

**THE EFFECT OF LEADERSHIP STYLE AND ORGANIZATIONAL CULTURE ON
THE RELATIONSHIP BETWEEN INNOVATION AND PERFORMANCE OF
FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE**

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**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF
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BUSINESS, UNIVERSITY OF NAIROBI**

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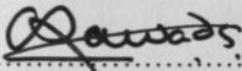
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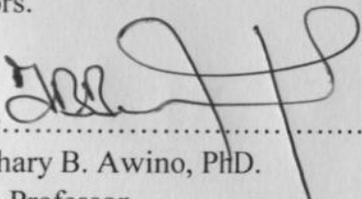
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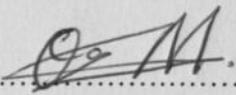
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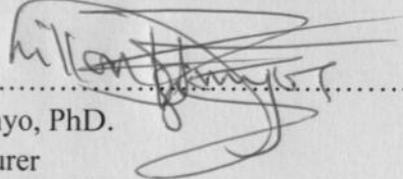
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DEDICATION

I dedicate this thesis to my dear family. The late Ezekiel Nyawade, my Dad, whose way of living and everyday interactions demonstrated leadership prowess and went along way to prove that some people are just born wise; my mother Sabina Nyar gi Ojwang, whose humility, generosity and love remains ever amazing to me, my beautiful wife 'Hanni' who is a living proof that one can get it all in one person; charming, humble, brilliant and genuinely loving wife: Honey, you are truly the angel they announced missing in heaven.

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ABBREVIATIONS AND ACRONYMS

AMA:	American Management Association
BSC :	Balanced Scorecard
CSR :	Corporate Social Responsibility
CVF:	Competing Values Framework
DCT :	Dynamic Capabilities Theory
DY:	Dividend Yield
GDP:	Gross Domestic Product
HRM:	Human Resources Management
OCAI :	Organizational Culture Assessment Instrument
OECD:	Organization of European Commission for Development
RBV :	Resource Based View
ROA:	Return on Assets
R&D:	Research and Development
SME:	Small and Medium Enterprises
SPSS:	Statistical Package for Social Sciences
UK:	United Kingdom
VIF:	Variance Inflation Factor

ABSTRACT

The need to gain and sustain a competitive advantage is overwhelming for businesses, especially now with cut throat competition. Innovation has been suggested as one way of gaining the advantage sustainably thus improving firm performance. But innovation can only happen within certain enabling environment and cultures. This study objectives included determining the relationship between Innovation and firm performance, ascertaining the influence of Organizational culture on the relationship between Innovation and Firm performance, establishing the influence of Leadership Style on the relationship between Innovation and Firm performance, examining the combined effect of Leadership Style and Organizational Culture on the relationship between Innovation and Firm performance and establishing the joint effect of Innovation, Organizational Culture and Leadership Style on Firm Performance. This was a cross sectional survey conducted among firms listed on the Nairobi securities Exchange. Questionnaires were administered in all the 55 firms listed on the Nairobi securities and a total of 36 completed questionnaires were received and analyzed. Both primary and secondary data were used and regression analysis method was employed. The results showed that there was a strong positive relationship between innovation and performance. Both Organizational Culture and Leadership style had a moderating effect on the relationship between Innovation and firm performance. The combined effect of Leadership Style and Organizational Culture also had a moderating effect on the relationship between Innovation and Firm performance. The study also established that the joint effect of Innovation, Organizational Culture and Leadership Style on Firm Performance is different from the effect of the individual study variables. Major conclusions of the study include the confirmation strong relationship between innovation and firm performance and that the joint effect of the all the variables under study was different from each acting individually. Like all similar studies that use regression analysis, there is always the limitation of assuming linearity which may not always exist. Further limitation was the use of NSE listed firms only. There were theoretical, policy and managerial implications of this study. Theoretically, study drew expression of interrelations between various variables, offered generalization of understanding and meaning of these relationships thus expanding the frontiers of knowledge with respect to innovation, organizational culture, Leadership Style and firm performance. Policy implications included the fact that the government can use the results to develop relevant and practical policies such as budgetary policies regarding innovation, Organizational Culture and Leadership style. Management practice implications include decisions in matters of reward for innovative ideas, disciplinary actions against staff who commit poor leadership practices and encouraging an organizational culture which does not inhibit innovation. Suggestions for further research include investigating the relationships among the individual dimensions of innovation, carrying out similar research but now focusing on public sector and finally employing different measures of financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background

The dynamic business environment presents various challenges; ranging from difficult economic circumstances and cut throat competition, to enlightened and demanding customers (Daft, 2005). It has become increasingly complex, hostile and unpredictable. In response to this, organizations are striving to embrace innovation, the successful implementation of creative ideas within an organization (Amabile, 1998) in order to improve their performance.

