation.

According to AKI (2020), there are a total of 56 insurance firms that are officially registered in Kenya. General insurance comprises 61% of the total gross premium



revenue in the insurance sector, while long-term insurance makes up the remaining 39%. Motor insurance and medical insurance are the two main categories of business that make up 63.5% of the total revenue from general insurance. Deposit administration and life assurance classes make for the majority of the long-term insurance company total premium revenue, contributing 59.5%. APA Insurance and Britam Holdings have the largest market shares in the general and long-term insurance sectors, respectively (Insurance Regulatory Authority industry quarterly report, 2022).

## **1.2 Research Problem**

The organizational structure of a firm is a fundamental factor influencing its performance. A well-designed structure supports effective communication, aligns with strategic objectives, facilitates decision-making processes, and fosters employee motivation. A well-defined structure establishes clear reporting relationships and delineates the flow of information within the organization. This clarity fosters effective communication among employees, departments, and management levels, leading to smoother workflow, reduced misunderstandings, and improved decision-making processes. Companies in the country's financial industry agree that a well-designed structure is critical to achieving peak performance (Kasper & Muehlbacher, 2017).

The insurance business has had a recent surge in growth, leading to intensified rivalry among insurance firms as they vie for a larger market share. The managers at these firms are under significant pressure to identify strategies to enhance their market share, maintain a competitive edge, and enhance overall performance. In Kenya, the insurance premiums amount to 2.3% of the GDP due to the growing presence of insurance services and the presence of prominent insurance groups and global companies (AKI, 2019).

Many insurance companies in Kenya tend to adopt a rigid, top-down approach to management. This can lead to a centralized decision-making process, where key decisions are made by a select few at the top levels of the organization. While hierarchy can provide clear lines of authority, it may also result in slower response times and a lack of agility, especially in a rapidly evolving market. This hierarchical structure can hinder innovation and hinder the ability to adapt swiftly to changing customer needs and market dynamics (AKI, 2019). Due to the fierce rivalry and dynamic insurance industry, organizations must develop organizational structures that effectively incentivize their workers to enhance the organization's performance.

Extensive research has been conducted on the global influence of organizational structure on firm success. Alipoor et al. (2017) aimed to investigate the impact of organizational structure, namely its structural characteristics, on the work performance of employees in a private hospital in Ahvaz. The findings suggest that the organizational structure, namely its structural characteristics, have a notable adverse impact on the work performance of employees in a private hospital in Ahvaz. Nevertheless, the research was conducted in Iran, which has a distinct corporate operating environment compared to Kenya. Arumbarkah (2020) performed a worldwide investigation on the influence of organizational structure, requirements, job position, and job descriptions on employee productivity in Indonesian market firms. The research determined that the organizational structure is the predominant element that affects employee performance. The study has a unique focus on healthcare-based organizations, which therefore restricts its generalizability

The research conducted by China, Hao, Kasper, and Muehlbacher (2012) only investigated the operations of organizations in Austria and China. Hence, the conclusions drawn from the research cannot be applied to other geographical areas. The study conducted by Meijaard, Brand, and Mosselman (2016) aimed to examine the relationship between organizational structure and performance in small enterprises situated in the Netherlands. The study used desktop research, emphasizing a methodological inadequacy. This study will have a descriptive nature. Shabbir (2017) did a study investigating the correlation between the organizational structure and employee performance in brewing companies in Nigeria. The inquiry was place in Nigeria, uncovering a significant discrepancy in the background. The study inquiry will be carried out in Kenya.

In 2018, Onono did a research in Kenya that focused on analyzing the impact of General Electric Africa's organizational structure on its performance. The study carefully analyzed the operational efficiency of General Electric Africa, uncovering a conceptual inconsistency. Awino (2017) analyzed the structure and efficiency of the top Kenyan manufacturers. There was an inconsistency in the investigation's emphasis on major industrial groups while disregarding insurance firms. Omondi et al. (2017) investigated the connection between organizational structure and efficiency in Kenya's commercial banks. According to the data, there is no correlation between commercial banks in Kenya's organizational structure and their performance. Nevertheless, the research was conducted in commercial banks, resulting in a contextual disparity between the two studies, while the present study would only concentrate on insurance businesses

The above analysis indicates that there have been few research endeavors to investigate the impact of organizational structure on company performance, specifically within the insurance industry in Kenya. Furthermore, the analysis confirms that a significant number of studies pertaining to the specific field were carried out in locations other than Kenya. Therefore, this study sought answer the question; what is the effect of organizational structure on firm performance of insurance companies in Kenya?

### **1.3 Research Objective**

The objective of this research study was to determine the influence of organizational structure on firm performance of insurance companies in Kenya.

### **1.4 Value of the Study**

This study will provide valuable insights into how the structural elements (such as centralization, formalization, complexity and departmentalization) interact with other components like processes, resources, and external environment to impact overall performance. This contributes to a deeper understanding of organizational dynamics within the context of Systems Theory. Resource-Based Theory emphasizes the role of unique and valuable resources in achieving competitive advantage. Organizational structure plays a pivotal role in resource allocation and utilization. This study will provide empirical evidence of how different structural choices impact the allocation and utilization of resources, thereby contributing to Resource-Based Theory.

Insurance practitioners, including executives, managers, and professionals within insurance companies, will benefit from the study's insights when making decisions about organizational design and structure. Understanding how different structural

configurations impact performance allows practitioners to make informed choices that align with their specific business objectives and strategies.

The findings of the study will help policy makers in understanding how different organizational structures impact the performance of insurance companies. This knowledge will be used to inform the development or adjustment of regulatory frameworks governing the insurance industry. For example, it may lead to recommendations for specific structural guidelines or incentives that can enhance the performance of insurance firms.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The objective of this chapter is to evaluate existing research in order to determine whether there is any evidence of a correlation between the organizational structure of a company and its performance. Moreover, it explores the concepts and frameworks that are pertinent to the field of research. The study comprises a theoretical overview to illustrate the interaction among various factors under investigation.

### **2.2 Theoretical Foundation**

The relationship between organizational practices and performance has been the subject of several hypotheses. There are theoretical theories that propose organizational structure has a major impact on how workers think and act. According to Ferris (1998), the performance of workers is significantly influenced by their attitudes and behaviors. The present study mostly centered on two theories: Systems theory and resource-based theory.

#### **2.2.1 Systems Theory**

Cole and Kelly (2015) assert that a system is comprised of interconnected components that together constitute a unified entity. Ludwig Von Bertalanffy, a biologist, introduced and advocated for the general systems theory in the 1940s and subsequently in 1968 (Yeung & Brockbank, 2015; Gladding, 2013). In his 1956 introduction to cybernetics, Ross Ashby provided more insights and intuitions to the renowned theory (Browning et al., 2009; Gladding, 2013).

A vital part of this system is the framework within which an insurance business operates. It lays forth the official structure of the company in terms of who does what and who

reports to whom. Systems Theory posits that changes in one part of a system can have cascading effects on the entire system, impacting its overall functioning and performance. The organizational structure of insurance companies in Kenya is vital in shaping how various departments and functions interact. For instance, the divisional structure prevalent in many insurance companies separates operations by product lines or regions. This affects how resources are allocated, risks are managed, and customer segments are served. Systems Theory suggests that the efficiency and effectiveness of these interactions directly influence the overall performance of the company (Gladding, 2013).

Furthermore, Systems Theory emphasizes the interdependence of various components within an organization. For instance, the marketing department's strategies and activities are closely linked to the underwriting and claims processing functions. A change in the structure or processes within one department can have ripple effects on others. Understanding these interdependencies is crucial for optimizing performance (Cornell and Jude, 2015).

Systems Theory provides a powerful lens through which to analyze the impact of organizational structure on the performance of insurance companies in Kenya. It emphasizes the interconnectedness of various elements within the organization and underscores the importance of a well-aligned and adaptable structure to thrive in a dynamic market environment. By considering these systemic relationships, insurance companies can make informed decisions about their organizational structure to enhance their overall performance and competitiveness.

### **2.2.2 Resource-Based Theory**

According to Barney, Ketchen Jr., and Wright (2011), the efforts of a number of academics who have concentrated a great deal of their attention on various areas of strategic management have contributed to the development of this theory throughout the course of time. It is possible that Penrose's research from 1959, which focused on the significance of an organization's internal resources in promoting its development, is where this idea first emerged. In regard to the theory, the growth of a firm is mostly dependent on the organization's internal resources as opposed to the managerial resources that the company has. According to Lockett and Thompson (2004), organizations have the potential to exploit their assets that are rare, unique, and non-reproducible in order to enhance their performance and gain an advantage over their competitors.

In resource-based theory, organizational resources are divided into four basic categories, as described by Setiawan et al. (2011). These categories include internally managed information or knowledge, corporate assets, and firm characteristics. According to the resource-based approach, the criteria that must be met by a resource in order for it to be regarded as a strategic resource are not met by all resources. According to Warnier, Weppe, and Lecocq (2013), the notion argues that businesses that do not have access to strategic resources have a lower likelihood of achieving a sustainable competitive advantage over the long term. This is in contrast to businesses that do have access to strategic resources. According to Mweru and Maina (2016), strategic resources are defined as those that are valuable despite their scarcity, difficulty in imitation, and inability to be quickly replaced.



The current research finds resource-based theory appropriate to this study as it offers a framework for comprehending organization performance views and how organizations may organize themselves to enhance their performance (Kitur & Kinyua, 2020). The idea offers organizations a framework to effectively use their resources and improve their performance and overall success in all areas of operation. The performance of the firm may be enhanced by the implementation of an efficient structural organization design and the best allocation of resources or assets. Nevertheless, resource-based theory has faced criticism for its portrayal of persons or workers as assets, which may potentially result in the exploitation of individuals inside an enterprise. The theory lacks consideration for the demand side of the market and its applicability is confined to businesses with constrained resources.

### **2.3 Organization structure and firm performance**

Organizational structure establishes the framework for communication and coordination within the company. Clear lines of reporting and well-defined roles and responsibilities facilitate efficient flow of information and tasks. This clarity minimizes misunderstandings, reduces conflicts, and ensures that everyone understands their role in achieving the organization's goals. In contrast, a poorly designed or ambiguous structure can lead to communication bottlenecks, delays, and a lack of accountability, all of which can hinder performance (Sikavica & Novak, 1999).

The alignment of the organizational structure with the strategic objectives of the organization is critical. A structure that is well-suited to the specific needs and goals of the organization allows for better focus and execution of strategies. For instance, a hierarchical structure may be suitable for a more stable and traditional industry, providing

a clear chain of command for efficient operations. Conversely, a flatter, more decentralized structure might be better suited for a dynamic and innovative environment, enabling quicker adaptation to changing market conditions. Misalignment between structure and strategy can lead to a fragmented approach to achieving organizational goals, ultimately affecting performance (Oden, 1999).

A well-structured organization assigns specific responsibilities to individuals and departments. This promotes accountability, as employees know what is expected of them and who they report to. It also ensures that there is someone responsible for each aspect of the firm's operations, which helps in maintaining standards and quality. The organizational structure influences the decision-making process within the firm. It defines how authority and decision-making power are distributed. A clear structure can expedite decision-making, while also providing a framework for more complex decisions that require input from multiple levels of the organization (Galbraith, 2002).

The degree to which higher levels of an organization's management are responsible for a greater proportion of the organization's decisions is referred to as the level of centralization of management processes. According to Mansoor, Aslam, BarbuCapusneanu, and Lodhi (2012), this may be measured by looking at the hierarchical structure of authority and the degree to which employees participate in the decision-making process at different levels of the organizational hierarchy. According to O'Toole and Meier (2004), the level of centralization or decentralization that exists inside an organization has a direct impact on the promptness and effectiveness of its policies, as well as the allocation of resources and investment decisions that it makes in the markets that it participates in. They stated that in the setting of mechanistic companies that

operate in stable environments, more centralized decision-making systems may be preferable to enhance efficiency and preserve control by the top leadership teams. This is because more centralized decision-making systems tend to have fewer moving parts (Nandakumar et al., 2010). These structures often exhibit features such as an excess of controls, communication systems that are hierarchical in form, and a concentration of organizational knowledge in specific areas as opposed to it being broadly spread throughout the full corporation.

Formalization is a crucial component of organizational structure that is directly connected to the level of control within an organization's framework. Established protocols are crucial for operational procedures since they comprehensively record all areas of work operations (Martínez-León and Martínez-García, 2011). Effective organizational structures provide smooth operations across different formal components of an organization, including well defined reporting hierarchies for both line managers and staff managers. This will result in enhanced efficacy of the organization's decision-making procedures. The extent of control directly impacts the level of specialization that may be achieved in work processes and labor performance. Maduenyi et al. (2015) found that the organizational structure significantly influences the adaptive performance of individual workers inside the firm.

Organizational complexity refers to the level of intricacy and interconnection among different components within an organization. It includes the quantity of hierarchical tiers, the degree of specialization, and the complexity of communication pathways. An intricate organizational framework often includes many tiers of administration and various specialized departments or divisions. This may lead to a more complex hierarchy, where

choices may be required to go through many levels before reaching a final conclusion. Although this approach offers a considerable amount of intricacy and expertise in jobs, it may also result in lengthier decision-making processes and possible inefficiencies (Hornby, 2017).

Departmentalization is a fundamental aspect of organizational structure, representing the way in which a company groups its employees and tasks based on certain commonalities or functions. This process is pivotal in defining the framework through which an organization operates, allowing for effective coordination, communication, and allocation of resources (Ahmed, 2017). There are several forms of departmentalization that organizations commonly employ. Functional departmentalization organizes employees based on their specialized skills and expertise, grouping individuals with similar functions into departments such as marketing, finance, and operations. This ensures that individuals with specific knowledge and competencies work together, enhancing efficiency and proficiency within their respective domains. This approach can be particularly effective for larger companies with diverse product lines or regional operations, allowing for a tailored focus on individual markets or product categories (Marsden, Cook & Knoke, 2019).

Matrix departmentalization can be especially beneficial in dynamic environments where cross-functional collaboration is crucial. Process departmentalization groups employees based on the specific processes they contribute to, such as manufacturing, sales, or customer service. This approach can lead to a more streamlined workflow, as individuals working on the same processes are grouped together, facilitating specialization and efficiency (Kihara, Karanja & Kennedy, 2016).

Customer departmentalization, as the name suggests, organizes employees based on the type of customers they serve. This structure is common in industries where catering to distinct customer segments is crucial, such as in retail, healthcare, or financial services. It allows for a more targeted strategy in identifying and satisfying the specific requirements of each segment of customers. The characteristics, size, and goals of the business should all be considered when deciding on an organizational structure (Kihara, Karanja, & Kennedy, 2016).

#### **2.4 Empirical Studies and Research Gaps**

The empirical literature takes a deep dive into the connection between corporate structure and performance. Technology, organization size, and external conditions are some of the most important determinants of organizational structure, as stated by Motanari (2018). In their study, Hao, Kasper, and Muehlbacher (2020) discovered that the institutional frameworks of companies in Austria and China have a substantial influence on their performances, both in a direct and indirect manner. Additionally, it was suggested that several firms need to continually modify their institutional frameworks to enhance their performance in the market. The primary objective of many corporate establishments is to achieve excellence in their respective fields. Efficient strategy development and execution are considered essential elements that must align with the organization's framework. However, this research aims to bridge the knowledge gap between Austria and China, which have distinct operational environments compared to Kenya.

Alipoor et al. (2017) aimed to investigate the impact of organizational structure, namely its structural characteristics, on the work performance of employees in a private hospital in Ahvaz. This study is goal-oriented and employs a descriptive correlation-survey

methodology for data collection. The findings suggest that the organizational structure, namely its structural characteristics, have a notable adverse impact on the work performance of employees in a private hospital in Ahvaz. Nevertheless, the research was conducted in Iran, which has a distinct corporate operating environment compared to Kenya.

A study conducted by Parker, Peters, and Turetsky (2012) examined the impact of different aspects of organizational structure on the viability of financially troubled companies operating in Caribbean nations from 2010 to 2016. The findings revealed that the appointment of an external director as CEO contributed to the failure of a significant number of the 176 companies included in the study. Conversely, organizations that selected their directors from the existing workforce inside the organization saw a greater likelihood of staying in business.

Maduenyi, Oluremi, and Fadeyi (2015) in Nigeria looked at the link between organizational structure and performance, zeroing in on the effect that structure had on productivity. According to the findings, a company's financial and non-financial outcomes get immediate feedback from its organizational structure. However, the study was conducted in Nigeria, which has a distinct operational context in contrast to organizations functioning in Kenya. Consequently, there exists a research gap. Shabbir (2017) focused his study on examining the correlation between organizational structure and employee performance. His examination of breweries in Nigeria revealed a productive and beneficial link between the two factors. The study undertaken in Nigeria underscores a discrepancy in context.