Leadership refers to the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group's goals (Rucker, 1985). Emerging leadership theories for the study include: Charismatic, Transformational and Transactional leadership Robbins (2007). Transformational leaders are agents of change. According to Bass (1998), these leaders create, communicate, and model a shared vision for the team or organization, inspiring followers to strive for that vision. Transformational leaders are courageous and believe in people. However, Implicit Leadership theory holds that leaders might have less influence than most of us assume to be the case (Robbins, 2007; Meindl, 1990; Croshnaw, 1987).

Organizational Culture has been defined as the values, beliefs and hidden assumptions that organizational members have in common (Deshpandé and Webster, 1993). Brown (1994) provided various elements of culture which have helped other scholars in understanding how organizational culture manifests itself and impacts on individual and group behavior. Cameron and Quinn (1999) identify four different culture types: Clan, Adhocracy, Market and Hierarchy.

Various theories of innovation exist. These include Radical versus Incremental, Evolutionary versus Revolutionary, and Discontinuous versus Continuous (Garcia and Clantone, 2002). Ettlíe et al (1984) examined radical (involving completely new knowledge and resources) and incremental innovations (building upon existing knowledge and resources base). Leifer (2005) explains that discontinuous (also known as radical, Game Changer or disruptive) innovations create such dramatic change that they transform existing industries or create new ones.

Researchers have examined the links between Leadership Styles and performance (Bycio, 1995) and also between organizational culture and performance (Kotter and Heskett, 1992). Furthermore, numerous aspects of the organizational culture literature allude to the role of leaders in 'creating' and 'maintaining' particular types of culture (Schein, 1993). According to Fillipeti (2011) the relationship between Innovation and performance may be mediated by Leadership Style and organizational culture. Major theories that inform this study include the Dynamic capability theory which is concerned with capacity of a firm to purposefully create, extend or modify resources to create value (Helfat 2007).

A related framework is Mckinseys 7S framework which advocates alignment between strategy, structure, systems, shared values, skills, staff and style. A very important theory for this study is the Resource Based View (RBV) which offers that competitive advantage of a firm lies primarily in the application of valuable resources at the firm's disposal (Wernerfelt, 1984). These resources may be tangible or intangible and must be used in the right combinations. Organization's Innovation, Leadership Style and culture are intangible resources and this proposal studied their relationship, thus investigating their meaningful combinations. The study was based on RBV.

This study focused on the companies listed in the Nairobi Securities Exchange (NSE). These companies are in need of improving performance following Kenya's vision 2030 target of growing GDP at 10 percent per annum. An understanding of Leadership Style, culture and performance relationship is critical to improving performance. The publicly quoted companies are across various industries (Agriculture, Commercial and Allied, Telecommunications and Technology, Automobiles and Accessories, Banking, Insurance, Investment, manufacturing and allied, construction and allied and energy and petroleum), representing a third world growing economy hence a good context for study.

1.1.1 Leadership Style

Leadership has become a watchword in the business environment. Rucker (1985) defines leadership as the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group's mission. O'Regan (2004) views the primary task of leadership as ensuring effective deployment of corporate strategy. Kotter (2000) sees the role of leadership as evolving and about coping with change.

Lord (1986) identified four Leadership Styles thus: Directive, Supportive, Participative and Achievement oriented. McShane (1992) describes the four Leadership Styles thus; In Directive Leadership Style, the leader clarifies performance goals, the means to reach those goals, and the standards against which performance will be judged; In Supportive Leadership Style; the leader is friendly and approachable; makes the work more pleasant; treats employees with equal respect.

In Participative Leadership Style, the leader consults with employees, asks for their suggestions, and takes these ideas into serious consideration before making a decision; while in Achievement-Oriented Leadership Style, the leader sets challenging goals, expects employees to perform at their highest levels, continuously seeks improvement in employee performance, and shows a high degree of confidence that employees will assume responsibility and accomplish challenging goals.

Conceptually, it is argued that the visionary and inspirational skills of transformational leaders motivate followers to deliver superior performance (Nicholls, 1988; Quick, 1992). Much of the evidence presented as supporting the claim of a leadership-performance link is anecdotal and frequently over-concentrates on the transformational role of leaders in corporate successes (Quick, 1992; Simms, 2000).

Leadership style has also been defined as "interpersonal influence, directed through communication toward goal attainment (DuBrin, 2006). It is also seen as "the process of influencing leaders and followers to achieve organizational objectives through change" (Lussier, 2004). To ensure a holistic understanding for this concept, leadership is further defined as "the ability to influence a group towards the achievement of goals" (Robbins, 1998). Among the previous definitions, it would be concluded that, leadership is the ability of interpersonal influence to direct followers through communication, and to achieve through change the organizational objectives. The reflection of these definitions in light of contemporary theories of leadership emerged three styles that are; transformational, transactional, and laissez-faire.

The transformational leadership theory first appeared in 1978, when Burns made the attempt to study political leadership; as such it was derived from political science (Burns, 1978) and developed later by Bass (1993). Currently, there is a belief that transformational leadership is a key of change, through its factors of influence (idealized influence, intellectual stimulation, inspirational motivation and individual consideration).

Transformational leadership refers to a process focusing on the exchange between leaders and followers by motivating followers' attitudes, it is the process of building employee loyalty to meet the organizational visions, missions, strategies and objectives by the leaders (Yukl, 1989), not only because it is detrimental to the behavior of leaders and greatly affect on individuals' performance, but also because it built on creative exchange between the leader and followers to meet organizational vision through a change in values (Bass, 1985).

The second style refers to transactional leadership that is very necessary to ensure the managerial role of the leader. It connotes a communal process of exchange between leaders and followers in order to persuade the followers to meet up their assigned duties so that the followers can claimed the benefits such as pay, rewards, advancement or recognition from the organizations (Bass, 1993; Xirasagar, 2005).

Transactional leadership could be observed through two factors that are; contingent reward and management-by-exception that would be active or passive. Both styles of leadership combine between the ability of influence and crating internal emotions toward the goals and the best way how successfully the objectives could be achieved. It is somehow combining between charisma of personality (transformational) and resolution reaction (transactional) dealing with organizations.

Indeed, for transformational and transactional styles to be effectively utilized, the role of effective communication should be ensured. The third style of leadership reflects the absence of these two styles that called laissez-faire, it refers to passive/avoidant or no leadership. In other word, when the leader avoids taking a decision, has negative influence on followers, delays to deal with problems, thus, his style is laissez-faire.

In much of the literature reviewed, Leadership Styles were found to be significantly related to several organizational factors where, transformational style registered positive impact, and in some transactional style had uncertain effect-(Osman, 2014). Laissez-faire style on the other hand, was related significantly and negatively with; motivation (Chaudhry, 2012), extra effort and effectiveness (Khoury, 2006; Khan,2011), creativity and work attitude (Ritossa,2007), and job performance (Steyrer, 1998). The current study adopted Lords definitions of dimensions of Leadership Styles (Directive, supportive, participative and achievement oriented). These dimensions have been used in similar studies (Tang, 2010).

1.1.2 Organizational Culture

Cole (2005) defines Organizational culture as the sum of dominant values, visions, perspectives, standards and modes of behavior that typify any one organization. Gareth (2004) sees culture as a set of shared values and norms that controls organization members' interactions with each other and with customers, suppliers and people outside the organization. Culture has also been said to be the quality of organizational specialness; that it possesses some unusual quality that distinguishes it from others in the field (Gold, 1982). Lords (2001) states that it is the shared beliefs top managers have about how they should manage themselves and employees and how they should conduct business.

Lack of universal definition of culture has hampered development of theories on Organizational Development (Schein, 1984). Also, varying definitions of this term required different measures, which might explain the lack of congruence in research findings (Lewis, 1995). Fortunately, however, social scientists have begun to converge on an operational definition of culture as the attitudes, values, beliefs, and behaviors that are shared by a particular group of people (Triandis, 2006). In both personal and organizational level, it is believed that organizational culture provides a competitive advantage and has a considerable effect in developing employee–manager relationship.

The influence of organizational culture on Firm Performance has been proven in many studies. For example, a number of researchers (Paparone, 2003; Smith and Shilbury, 2004;) have addressed the significant roles of creating, managing, and changing organizational culture for the purpose of increasing overall organizational effectiveness and performance. In organizational behavior's studies, organizational culture has been described as an essential predictor of organizational effectiveness (Catana and Catana, 2010; Ezirim, Nwibere, and Emecheta, 2010). For instance, Catana and Catana (2010) concluded that organizational culture is a central concept that powerfully influences organizational effectiveness.

Despite the attention paid to it, most studies have not provided the promised solutions. This is partially due to its complexity and the difficulties with defining and measuring organizational culture. For example, Kotter and Heskett (1992) early reported that it is difficult to determine a positive correlation between culture and performance because some firms may have non-adaptive or defective cultures that actually harm performance.

Moreover, the scarcity of quantitative evidence can be attributed to the fact that cultures have tacit, ambiguous, and unobservable aspects, which are usually hard to measure using publicly available information, and thus pose an obstacle to quantitative analysis.

Thus, it is still questionable how organizational culture should be observed, measured, or how different methods can be used to inform routine administration or organizational change. This study looked at the effect of culture on the relationship between innovation and firm performance. Further it also looked at the effect of culture and Leadership Style combination on this relationship. This study is particularly important, as past research has not focused on these relationships.

1.1.3 Innovation in Organizations

Innovation within an organization is a multidimensional concept. This includes: product innovation, (changes to design, components and product architectures); process/operations innovation, technology innovation which includes manufacturing technology and information technology innovation; management systems and organizational innovations (new managerial systems, such as production control, quality management, and changes in organization, such as decentralization of authority and empowerment (OECD, 2005).