Ngumi (2018) did a study on organizational structure practices in the Housing Finance Market and discovered that the success of the banking sector relies significantly on the effective implementation of corporate practices. The research was published in the Housing Finance Market journal. During the inquiry, a case study methodology was used. The study's findings suggest that a firm must have a well-designed organizational structure in order to promote ethical conduct among its employees.

In a research undertaken by Muriithi (2008), the aim was to determine the extent of the relationship between the organizational structure and the financial performance of state-owned enterprises. The study centered with New KCC as a case study. The research results demonstrate a notable association between the organizational framework and the financial effectiveness. In his study, Muriithi (2008) found some organizational structure practices that have a substantial influence on a company's financial performance. Here are a few examples of these practices: The organization's goals and beliefs, together with corporate communication, power dynamics among board members, and the method for assessing board performance.

Watiri, Senaji, and Ogolla (2022) conducted a study to ascertain the impact of organizational structures on the operational efficiency of international airlines in Kenya. The study used primary sources of data, mostly consisting of quantitative and descriptive information. Based on the results of the bivariate correlation analysis, which demonstrated a substantial relationship between organizational structure and organizational performance, the issue was included into the study. The research findings indicate that the organizational structure significantly influences the extent to which international airlines in Kenya optimize their operational efficiency. Based on the

research findings, organizations must invest in resources and data transmission systems to ensure that their workforce possesses the requisite expertise and experience to efficiently perform their duties and drive the company towards higher levels of success. Nevertheless, the research was conducted only inside International Airlines in Kenya, resulting in a contextual disparity between the two studies since the present study would specifically examine insurance businesses.

Omondi et al. (2017) conducted a study to examine the relationship between the organizational structure of commercial banks in Kenya and their performance. The objective of this study was to rigorously examine the impact that innovation may have in reducing this connection. The research was conducted utilizing the social survey approach, with questionnaires serving as the primary instrument for data collection. According to the findings of the research, there does not seem to be a correlation that can be supported by statistical analysis between the organizational structures of Kenya's commercial banks and their levels of profitability.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The research methodologies outlined in this chapter were used to attain the study's objective. The research includes research design, data collection and data analysis.

### **3.2 Research Design**

This study used a descriptive research design to examine the impact of organizational structure on performance of insurance businesses in Kenya. It is optimal since it guarantees that the respondents' input will be recorded as intended. By using a descriptive research approach, a company may effectively depict the characteristics and attributes of the study population (Kothari, 2014). Descriptive research is well-suited for providing a detailed and comprehensive understanding of the current organizational structures employed by insurance companies in Kenya. Descriptive research facilitates the examination of patterns and relationships between different elements of organizational structure and firm performance. The study also utilized cross-sectional research design. Data was collected at a certain moment in time using a cross-sectional approach. This was beneficial for capturing a snapshot of both the organizational structures and the performance levels of insurance businesses in Kenya. It provided a comprehensive view of the state of affairs in the industry at a specific moment, enabling researchers to analyze current structures and their immediate impact on performance.

### **3.3 Population**

According to the findings of Singh's (2007) research, the term target population is used to describe the total group of people or components to whom the results of a study are

intended to be applied. Subjects are the individuals or organizations that will be the focus of a study's analysis, description, or conclusions. According to Sekaran and Bougie (2011), the term "population" is used to refer to the whole set of units that the emphasis of an investigation is on. It is impacted by the components that are the subject of the study, and it is the source of data that is best suited for addressing the research issue. The purpose of the research was to gather extensive data from each of the 56 insurance companies in order to investigate the relationship between organizational structure and business success. The unit of analysis was 56 insurance companies while the respondents were the human resource managers in the insurance companies.

### **3.4 Data Collection**

Data was gathered via the use of a questionnaire for the research. Both closed- and open-ended questions were included in the survey. Closed-ended questions, with predetermined response options, provide quantitative data that can be easily analyzed and summarized. On the other hand, open-ended questions yield qualitative data, offering deeper insights into participants' thoughts, opinions, and experiences. When there is need to collect information from many people quickly and easily, a questionnaire is a great tool to use. Its structured format, particularly with closed-ended questions, allows for quick and standardized responses. This efficiency is crucial when aiming to collect data from a diverse and potentially large target population. The individuals who reply to this survey will be the human resource managers at the respective insurance firms.

### **3.5 Data Analysis**

After the data has been gathered, it was arranged in a systematic manner, then coded, and finally examined. The fundamental purpose is to extract meaningful information from the

data that has been gathered. The data that has been acquired was first examined for its completeness, and then it was utilized for analysis. The descriptive statistical analysis of the data was carried out on the research study. The purpose of this study was to examine the connection between company structure and performance by means of a correlation analysis. The extent to which insurance companies use organizational structure was also evaluated using descriptive statistics like mean and standard deviation. This evaluation was carried out in order to determine how effective organizational structure implementation is.

## **CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION**

### **4.1 Introduction**

The study was conducted with the intention of determining the extent to which the organizational structure of insurance firms in Kenya has an impact on the performances of such organizations. Within this chapter, the findings that were obtained from the research and assessed in accordance with the overarching goal are presented. The analysis of the data, the presentation of the findings, and the interpretation of those results are also given.

### **4.2 Response Rate**

A total of fifty-six questionnaires were issued by the researcher, and out of them, forty-eight questionnaires were returned because they were completed according to the researcher's expectations. Only three of the remaining eight respondents did not return the questionnaires, and five of the respondents were disqualified because they did not provide responses to the questions that were posed in response to the expectations of the researcher. Because of this, the analysis of the data is based on forty-eight respondents. In accordance with Mugenda and Mugenda (2003), this results in a response rate of 85.71%, which is within the range of the specified response rate.

**Table 4.1: Response Rate**

No. of questionnaires Returned	Target No. of respondents	Response Rate (%)
48	56	85.71%

**Source: (Researcher, 2023)**

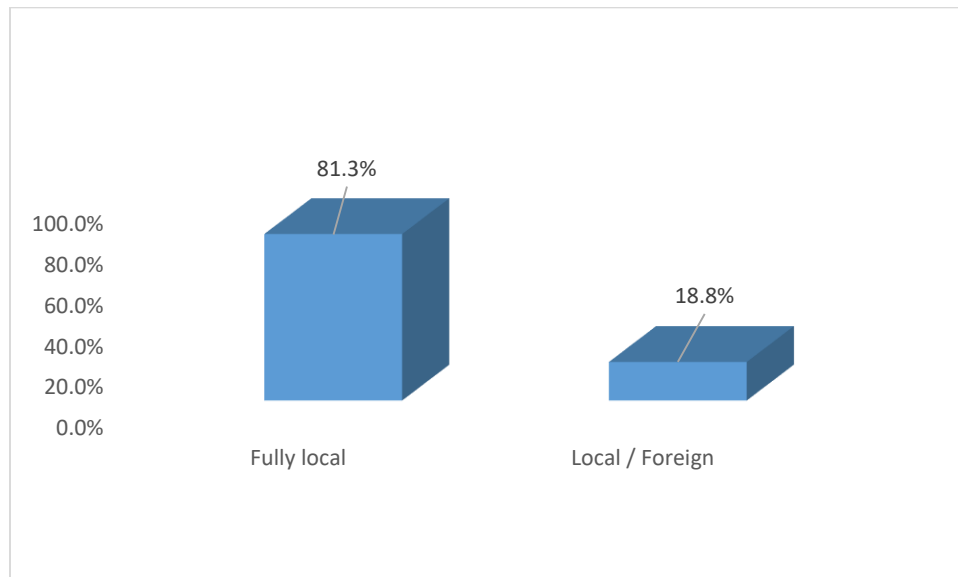
### **4.3. General Information**

It is of the utmost importance to ascertain the general knowledge of the responders in order to assess the trustworthiness of the information that was sourced. As part of this research, this was accomplished by assessing a number of different characteristics, including ownership of the business and the length of time the insurance company has been in existence.

#### **4.3.1 Company Ownerships**

The study sought to establish how the company is owned. Figure 4.1 illustrates the findings of the study

**Figure 4.1: Company Ownerships**

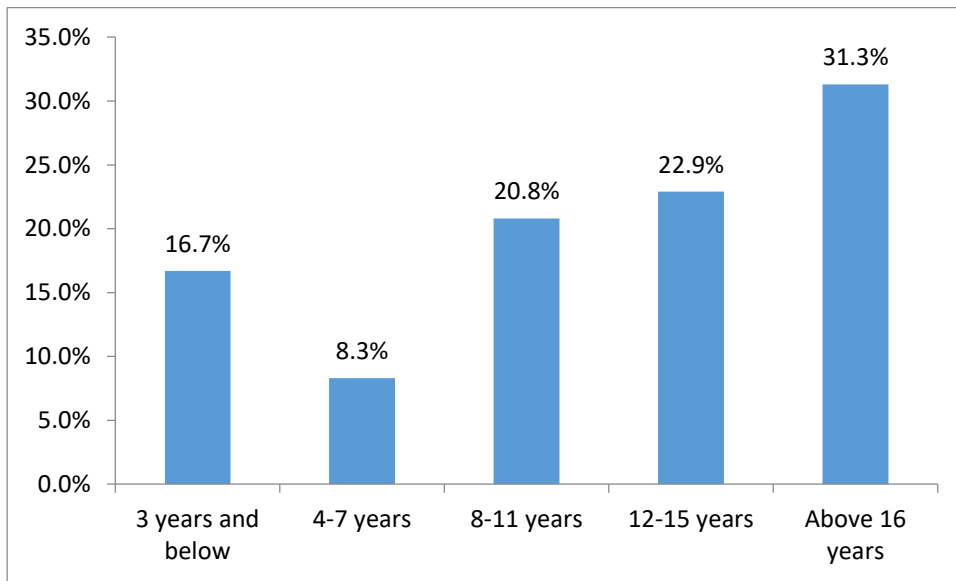


As per the study findings, majority of the respondents (81.3%) indicated that their firms are fully locally owned while 18.8% indicated local/ foreign ownership. This is an indication that majority of the insurance companies in Kenya are locally owned.

### 4.3.2 Number of Years the Insurance Firm has been in operation

The study sought to establish the number of years the insurance firms have been in operation. Figure 4.2 presents results findings

**Figure 4.2: Number of Years the Insurance Firm has been in operation**



As per figure 4.2 above, most of the respondents as indicated by 31.3% opined that their firm has been operating for above 16 years, 22.9% indicated 12-15 years, 20.8% indicated 8-11 years, 16.7% indicated 3 years and below while 8.3% indicated 4-7 years. This is an indication that most of the insurance firms operating in Kenya have been in operation for a long period of above 16 years and thus higher chances of obtaining reliable data with regards to the influence of organization structure on performance of insurance institutions operating in Kenya.

## 4.4 Organization Structure

### 4.4.1 Centralization

The study sought to establish the extent of agreement with various statements on the impact of centralization on firm performance of insurance companies in Kenya. The status of this variable was rated on a 5 point Likert scale ranging from; **5= SA**; **4= A**; **3= N**; **2= D** and **1= SD**. The study findings are depicted in Table 4.2.

**Table 4.2: Centralization**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Only senior management make decisions regarding operations in the organization. There is no participation in strategic decision making by non-management employees.	48	4.063	1.119
All duties by employees are subject to approval and clearance of their supervisors/ managers.	48	4.646	0.526
The speed and effectiveness of a group's policies are directly related to the degree of centralization within that group.	48	4.104	0.805
The allocation of funds within an organization is directly related to its level of centralization.	48	4.208	1.031
The level of centralization in a company directly impacts its ability to make sound financial decisions.	48	4.063	1.119

---

More centralized decision-making systems are preferred in mechanistic companies functioning in stable conditions.	48	4.375	0.866
---	----	-------	-------

Organizational performance is enhanced by centralization because of the plethora of controls, the quantity of top-down communication routes, and the concentration of relevant information.	48	4.000	1.031
---	----	-------	-------

---

**Source: (Researcher, 2023)**

Based on the study findings, the respondents strongly agreed that all duties by employees are subject to approval and clearance of their supervisors/ managers (mean=4.646), more centralized decision-making systems are preferred in mechanistic companies functioning in stable conditions (mean=4.375), the allocation of funds within an organization is directly related to its level of centralization (mean=4.208), the speed and effectiveness of a group's policies are directly related to the degree of centralization within that group (mean=4.104), only senior management make decisions regarding operations in the organization, there is no participation in strategic decision making by non-management employees (mean=4.063), and that the level of centralization in a company directly impacts its ability to make sound financial decisions (mean=4.063). In addition, respondents agreed that organizational performance is enhanced by centralization because of the plethora of controls, the quantity of top-down communication routes, and the concentration of relevant information (mean=4.000). This implies that all duties by employees are subject to approval and clearance of their supervisors/ managers, more centralized decision-making systems are preferred in mechanistic companies functioning in stable conditions, the allocation of funds within an organization is directly related to its



level of centralization, the speed and effectiveness of a group's policies are directly related to the degree of centralization within that group, only senior management make decisions regarding operations in the organization, there is no participation in strategic decision making by non-management employees, and that the level of centralization in a company directly impacts its ability to make sound financial decisions.

#### 4.4.2 Formalization

The study sought to establish the extent of agreement with various statements on the impact of formalization on firm performance of insurance companies in Kenya. The status of this variable was rated on a 5 point Likert scale ranging from; 5= SA; 4= A; 3= N; 2= D and 1= SD. The study findings are depicted in Table 4.3.

**Table 4.3: Formalization**

	N	Mean	Std. Deviation
The organization has formalized policies and procedures for all major operations. All activities are strictly done according to laid down standard, rules and procedures.	48	4.146	1.185
The organization's governing body and management stress adherence to policies and procedures.	48	3.729	1.233
Formalization is an essential element of organizational structure that is closely linked to the extent of control within an organization's framework.	48	4.083	1.028

---

Formal procedures are essential for operational activities since they document all aspects of job tasks.	48	4.167	0.953
Efficient organizational structures provide seamless operations across various formal components within an organization, including well defined reporting hierarchies for both line managers and staff managers.	48	4.208	1.091
Staff may have a pessimistic disposition towards formalization since it restricts their capacity for innovation, hence adversely affecting their performance.	48	4.104	1.207
Managers often see a favorable correlation between formalization and performance.	48	4.521	0.743
Formalization decreases ambiguity over organizational responsibilities, leading to a direct improvement in performance.	48	4.167	1.294

---

**Source: (Researcher, 2023)**

Based on the study findings, the respondents strongly agreed that managers often see a favorable correlation between formalization and performance (mean=4.521), efficient organizational structures provide seamless operations across various formal components within an organization, including well defined reporting hierarchies for both line managers and staff managers (mean=4.208), formal procedures are essential for operational activities since they document all aspects of job tasks (mean=4.167), formalization decreases ambiguity over organizational responsibilities, leading to a direct

improvement in performance (mean=4.167), the organization has formalized policies and procedures for all major operations, all activities are strictly done according to laid down standard, rules and procedures (mean=4.146), staff may have a pessimistic disposition towards formalization since it restricts their capacity for innovation, hence adversely affecting their performance (mean=4.104), and that formalization is an essential element of organizational structure that is closely linked to the extent of control within an organization's framework (mean=4.083). In addition, respondents agreed that the organization's governing body and management stress adherence to policies and procedures (mean=3.729). This implies that managers often see a favorable correlation between formalization and performance, efficient organizational structures provide seamless operations across various formal components within an organization, including well defined reporting hierarchies for both line managers and staff managers, formal procedures are essential for operational activities since they document all aspects of job tasks, formalization decreases ambiguity over organizational responsibilities, leading to a direct improvement in performance, the organization has formalized policies and procedures for all major operations, all activities are strictly done according to laid down standard, rules and procedures, staff may have a pessimistic disposition towards formalization since it restricts their capacity for innovation, hence adversely affecting their performance, and that formalization is an essential element of organizational structure that is closely linked to the extent of control within an organization's framework.

### 4.4.3 Complexity

The study sought to establish the extent of agreement with various statements on the impact of complexity on firm performance of insurance companies in Kenya. The status of this variable was rated on a 5 point Likert scale ranging from; 5= SA; 4= A; 3= N; 2= D and 1= SD. The study findings are depicted in Table 4.4.