Innovation has been defined as the successful implementation of creative ideas within an organization (Amabile, 1998). It has been also been referred to as the exploration of new possibilities and the subsequent successful exploitation of these; hence it is not about merely getting new ideas and the generation of an invention, but about the successful exploitation and diffusion of that invention.

March (1991) uses an organizational learning perspective to distinguish between innovations that explore for new knowledge and innovations that find clever new ways to exploit existing Knowledge. Firms that explore for new knowledge may seek incremental scientific improvements to serve existing markets, or they may break away from the safety of existing products and markets to pursue bold new product ideas or to try to create new markets.

Innovation has been presented in various types by different authors. We have incremental and radical innovation (or breakthrough), organizational and Technological, Process and products Innovation. Incremental Innovation refers to the applied science that searches for incremental improvements to existing know-how or adds value to existing products for existing markets and is more common than high-risk pure research. Indeed, the most common approach to innovation is to look for low-risk ways to improve the design of existing products using current knowledge to serve today's markets.

Larger and more established firms tend to be more risk-averse and prefer innovations that have a greater chance of making money even if it means that the potential returns are less than spectacular. These firms often have a large installed customer base plus a larger and more geographically dispersed supply chain.

For these firms, the central innovation challenge is to constantly move the Performance bar a little bit higher without losing the ability to keep a complex set of technological and business relationships arranged in an orderly fashion. These firms prefer gradual incremental innovations and tend to delay more fundamental innovations as long as possible (Anderson & Tushman, 1990).

Another typology of Innovation is the breakthrough Innovation. Exploring for new knowledge is well illustrated by basic science that is often pursued in corporate Research and Development (R&D) labs as well as in university research centers. This form of R&D feeds the value chain for new product development by making scientific discoveries and earns a return on investment by claiming ownership to intellectual property through patents and proprietary knowledge. Because this form of R&D can be expensive and risky, it is sometimes hard to justify the investment unless there is some clear idea of the potential market value of new knowledge discoveries (Gaynor, 2002).

Organizational Innovation is also called Management Innovation and involves exploring new ways in terms of business models, Management techniques and strategies and organizational structures (Hamel, 2006). The attempt to create new products and services may spur organizational Innovation; such as new business models arising to take advantage of newly discovered market opportunities. One of the principal reasons for organizational innovation is that established firms can lose not just their ability to innovate but their insight into the necessity to innovate.

Successful firms sometimes become blind to opportunities other than those that sustain their current customer base. Christensen (2005) explains that as firms sell more technologically advanced and feature-rich products to serve their existing customers, they fail to see discontinuous innovations that would serve new customers in new ways. Overlooked opportunities might include a demand for new products that are technologically less sophisticated than their current products.

By achieving higher mastery of technology and higher mastery of product complexity, firms risk losing a sense of how best to respond to customers whose requirements for simplicity override their need for the most technologically advanced products. Business Process Innovations looks less at what is produced than it does at how it is produced. When Ford Motor moved to a production line system for creating a standardized product, it wound up being a great process Technology innovation combined with a great business model (Davila & Shelton, 2005). In some cases, companies are able to reduce costs while boosting productivity and quality via business process innovations.

Different scholars emphasize the importance of different dimensions of innovation. For example, Schumpeter (1934) suggests a range of possible innovative alternatives, namely developing new products or services, developing new methods of production, identifying new markets, discovering new sources of supply, and developing new organizational forms. Miller and Friesen (1983) focus on four dimensions: new product or service innovation, methods of production or rendering of services, risk taking by key executives, and seeking unusual and novel solutions. While Capon et al. (1992) adopt three dimensions of organizational innovativeness: market innovativeness, strategic tendency to pioneer, and technological sophistication.

Wang and Ahmed (2004) identify from various research, five main areas that determine an organization's overall innovativeness. They present the areas as being product innovativeness, market innovativeness, process innovativeness, behavioral innovativeness, and strategic innovativeness. In line with these perspectives, they define organizational innovativeness as "an organization's overall innovative capability of introducing new products to the market, or opening up new markets, through combining strategic orientation with innovative behavior and process".

While literature has attempted to identify and classify various innovation types, AMA (2006) offers that a subject as complex as innovation will tend to defy neat and discrete categories. This lack of consensus in classifications poses a challenge to innovation measurement and study. This study adopted the classification of Product innovation, Technological innovation, Process Innovation and Technological innovation (Wang, 2004).

Literature also points to the need for a balance between radical and Incremental Innovation. Interestingly, while radical or breakthrough innovations can reap handsome financial profits, the largest percentage of revenue is still more likely to come from incremental Innovation. Balancing efforts to capture the advantages of both can be a wise but challenging goal for organizations to pursue.