**Table 4.4: Complexity**

	N	Mean	Std. Deviation
The organization has many layers in the hierarchy. As a result, decisions and task accomplishments take longer durations due to authorization red tape.	48	4.146	0.989
There are many number of managers/ supervisors in the organization. Managers/ supervisors have a large number of staff to supervise.	48	4.125	1.104
A very intricate organizational framework often includes many tiers of administration and numerous specialized departments or divisions.	48	4.375	0.866
A complicated organizational structure leads to a more convoluted hierarchy, requiring choices to go through many levels before reaching a conclusion.	48	4.000	1.031
The presence of a complex organizational structure might result in longer decision-making processes and the possibility	48	4.292	0.944

---

of inefficiencies.

A complex structure may include a diverse array of functional domains, each with its own distinct set of activities and responsibilities.

48 3.729 1.233

Specializing in intricate organizational structures may result in a profound level of competence in certain domains, although it can also provide difficulties in terms of coordinating and communicating across various departments.

48 4.125 1.331

---

**Source: (Researcher, 2023)**

Based on the study findings, the respondents strongly agreed that a very intricate organizational framework often includes many tiers of administration and numerous specialized departments or divisions (mean=4.375), the presence of a complex organizational structure might result in longer decision-making processes and the possibility of inefficiencies (mean=4.292), the organization has many layers in the hierarchy, as a result, decisions and task accomplishments take longer durations due to authorization red tape (mean=4.146), there are many number of managers/ supervisors in the organization, managers/ supervisors have a large number of staff to supervise (mean=4.125), and that specializing in intricate organizational structures may result in a profound level of competence in certain domains, although it can also provide difficulties in terms of coordinating and communicating across various departments (mean=4.125). In addition, respondents agreed that a complicated organizational structure leads to a more convoluted hierarchy, requiring choices to go through many levels before reaching a conclusion (mean=4.000) and that a complex structure may include a diverse array of

functional domains, each with its own distinct set of activities and responsibilities (mean=3.729). This implies that a very intricate organizational framework often includes many tiers of administration and numerous specialized departments or divisions, the presence of a complex organizational structure might result in longer decision-making processes and the possibility of inefficiencies, the organization has many layers in the hierarchy and as a result, decisions and task accomplishments take longer durations due to authorization red tape, there are many number of managers/ supervisors in the organization. managers/ supervisors have a large number of staff to supervise and that specializing in intricate organizational structures may result in a profound level of competence in certain domains, although it can also provide difficulties in terms of coordinating and communicating across various departments.

#### 4.4.4 Departmentalization

The study sought to establish the extent of agreement with various statements on the impact of departmentalization on firm performance of insurance companies in Kenya. The status of this variable was rated on a 5 point Likert scale ranging from; **5= SA**; **4= A**; **3= N**; **2= D** and **1= SD**. The study findings are depicted in Table 4.5.

**Table 4.5: Departmentalization**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
There is fair allocation of tasks and resources between the divisions/ departments, and the allocation of departments makes it easy for planning, control and evaluation processes.	48	4.167	0.953

---

Departmentalization is a key component of organizational structure, which involves grouping personnel and activities in a corporation based on shared characteristics or roles.	48	4.208	1.091
Departmentalization is a crucial aspect of an organization's structure that determines how it functions by facilitating efficient coordination, communication, and resource allocation.	48	4.104	1.207
Functional departmentalization promotes collaboration among persons with specialized knowledge and skills, hence improving effectiveness and expertise within their particular areas.	48	4.521	0.743
Divisional departmentalization is a suitable approach for bigger organizations that have varied product lines or regional operations. It enables them to concentrate on certain markets or product categories, resulting in more efficient operations.	48	4.229	0.778
Departmentalization based on processes enhances workflow efficiency by grouping personnel who work on similar processes, hence promoting specialization and streamlining operations.	48	4.146	0.989
Client departmentalization facilitates a targeted strategy in comprehending and addressing the distinct requirements of certain client segments.	48	4.125	1.104

---

**Source: (Researcher, 2023)**

Based on the study findings, the respondents strongly agreed that functional departmentalization promotes collaboration among persons with specialized knowledge and skills, hence improving effectiveness and expertise within their particular areas (mean=4.521), divisional departmentalization is a suitable approach for bigger organizations that have varied product lines or regional operations, it enables them to concentrate on certain markets or product categories, resulting in more efficient operations (mean=4.229), departmentalization is a key component of organizational structure, which involves grouping personnel and activities in a corporation based on shared characteristics or roles (mean=4.208), there is fair allocation of tasks and resources between the divisions/ departments, and the allocation of departments makes it easy for planning, control and evaluation processes (mean=4.167), departmentalization based on processes enhances workflow efficiency by grouping personnel who work on similar processes, hence promoting specialization and streamlining operations (mean=4.146), and that client departmentalization facilitates a targeted strategy in comprehending and addressing the distinct requirements of certain client segments (mean=4.125). In addition, respondents agreed that departmentalization is a crucial aspect of an organization's structure that determines how it functions by facilitating efficient coordination, communication, and resource allocation (mean=4.104). This implies that functional departmentalization promotes collaboration among persons with specialized knowledge and skills, hence improving effectiveness and expertise within their particular areas, divisional departmentalization is a suitable approach for bigger organizations that have varied product lines or regional operations, it enables them to concentrate on certain markets or product categories, resulting in more efficient operations, departmentalization



is a key component of organizational structure, which involves grouping personnel and activities in a corporation based on shared characteristics or roles, there is fair allocation of tasks and resources between the divisions/ departments, and the allocation of departments makes it easy for planning, control and evaluation processes, departmentalization based on processes enhances workflow efficiency by grouping personnel who work on similar processes, hence promoting specialization and streamlining operations and that client departmentalization facilitates a targeted strategy in comprehending and addressing the distinct requirements of certain client segments.

#### 4.5 Firm Performance

The study sought to establish the extent of agreement with various statements on firm performance of insurance companies in Kenya. The status of this variable was rated on a 5 point Likert scale ranging from; 5= SA; 4= A; 3= N; 2= D and 1= SD. The study findings are depicted in Table 4.6.

**Table 4.6: Firm Performance**

	N	Mean	Std. Deviation
The implementation of organizational structure plans has resulted in significant profitability for the corporation.	48	4.375	0.866
The company's ROE and ROA have both increased noticeably with the execution of organizational structure plans.	48	4.000	1.031
Sales have skyrocketed since the company implemented its	48	4.000	1.337

---

new organizational structure.

There has been a reduction of time taken to offer services to our stakeholders as a result of the organization structure. 48 4.354 1.041

The operations in the organization are more efficient as a result of the organization structure. 48 4.000 1.130

The company's market share has grown substantially as a direct consequence of the establishment of a formal structure. 48 4.250 1.176

The company's clientele has grown substantially as a direct consequence of the implemented organizational structure plans. 48 4.354 0.911

---

**Source: (Researcher, 2023)**

Based on the study findings, the respondents strongly agreed that the implementation of organizational structure plans has resulted in significant profitability for the corporation (mean=4.375), there has been a reduction of time taken to offer services to our stakeholders as a result of the organization structure (mean=4.354), the company's clientele has grown substantially as a direct consequence of the implemented organizational structure plans (mean=4.354), and that the company's market share has grown substantially as a direct consequence of the establishment of a formal structure (mean=4.250). In addition, respondents agreed that the company's ROE and ROA have both increased noticeably with the execution of organizational structure plans (mean=4.000), sales have skyrocketed since the company implemented its new organizational structure (mean=4.000) and that the operations in the organization are

more efficient as a result of the organization structure (mean=4.000). This implies that the implementation of organizational structure plans has resulted in significant profitability for the corporation, there has been a reduction of time taken to offer services to our stakeholders as a result of the organization structure, the company's clientele has grown substantially as a direct consequence of the implemented organizational structure plans, and that the company's market share has grown substantially as a direct consequence of the establishment of a formal structure.

#### 4.6 Correlation Analysis

A series of correlation and regression studies were carried out in order to ascertain the effect that organization structure has on the overall performance of insurance companies. An investigation on the influence of organization structure on performance of insurance companies was carried out via the use of a correlation analysis.

**Table 4.7: Correlation Analysis**

	<b>Firm performance</b>	<b>Centralization</b>	<b>Formalization</b>	<b>Complexity</b>	<b>Departmentalization</b>
Firm performance	1				
Centralization (r)	0.782	1			
(p) Sig. (2 tailed)	0.045				
Formalization	0.810	0.141	1		
(p) Sig. (2 tailed)	0.018	0.047			

Complexity	0.712	0.222	0.51	1	
(p) Sig. (2 tailed)	0.025	0.019	0.047		
Departmentali zation	0.881	0.192	0.670	0.521	1
(p) Sig. (2 tailed)	0.031	0.029	0.046	0.014	

**Source; Researcher (2023)**

A substantial association between centralization and the firm performance of insurance companies was established by the research. This relationship was found to be positive and strong, as shown by the Pearson's correlation coefficient of 0.782 and the p-value of 0.045, which is less than the significance level of 0.05. Furthermore, a noteworthy and robust positive association was found to exist between formalization and the firm performance of insurance companies, as shown by the correlation coefficient ( $r = 0.810$ ;  $p = 0.018 < 0.05$ ). In addition, the results of the research demonstrated a noteworthy and robust positive link between the complexity and their firm performance ( $r = 0.712$ ;  $p = 0.025 < 0.05$ ). The results of the research demonstrated that there exists a noteworthy and robust positive link between the departmentalization and firm performance of insurance companies ( $r = 0.881$ ;  $p = 0.031 < 0.05$ ). As per the study findings, departmentalization had strong influence on performance of insurance companies followed by formalization, then centralization and finally complexity.

**4.7 Discussion of Findings**

A substantial association between centralization and the firm performance of insurance companies was established by the research. This relationship was found to be positive

and strong, as shown by the Pearson's correlation coefficient of 0.782 and the p-value of 0.045, which is less than the significance level of 0.05. In tandem with the study findings, according to O'Toole and Meier (2004), the level of centralization or decentralization that exists inside an organization has a direct impact on the promptness and effectiveness of its policies, as well as the allocation of resources and investment decisions that it makes in the markets that it participates in. They stated that in the setting of mechanistic companies that operate in stable environments, more centralized decision-making systems may be preferable to enhance efficiency and preserve control by the top leadership teams. This is because more centralized decision-making systems tend to have fewer moving parts (Nandakumar et al., 2010). These structures often exhibit features such as an excess of controls, communication systems that are hierarchical in form, and a concentration of organizational knowledge in specific areas as opposed to it being broadly spread throughout the full corporation.

Furthermore, a noteworthy and robust positive association was found to exist between formalization and the firm performance of insurance companies, as shown by the correlation coefficient ( $r = 0.810$ ;  $p = 0.018 < 0.05$ ). In tandem with the study findings, Martínez-León and Martínez-García, (2011) opined that formalization is a crucial component of organizational structure that is directly connected to the level of control within an organization's framework. Established protocols are crucial for operational procedures since they comprehensively record all areas of work operations. Effective organizational structures provide smooth operations across different formal components of an organization, including well defined reporting hierarchies for both line managers and staff managers. This will result in enhanced efficacy of the organization's

decision-making procedures. The extent of control directly impacts the level of specialization that may be achieved in work processes and labor performance. Maduenyi et al. (2015) found that the organizational structure significantly influences the adaptive performance of individual workers inside the firm.

In addition, the results of the research demonstrated a noteworthy and robust positive link between the complexity and their firm performance ( $r = 0.712$ ;  $p = 0.025 < 0.05$ ). In tandem with the study findings, Hornby (2017) opined that an intricate organizational framework often includes many tiers of administration and various specialized departments or divisions. This may lead to a more complex hierarchy, where choices may be required to go through many levels before reaching a final conclusion. Although this approach offers a considerable amount of intricacy and expertise in jobs, it may also result in lengthier decision-making processes and possible inefficiencies.

The results of the research demonstrated that there exists a noteworthy and robust positive link between the departmentalization and firm performance of insurance companies ( $r = 0.881$ ;  $p = 0.031 < 0.05$ ). In tandem with the study findings, Ahmed (2017) opined that departmentalization is a fundamental aspect of organizational structure, representing the way in which a company groups its employees and tasks based on certain commonalities or functions. This process is pivotal in defining the framework through which an organization operates, allowing for effective coordination, communication, and allocation of resources. There are several forms of departmentalization that organizations commonly employ. Functional departmentalization organizes employees based on their specialized skills and expertise, grouping individuals with similar functions into departments such as marketing, finance,

and operations. This ensures that individuals with specific knowledge and competencies work together, enhancing efficiency and proficiency within their respective domains. This approach can be particularly effective for larger companies with diverse product lines or regional operations, allowing for a tailored focus on individual markets or product categories (Marsden, Cook & Knoke, 2019).

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The implications of the data have been analyzed in relation to the factors outlined in chapter four, which examine the effect of organizational structure on firm performance of insurance companies in Kenya. The formulation of conclusions and policy implications is contingent upon the aforementioned findings.

### **5.2 Summary of Findings**

The study revealed that all duties by employees are subject to approval and clearance of their supervisors/ managers, more centralized decision-making systems are preferred in mechanistic companies functioning in stable conditions, the allocation of funds within an organization is directly related to its level of centralization, the speed and effectiveness of a group's policies are directly related to the degree of centralization within that group, only senior management make decisions regarding operations in the organization, there is no participation in strategic decision making by non-management employees, and that the level of centralization in a company directly impacts its ability to make sound financial decisions.

The study established that managers often see a favorable correlation between formalization and performance, efficient organizational structures provide seamless operations across various formal components within an organization, including well defined reporting hierarchies for both line managers and staff managers, formal procedures are essential for operational activities since they document all aspects of job



tasks, formalization decreases ambiguity over organizational responsibilities, leading to a direct improvement in performance, the organization has formalized policies and procedures for all major operations, all activities are strictly done according to laid down standard, rules and procedures, staff may have a pessimistic disposition towards formalization since it restricts their capacity for innovation, hence adversely affecting their performance, and that formalization is an essential element of organizational structure that is closely linked to the extent of control within an organization's framework.

The study revealed that a very intricate organizational framework often includes many tiers of administration and numerous specialized departments or divisions, the presence of a complex organizational structure might result in longer decision-making processes and the possibility of inefficiencies, the organization has many layers in the hierarchy as a result, decisions and task accomplishments take longer durations due to authorization red tape, there are many number of managers/ supervisors in the organization, managers/ supervisors have a large number of staff to supervise and that specializing in intricate organizational structures may result in a profound level of competence in certain domains, although it can also provide difficulties in terms of coordinating and communicating across various departments.

The study revealed that functional departmentalization promotes collaboration among persons with specialized knowledge and skills, hence improving effectiveness and expertise within their particular areas, divisional departmentalization is a suitable approach for bigger organizations that have varied product lines or regional operations, it enables them to concentrate on certain markets or product categories, resulting in more

efficient operations, departmentalization is a key component of organizational structure, which involves grouping personnel and activities in a corporation based on shared characteristics or roles, there is fair allocation of tasks and resources between the divisions/ departments, and the allocation of departments makes it easy for planning, control and evaluation processes, departmentalization based on processes enhances workflow efficiency by grouping personnel who work on similar processes, hence promoting specialization and streamlining operations and that client departmentalization facilitates a targeted strategy in comprehending and addressing the distinct requirements of certain client segments.

The study revealed that the implementation of organizational structure plans has resulted in significant profitability for the corporation, there has been a reduction of time taken to offer services to our stakeholders as a result of the organization structure, the company's clientele has grown substantially as a direct consequence of the implemented organizational structure plans and that the company's market share has grown substantially as a direct consequence of the establishment of a formal structure.

### **5.3 Conclusion**

The study concludes that there exists a substantial association between centralization and the firm performance of insurance companies as established by the research. This relationship was found to be positive and strong, as shown by the Pearson's correlation coefficient of 0.782 and the p-value of 0.045, which is less than the significance level of 0.05. Furthermore, a noteworthy and robust positive association was found to exist between formalization and the firm performance of insurance companies, as shown by the correlation coefficient ( $r = 0.810$ ;  $p = 0.018 < 0.05$ ). In

addition, the results of the research demonstrated a noteworthy and robust positive link between the complexity and their firm performance ( $r = 0.712$ ;  $p = 0.025 < 0.05$ ). The results of the research demonstrated that there exists a noteworthy and robust positive link between the departmentalization and firm performance of insurance companies ( $r = 0.881$ ;  $p = 0.031 < 0.05$ ). As per the study findings, departmentalization had strong influence on performance of insurance companies followed by formalization, then centralization and finally complexity.