Some research suggests that executives expect a growing percentage of future innovations to come through breakthrough, rather than incremental, innovations (Troy, 2004). That's understandable given that companies that can leverage more radical innovations can realize huge financial gains.

Christensen (2005) in a review of innovations found that, in the year 2000, 37 percent of the companies that were leaders in terms of providing a "disruptive" innovation such as computing via cell phones exceeded \$100 million in revenues. In contrast, just 3percent of organizations attained such revenue levels if they were in already established markets (McLagan, 2002).

For firms in the high-tech sector, while next-generation innovations represent only 14 percent of product launches and 38 percent of revenue, they still bring in 61 percent of profits. The study also showed that while incremental innovations account for 62 percent of revenue, they bring in only 39 percent of profits. Organizations should therefore invest more in next-generation technology .

1.1.4 Firm Performance

Firm performance refers to the extent of the organization's ability in meeting the goals which it has set for itself. While financial measures of performance of an organization are usually available, operational measures are typically ad hoc and lack formal structure (Hudson, 2001). Many firms have realized the importance of having both financial and non-financial performance measures. Crowther (1996) noted that while there are various considerations of the need for performance evaluation, it is only by recognizing that performance exists in multiple dimensions that the needs of an organization for its measurement and reporting can be addressed.

In the past, enterprises emphasized financial performance. But in the recent past matters have changed. Information development has transformed their competitive basis into the intangible assets and the leadership performance from previous tangible financial performance. Therefore, performance measurement should include non-financial indices such as quality and customer satisfaction, which can be used for an enterprise to effectively evaluate its operational performance and consolidate competitive advantages (Tang, 2010).

Choi and Mueller (1992) posit that an enterprise should simultaneously consider financial and nonfinancial indices for performance evaluation. In other words, qualification and quantification factors should be considered at the same time, because such non-financial indices as employee morale and product quality are very important for its long-term operation. In the research on financial performance indices, Van de Ven and Ferry (1980) thought that the traditional financial performance was the most common indices used to measure organizations by researchers, including return on investment, sales revenue and earning power and so on, in which sales revenue was the most common one. Therefore, in this study, the Firm Performance measurement methods presented by Venkatraman and Ramanujam (1986), which involved both financial and non financial measures of performance were adopted.

According to Fenwick (2008), in selecting performance measurements, some scholars (Lim, 1995) neglected to focus on the correlation between financial performance, customer satisfaction and employee satisfaction. They employed either financial measurements (that is net profits and controllable costs) or non-financial measurements (that is customer satisfaction and employee satisfaction), rather than employing both in order to enhance the validity of the research. This would result in inadequate and insufficient performance measurements of the proposed leadership-performance relationship. The disadvantage of selecting financial measurements only would include using inadequate measures to properly evaluate the relationship between leadership paradigms and performance.

A major milestone in Firm performance measurement was the introduction of the balanced scorecard (Kaplan and Norton, 1996) which evaluates performance from four different perspectives: the financial, the internal business process, the customer, and the learning and growth. It is designed to complement financial measures of past performance with their measures of the drivers of future performance.

1.1.5 Linkages of the Key Variables of the Study

This study sought to establish the key linkages of the variables; Innovation, Organizational culture, Leadership style and Key performance. These variables have been variously studied in isolation, yet there is evidence that knowledge of their interactions would go a long way in helping leaders achieve effectiveness. In order to ensure achievement of goals in organizations, various models have been used (Agbor, 2008). The models many organizations have used in the past no longer seem adequate for effectiveness and success in current organizational environment. The situation has changed from when the environment and processes were stable or slow (Nadler, 1997).

In many sectors today, work processes are changing at a much faster pace as organizations face the challenges of rapidly changing technology, globalization, uncertainty, unpredictability, and turbulence (Jamali, 2006). In the past, because of monopoly to technology, market, or brand, they could expect to be successful for a long time despite inability or refusal to innovate. However, due to the volatile environment in these sectors, many such organizations are failing and need creativity and constant innovation to remain competitive and successful. This means that they must recognize and harness the creativity and leadership that exist in the organization to manage its innovation processes.

Strategic design, technology, culture, and organizational strategy may not be able to sustain them very long unless organizations also establish a structure that continuously develops creative leaders to run and sustain the process. This strategy will help the organizations establish environments that are conducive to renewal, build organizational culture that encourages innovations, and establish organizational diversity that in turn helps these organizations remain competitive. Scholars have shown how organizational structure, strategy, technology, culture, and other management tools help bring effectiveness and competitive advantage to organizations (Galbraith, 2002). They also show that in the 21st-century organizational environment, creativity and innovation are the primary sources of competitive advantage.

Creative and effective organizations do not emerge by accident. According to Agbor (2008) these organisations require leaders to drive and control deliberate changes in structure, culture, and process in order to transform them into creative, effective, and productive ones. Even though many organizations look for competitive advantage in their structure, strategy, technology, and culture, leadership is the most important source of competitive advantage. Organizational leaders usually decide what happens in the organization and give the direction, vision, and momentum that bring success.

When the organization establishes its strategy and work processes, the leaders direct the implementation that brings it to accomplishment. Technology, right culture, and strategy are necessary and contribute to the success of the organization. However, for any of these vital aspects to bring any real benefit, the leadership must support, sustain, encourage, and inspire followers to make it work. Therefore, for the innovation process to begin in any organization, that organization must first put the right leaders and leadership structure in place.

Moreover, the leaders must themselves be interested in innovation; otherwise, they can stifle creativity and innovation in the organization. The top leaders in the organization usually have the power and authority to develop strategies that lead to innovation, which means if they are unable to perceive opportunity for renewal, do not wish to exploit them, or are unable to respond to them, these leaders can impede innovation (Agbor, 2008).

Conversely, if the leaders' objectives are dynamic, ambitious, and innovative, and if they demonstrate proactive attitudes as well as a capacity to respond to change, this can help bring innovation, renewal, and success to the organization. Some management theorists argue that effective strategy, culture, efficient work processes, and other management tools—not leadership—determine organizational success (Galbraith, 2002). For example, they point to the Japanese auto industry and technology to show how their strong corporate culture helped in their success. Moreover, empirical research demonstrates the importance of culture in organizational performance (Cameron & Ettington, 1988). However, Schein has also shown that leaders are the ones who develop the culture of the organizations (Schein, 1990).

Cameron and Quinn (1999) assert that culture change will not occur without the involvement, commitment, and active support of leaders who repeatedly work to convince the members of the organization of the benefits and need for an organizational culture change. Organizations with weak leadership tend to be less effective and are prone to constant restructuring and downsizing in order to solve their problems. On the other hand, organizations with creative and effective leaders work to avert the need for major restructuring and downsizing. These leaders run the organization effectively and therefore prevent it from reaching the stage of having to undertake major restructuring (Tichy, 1997).

Today's organisations are continuously looking for the ways to be more creative, innovative and competitive. There are different factors that affect the performance of the firms. One of the factors that has been suggested to influence firm performance is the organisational culture (Duke II & Edet, 2012; Fekete & 2011; Peters & Waterman, 1982). Because of its importance and implications for individual and organisations, a great deal of attention has been given to the organizational culture and related studies (Barney, 1986; Ojo, 2010; Oparanma, 2010). Theoretical arguments support the idea that organisational culture is related organisational performance (Cameron & Quinn, 2006; Zheng et al., 2010).

According to Abu-Jarad et al., (2014), organisational culture affects various employees and organisation related outcomes. Organisational culture affects employee behaviour, learning and development (Bollinger & Smith, 2001), creativity and innovation (Vincent et al., 2004), and knowledge management (McDermott & Tseng, 2010). The studies related to the effect of organisational culture on performance outcomes are quite extensive Zain et al., 2009). Yet, the results seem to inconclusive (Scott et al., 2002; Abu-Jarad et al., 2010) due to definitional, structural and design related differences and problems. There are also studies that found mediating effects of other factors such as knowledge conversion (Tseng, 2010), knowledge management (Zheng et al., 2010), organisational innovativeness (Han et al., 1998) between organisational culture and performance. Saffold (1988) argued that interactive nature of culture, process, and organizational outcomes need to be considered when investigating the culture-performance link. The argument underlying this line of research is that organizational culture affects performance outcomes through other mediating factors (Tseng, 2010; Zheng et al., 2010).

Firm performance reflects the extent of goal achievement in the organization's workforce, capital, marketing, and fiscal matters (Marcoulides & Hect, 1993). Several objective and subjective measures have been used in the literature to determine the level of organisational performance. Maltz et (2005) noted that measuring organizational performance has been a major research topic in organization theory literature for over thirty years and managers along with researcher are still struggling with.

Studies investigating the relationship between culture and performance tend to use several performance measures. Reviewing the culture-performance relationship, Abu-Jarad et al. (2010) noted that the most common measures of organizational performance are financial profitability and growth.

From the forgoing, there are various studies that that have investigated the relationships among the variables of innovation, firm performance, leadership style and culture. The studies have , however not considered all the variables at once, and have instead looked at different permutations of these variables. This study investigated the moderating relationship between of leadership style and organisation culture on the relationship between innovation and firm performance.

1.1.6 The Nairobi Securities Exchange

Securities and stocks exchange are established to allow organized trading in stocks and shares. They play a major role in many economies by providing an avenue for saving thus encouraging a culture of thrift. The presence of institutions where money can be safely invested and in addition earn a return is an incentive to people to consume less and save more. The securities exchange has the advantage of providing investors an efficient mechanism to liquidate their investment in securities (NSE Handbook, 2011).