#### **5.4 Recommendations**

Insurance companies should consider strategically decentralizing certain functions or decision-making processes. This involves delegating authority to lower levels of the organizational hierarchy, enabling faster responses to market changes and customer needs. However, this decentralization should be carefully calibrated to maintain overall organizational coherence and strategic alignment.

While formalization has been associated with firm performance, it's crucial for insurance companies to find the optimal level that aligns with their specific operational needs. Striking the right balance is essential to avoid excessive bureaucracy, which could impede agility and responsiveness. Companies should conduct regular assessments to ensure that formalization levels are conducive to efficiency without stifling innovation.

To mitigate the negative impact of excessive complexity, insurance companies should prioritize simplifying their operational processes. Streamlining workflows and eliminating unnecessary bureaucratic steps can enhance operational efficiency. This involves critically assessing existing processes, identifying redundancies, and adopting lean management principles to promote agility.

To enhance firm performance, insurance companies should strategically align their departmental structures with overall organizational goals. This involves regularly reviewing the functions and responsibilities of each department to ensure they contribute directly to the company's strategic objectives. A well-aligned structure ensures that each department plays a cohesive and efficient role in achieving overall success.

### **5.5 Limitations of the Study**

There were some respondents who were hesitant to share information that they considered to be private to the firm. In addition, respondents were hesitant to provide information because they were concerned that the information might be used against them instead. In addition, the majority of the prospective responders had very hectic schedules, which made it difficult for them to complete the feedback forms within the allotted amount of time. Due to the many bureaucratic procedures that were involved, the process was further made more time-consuming by the tight regulations of the companies. Through the delivery of an introduction letter from the institution, the researcher was able to solve the issue.

The breadth of the investigation and the short amount of time that was allotted for the research were both constraints of the study. This constraint was addressed by beginning the investigation at an earlier point in time within the allotted time frame. Consequently, this meant that the study was conducted for the greatest amount of time available, so preventing any last-minute hurry.

## **5.6 Suggestion for Further Studies**

Future studies could extend the investigation by conducting a comparative analysis across different industries in Kenya. Examining how organizational structures impact firm performance in sectors beyond insurance could provide valuable insights into industry-specific dynamics and highlight transferable best practices or challenges.

Investigating the interplay between organizational structure and culture would contribute to a more comprehensive understanding of factors influencing firm performance. Research could delve into how specific cultural elements within insurance companies in Kenya align with or counteract the intended outcomes of their organizational structures.

Conducting longitudinal studies to track changes in organizational structure and firm performance over time could offer a dynamic perspective. This approach would help identify trends, causation patterns, and potential lag effects, providing a nuanced understanding of the long-term impact of organizational changes on insurance companies in Kenya.

## REFERENCES

- Ahmady, G. A., Mehrpour, M., & Nikooravesh, A. (2016). Organizational structure. *Procedia-Social and Behavioral Sciences*, 230, 455-462.
- Ahmed, M. A. (2017). The importance of the organizational structuring and departmentalization in workplace. *The Journal of Middle East and North Africa Sciences*, 3(3), 30-38.
- Ali, M., Ali, I., Al-Maimani, K. A., & Park, K. (2018). The effect of organizational structure on absorptive capacity In single and dual learning modes. *Journal of Innovation & Knowledge*, 3(3), 108-114.
- Alipoor, H., Ahmadi, K., Pouya, S., Ahmadi, K., & Mowlaie, S. (2017). The Effect of Organizational Structure on Employees' Job Performance in Private Hospitals of Ahvaz. *Journal of Ecophysiology and Occupational Health*, 17(3/4), 119-123.
- Barrick, M. R., Thurgood, G. R., Smith, T. A., & Courtright, S. H. (2017). Collective organizational engagement: Linking motivational antecedents, strategic implementation, and firm performance. *Academy of Management Journal*, 58(1), 111-135.
- Benková, E., Gallo, P., Balogová, B., & Nemeč, J. (2020). Factors affecting the use of balanced scorecard in measuring company performance. *Sustainability*, 12(3), 1178.
- Bryson, J. M. (2018). *Strategic planning for public and nonprofit organizations: A guide to strengthening and sustaining organizational achievement*. John Wiley & Sons.

- Bustinza, O. F., Bigdeli, A. Z., Baines, T., & Elliot, C. (2017). Servitization and competitive advantage: the importance of organizational structure and value chain position. *Research-Technology Management*, 58(5), 53-60.
- Camilleri, M. A. (2021). Using the balanced scorecard as a performance management tool in higher education. *Management in Education*, 35(1), 10-21.
- Chikere, C. C., & Nwoka, J. (2015). The systems theory of management in modern day organizations-A study of Aldgate congress resort limited Port Harcourt. *International Journal of Scientific and Research Publications*, 5(9), 1-7.
- Cytonn. (2022). H1'2022 Kenya Listed Insurance Sector Report (2022). Retrieved from. <https://cytonn.com/uploads/downloads/h12022-kenya-listed-insurance-sector-report-v3.pdf>
- Eisenhardt, K. M., & Bhatia, M. M. (2017). Organizational complexity and computation. *The Blackwell companion to organizations*, 442-466.
- Fatima, T., & Elbanna, S. (2020). Balanced scorecard in the hospitality and tourism industry: Past, present and future. *International Journal of hospitality management*, 91, 102656.
- Fitria, H., Mukhtar, M., & Akbar, M. (2017). The Effect of Organizational Structure and Leadership Style on Teacher Performance in Private Secondary School. *IJHCM (International Journal of Human Capital Management)*, 1(02), 101-112.
- Generation customer. Retrieved from: <https://www.akinsure.com/images/pdf/KPMG>

- George, B., Walker, R. M., & Monster, J. (2019). Does Strategic Planning Improve Organizational Performance? A Meta-Analysis. *Public Administration Review, 79*(6), 810-819.
- Helmrich, A., Markolf, S., Li, R., Carvalhaes, T., Kim, Y., Bondank, E., & Chester, M. (2021). Centralization and decentralization for resilient infrastructure and complexity. *Environmental Research: Infrastructure and Sustainability, 1*(2), 021001.
- Holagh, S. R., Noubar, H. B. K., & Bahador, B. V. (2018). The effect of organizational structure on organizational creativity and commitment within the Iranian municipalities. *Procedia-Social and Behavioral Sciences, 156*, 213-215.
- Hopej, M., Kamiński, R., Tworek, K., Walecka-Jankowska, K., & Zgrzywa-Ziemak, A. (2017). Community-oriented culture and simple organizational structure. *Organization and Management, 4A*, 75-93.
- Hornby, G. S. (2017, September). Measuring complexity by measuring structure and organization. In *2007 IEEE Congress on Evolutionary Computation* (pp. 2017-2024). IEEE.
- Hornby, G. S. (2018). Modularity, reuse, and hierarchy: Measuring complexity by measuring structure and organization. *Complexity, 13*(2), 50-61.
- Insurance Regulatory Authority. (2018). Insurance Industry Annual Report 2018. Retrieved from [www.ira.go.ke](http://www.ira.go.ke)
- Insurance Regulatory Authority. (2019). Insurance Industry Annual Report 2019. Retrieved from [www.ira.go.ke](http://www.ira.go.ke)



- Insurance Regulatory Authority. (2020). Insurance Industry Annual Report 2020.  
Retrieved from [www.ira.go.ke](http://www.ira.go.ke)
- Insurance Regulatory Authority. (2021). Insurance Industry Annual Report 2021.  
Retrieved from [www.ira.go.ke](http://www.ira.go.ke)
- Insurance Regulatory Authority. (2022). Insurance Industry Annual Report 2022.  
Retrieved from [www.ira.go.ke](http://www.ira.go.ke)
- Kamau, A. M. (2022). *Firm Characteristics and Financial Performance of Insurance Firms in Kenya* (Doctoral dissertation, JKUAT-COHRED).
- Kihara, A., Karanja, P., & Kennedy, O. (2016). Influence of organizational Structure on performance of Large Manufacturing firms in Kenya. *European Journal of Business Management. Vol 2 (11). 15, 29.*
- KPMG Annual East Africa Insurance Survey. (2016). Kenya Insurance Survey Report: The next generation customer.
- KPMG. (2016). The Next Generation Customer – KPMG Kenya Insurance Survey. (2016). Retrieved from. <https://www.the-digital-insurer.com/library/the-next-generation-customer-kpmg-kenya-insurance-survey-report/>
- KPMG. (2021) Overview of the Kenyan insurance industry. Retrieved from. <https://assets.kpmg.com/content/dam/kpmg/za/pdf/2021/overview-of-the-kenyan-insurance-industry.pdf>
- Maduenyi, S., Oke, O., & Ajagbe, M. (2015). The Impact of Organizational Structure on Performance. *International Journal of Strategic Change Management*, 123-129.