The Nairobi Securities Exchange (NSE), known as Nairobi stock exchange until July 2011, was constituted as a voluntary association of stockbrokers in 1954 registered under Societies Act as an overseas stock exchange with permission of London Stock Exchange (NSE, 1997). A self-regulatory framework was adopted whose responsibility was to develop the stock market and regulate trading activities. It has grown to become a major financial institution; now the fourth largest trading volume across the African continent and plays a key role in the economic growth of Kenya.

The companies listed in NSE do represent key sectors of the economy which include Agriculture, Commercial and Allied, Telecommunications and Technology, Automobiles and Accessories, Banking, Insurance, Investment, manufacturing and allied, construction and allied and energy and petroleum and allied sector. NSE has been selected as a specific target for the study. With the goal of 10 percent annual GDP growth towards vision 2030, government's interest in NSE has been greater, and NSE demands on listed members consequently more.

There has been considerable confidence in NSE as a vehicle for investment as demonstrated by oversubscriptions whenever we have Initial Public offers (IPOs). For example, the share purchases were over-subscribed by between 81 percent and 830 percent in Co-operative Bank and Eveready Ltd respectively (CMA Bulletin, 2010). Many listed companies experienced massive price appreciations at the bourse.

1.2 Research Problem

The growing need for performance improvement has led organizations to search for possible sources of competitive advantage. According to Quinn (1999), effective management of intangible assets has become a key competitive resource. Innovation capacity of the firm is an intangible asset that can offer competitive advantage hence superior Firm performance. Getting the right combination between Leadership Style, culture and Innovation will be consistent with the notion of Resource Based View (RBV) and Dynamic capabilities perspective (Teece, 1997).

The context of this study was the Nairobi Securities Exchange's 55 listed firms. These firms are constantly faced with the challenge of improving their performance. The demand for performance improvement is particularly intense as they are critical to achievement of Vision 2030 goal of 10 percent annual economic growth. This is against the background that some of the firms have had serious leadership and performance problems (NSE Handbook, 2011). It is important for them to strengthen their intangible resources, including leadership, culture and innovation capabilities.

Several studies have been carried out particularly in Europe and America to isolate impacts of innovation, yet orderly findings have not been forthcoming (Chandy and Tellis, 2000). Some researchers have found that substandard performance causes dysfunctional behavior and diminished innovation (Caldwell and O'Reilly 1990; Kim 2002) while other researchers have argued that poor organisational performance is actually necessary to catalyze the search for new practices in an organization (Meyer 1988, Singh 1998). There is therefore a need to clarify the real role played by innovation plays on firm performance.

A study among SMEs operating in the food industry in Greece by Salavou (2002) also found that product innovation was a significant determinant of business performance based on Return on Asset (ROA). Several other studies have examined the impact of different innovation forms and innovation dimensions on business performance. For example, Yamin et al.(1997) specifically compared the impact of product innovation versus process innovation on business Performance in terms of liquidity, leverage, activity and Return on Investment (ROI). Their findings indicate that process innovation was the strongest.

Neely (2001) posited that different kinds of innovation can result in better performance and this may be influenced by other factors such as culture, hence the suggestion for further research to establish how cultures can be encouraged to help manage innovation better. Naranjo (2011) investigated the role of organizational culture and found out that people management negatively correlated with innovation orientation. This was quite unexpected and the study suggested further research.

From the foregoing, despite attempts by various researchers, the relationship between innovation and firm performance has not been conclusively established, with some researchers maintaining a positive relationship while others contend otherwise (Caldwell and O'Reilly 1990; Meyer 1988). Additionally, most studies have been done in Europe (Chandy and Tellis, 2000; Neely, 2001). There is need to investigate these study variables in a developing country like Kenya.

Prevailing organizational culture could encourage or inhibit innovation and performance. Muller (2001) suggested that the innovation and performance link may be moderated by other variables such as prevailing Leadership Style and the organizational culture. This study investigated these relationships. Notably, most research has focused on product innovation, leaving out process/operations and organizational innovation dimensions (Brown, 1994). This study focuses on all the three dimensions.

The methodology used by previous scholars has involved using only financial measures of performance. When selecting the measurements of performance, some researchers have also employed non-financial measurements alone, rather than employing both kinds of measures in order to enhance the validity of the research (Prajogo, 2006). This means that these past studies have neglected the interrelationship between financial performance and customer satisfaction and employee satisfaction. This provides a narrow measurement of performance that may not have appropriately evaluated the sought-after performance effects appropriately. Thus, the current study used both financial measurements and non-financial measurements of performance in order to enhance research validity.

Finally, there has been no known study to ascertain the joint effect of the interaction between leadership and culture on the relationship between innovation and firm performance. Critically therefore, the study sought to answer the question: Does the individual and combined effects of Leadership Style and organizational culture affect the relationship between Innovation and firm performance?