- Mansoor, N., Aslam, H., Barbu, C., & Carpusneanu, S. a. (2012). Organizational Structure as a Determinant of Organizational Performance: Uncovering the Esseentail Facets of Organic and Mechanistic Structures. *American Journal of Scientific Research*, 55(14), 48-55
- Marsden, P. V., Cook, C. R., & Knoke, D. (2019). Measuring organizational structures and environments. *American Behavioral Scientist*, 37(7), 891-910.
- Martínez-León, I. M., & Martínez-García, J. A. (2017). The influence of organizational structure on organizational learning. *International Journal of Manpower*.
- Meijaard, J., Brand, M. J., & Mosselman, M. (2016). Organizational structure and performance in Dutch small firms. *Small Business Economics*, 25(1), 83-96.
- Moldogaziev, T. T., & Resh, W. G. (2016). A systems theory approach to innovation implementation: Why organizational location matters. *Journal of Public Administration Research and Theory*, 26(4), 677-692.
- Nandakumar, M., Ghobadian, A., & O'Regan, N. (2010). Business Level Strategy and Performance; The Moderating Effects of Environment and Structure. *Management Decisions*, 48(6), 907-939.
- Odira, A. T. (2018). *Effect of Firm Specific Characteristics on Financial Performance of Firms; Evidence from General Insurance Companies in Kenya* (Doctoral dissertation, University of Nairobi).
- Omondi, J., Rotich, G., Katuse, P., & Senaji, T. (2017). The relationship between organization structure and performance in commercial banks in Kenya: The mediating role of innovation.

- Pinto, P., Hawaldar, I. T., Rahiman, H. U., TM, R., & Sarea, A. (2017). An evaluation of financial performance of commercial banks. *International Journal of Applied Business and Economic Research*, 15(22), 605-618.
- Quesado, P. R., AibarGuzmán, B., & Lima Rodrigues, L. (2018). Advantages and contributions in the balanced scorecard implementation. *Intangible capital*, 14(1), 186-201.
- Schminke, M., Ambrose, M. L., & Cropanzano, R. S. (2020). The effect of organizational structure on perceptions of procedural fairness. *Journal of applied psychology*, 85(2), 294.
- Shabbir, M. S. (2017). Organizational structure and employee's performance: A study of brewing firms in Nigeria. *American Research Journal of Business and Management*, 3(1), 1-16.
- Soderstrom, S. B., & Weber, K. (2020). Organizational structure from interaction: Evidence from corporate sustainability efforts. *Administrative Science Quarterly*, 65(1), 226-271.
- Tuan, T. T. (2020). The impact of balanced scorecard on performance: The case of Vietnamese commercial banks. *The Journal of Asian Finance, Economics and Business*, 7(1), 71-79.
- Von Bertalanffy, L. (1972). The history and status of general systems theory. *Academy of management journal*, 15(4), 407-426.
- Watiri, C., Senaji, T., & Ogolla, D. (2022). *Effect of Organizational Structures on Performance of International Airlines in Kenya*.

## APPENDICES

### APPENDIX I: RESEARCH QUESTIONNAIRE

The provided replies will only serve academic research purposes. Strict confidentiality is guaranteed for all given information. If possible, please respond to all the questions inside the specified space.

#### SECTION A: BACKGROUND INFORMATION

1. Which company do you serve (optional)

.....

2. How is the company owned?

Fully local            [   ]

Local / Foreign    [   ]

3. How long has your insurance firm been in operation?

3 years and below            [   ]

4-7 years                            [   ]

8-11 years                            [   ]

12-15 years                            [   ]

Above 16 years                            [   ]

#### Section B: Centralization

4. To what extent do you agree with the following statements: 5-Strongly Agree 4-Agree 3-Neutral 2- Disagree 1- Strongly disagree.

Statements	1	2	3	4	5
Only senior management make decisions regarding operations in the organization. There is no participation in strategic decision making by non-management employees.					
All duties by employees are subject to approval and clearance of their supervisors/ managers.					
The speed and effectiveness of a group's policies are directly related to the degree of centralization within that group.					
The allocation of funds within an organization is directly related to its level of centralization.					
The level of centralization in a company directly impacts its ability to make sound financial decisions.					
More centralized decision-making systems are preferred in mechanistic companies functioning in stable conditions.					
Organizational performance is enhanced by centralization because of the plethora of controls, the quantity of top-down communication routes, and the concentration of relevant information.					

**Section C: Formalization**

5. To what extent do you agree with the following statements: 5-Strongly Agree 4-Agree 3-Neutral 2- Disagree 1- Strongly disagree.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization has formalized policies and procedures for all major operations. All activities are strictly done according to laid down standard, rules and procedures.					
The organization's governing body and management stress adherence to policies and procedures.					
Formalization is an essential element of organizational structure that is closely linked to the extent of control within an organization's framework.					
Formal procedures are essential for operational activities since they document all aspects of job tasks.					
Efficient organizational structures provide seamless operations across various formal components within an organization, including well defined reporting hierarchies for both line managers and staff managers.					
Staff may have a pessimistic disposition towards formalization since it restricts their capacity for innovation, hence adversely affecting their performance.					
Managers often see a favorable correlation between formalization and performance.					
Formalization decreases ambiguity over organizational					

responsibilities, leading to a direct improvement in performance.					
---	--	--	--	--	--

**Section D: Complexity**

6. To what extent do you agree with the following statements: 5-Strongly Agree 4-Agree 3-Neutral 2- Disagree 1- Strongly disagree.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization has many layers in the hierarchy. As a result, decisions and task accomplishments take longer durations due to authorization red tape.					
There are many number of managers/ supervisors in the organization. Managers/ supervisors have a large number of staff to supervise.					
A very intricate organizational framework often includes many tiers of administration and numerous specialized departments or divisions.					
A complicated organizational structure leads to a more convoluted hierarchy, requiring choices to go through many levels before reaching a conclusion.					
The presence of a complex organizational structure might result in longer decision-making processes and the possibility of inefficiencies.					
A complex structure may include a diverse array of					

functional domains, each with its own distinct set of activities and responsibilities.					
Specializing in intricate organizational structures may result in a profound level of competence in certain domains, although it can also provide difficulties in terms of coordinating and communicating across various departments.					

**Section E: Departmentalization**

7. To what extent do you agree with the following statements: 5-Strongly Agree 4-Agree 3-Neutral 2- Disagree 1- Strongly disagree.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is fair allocation of tasks and resources between the divisions/ departments, and the allocation of departments makes it easy for planning, control and evaluation processes.					
Departmentalization is a key component of organizational structure, which involves grouping personnel and activities in a corporation based on shared characteristics or roles.					
Departmentalization is a crucial aspect of an organization's structure that determines how it functions by facilitating efficient coordination, communication, and resource allocation.					
Functional departmentalization promotes collaboration					



among persons with specialized knowledge and skills, hence improving effectiveness and expertise within their particular areas.					
Divisional departmentalization is a suitable approach for bigger organizations that have varied product lines or regional operations. It enables them to concentrate on certain markets or product categories, resulting in more efficient operations.					
Departmentalization based on processes enhances workflow efficiency by grouping personnel who work on similar processes, hence promoting specialization and streamlining operations.					
Client departmentalization facilitates a targeted strategy in comprehending and addressing the distinct requirements of certain client segments.					

**Section F: Firm Performance**

8. To what extent do you agree with the following statements: 5-Strongly Agree 4-Agree 3-Neutral 2- Disagree 1- Strongly disagree.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The implementation of organizational structure plans has resulted in significant profitability for the corporation.					
The company's ROE and ROA have both increased					

noticeably with the execution of organizational structure plans.					
Sales have skyrocketed since the company implemented its new organizational structure.					
There has been a reduction of time taken to offer services to our stakeholders as a result of the organization structure.					
The operations in the organization are more efficient as a result of the organization structure.					
The company's market share has grown substantially as a direct consequence of the establishment of a formal structure.					
The company's clientele has grown substantially as a direct consequence of the implemented organizational structure plans.					