1.3 Research Objectives

The general objective of this study was to determine the influence of organizational culture and Leadership Style on the relationship between Innovation and performance of firms listed in the NSE.

The specific objectives are to:

- i. Determine the relationship between innovation and performance of firms listed on the NSE
- ii. Ascertain the influence of Organizational culture on the relationship between Innovation and performance of firms listed on the NSE
- iii. Establish the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE
- iv. Examine the combined influence of Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE
- v. Establish the joint effect of Innovation, Organizational culture and Leadership on performance of firms listed on the NSE

1.4 Value of the Study

The results of this research do add value in the areas of theory, practice and policy development. In theory development, this study contributes to understanding the innovation and performance link, while also clarifying the moderating effect of the other two study variables (Leadership Style and organizational culture). These are intangible resources and, as held by RBV theory, are useful in providing competitive advantage to the organization if they are non-imitable and used in the right combinations.

Further, the Dynamic capabilities theory, which stems from RBV, offers that new strategic assets such as capability, technology and customer feedback have to be integrated within the company while existing strategic assets have to be transformed or reconfigured (Teece, 1997). Giada (2014) identifies that DCT is plagued by confusion around the construct and that there are split understandings of what constitutes DCT. They offer a theoretical model aimed at combining different views of the definition of dynamic capabilities by explaining how routines and simple rules interact. This new focus brings attention back to internal processes and, more specifically, to the role of individuals in creating, implementing, and renewing dynamic capabilities.

Schilke (2014) suggests that dynamic capabilities can give the firm competitive advantage, but this effect is contingent on the level of dynamism of the firm's external environment. A nonlinear, inverse U-shaped moderation is proposed, implying that the relationship between dynamic capabilities and competitive advantage is strongest under intermediate levels of dynamism but comparatively weaker when dynamism is low or high. This proposition is tested using data on alliance management capability and new product development capability, two specific dynamic capabilities widely recognized in prior research.

Results based on longitudinal key informant data support the account that these dynamic capabilities are more strongly associated with competitive advantage in moderately dynamic than in stable or highly dynamic environments. This study builds further into this theory as it investigates which intangible assets-Organizational Culture, Leadership Style, innovation need to be recreated or modified (Helfat, 2007) for superior performance.

In adding value to the organizational Behavior and Theory, it addresses the gaps identified with respect to innovation, leadership and organizational culture research (Ogbonna, 1993) while also forming a basis for future research on Innovation, firm performance, leadership and culture.

The study also contributes to management practice. Given the high level of competition in the business environment, it is necessary to improve business competitiveness. Understanding the influence of Organizational Culture and Leadership Style helps business leaders to apply the right Leadership Styles in the right situations. By understanding the results of this study and appreciating the same, the leaders will be able to create and sustain cultures that facilitate rather than inhibit business growth.

Policy development in private organizations and government bodies will benefit from this study. The results will be equally useful for and all other organizations with respect to organizational behavior and business growth. Knowledge of the relationships between Leadership Style, Culture, Innovation and performance enables formulation of policies that help businesses thrive.

1.5 Outline of the Thesis

The thesis has been organized into five chapters. Chapter one discusses the main concepts and context of the study. The variables of the study are also identified, defined and discussed. A background of each of the study variables is briefly given. The chapter then explains the context of the study (NSE) and states the research Objectives. The value that the study adds is presented in terms of contribution to theory, management practice and policy.

Chapter two presents a detailed theoretical and empirical literature review in order to help appreciate the variables in detail. It starts by presenting the main theories upon which the study is anchored. The Resource Based View (RBV), The Dynamic Capability Theory (DCT) and McKinseys 7S framework are presented and explained here. Then each of the variables is looked at in turn, beginning with the main independent and dependent variables (Innovation and Firm performance).The theoretical literature relating to these and the other variables (Leadership Style and Organizational Culture) is then examined. The chapter ends by identifying existing gaps in literature, proposes a conceptual framework and presents the conceptual hypotheses.

Chapter three addresses the methodology employed in this study. The chapter looks at the research philosophy, design and population of the study. The data collection methods, operationalization of each variable of the study, and data analysis tools used is presented. Study instruments reliability and validity tests are discussed then the chapter ends by offering summary tables indicating the variables, definition, measurement and relevant items/question in the survey tool.

Chapter four presents the data collected and analyzed using the various tools. This chapter begins by the analysis of the response rate, the demographic characteristics of respondents and the organizations such as gender, level of education and length of service, sector, and number of employees. The descriptive statistics are then presented, including mean and standards deviations for each of the items in the instrument. The conceptual hypotheses are then tested and results interpreted.

The final chapter five presents main discussions of the results, findings and conclusions drawn from the study. This chapter also exposes implications of the study findings with regards to theoretical, practical and methodological underpinnings. The chapter concludes with discussions on limitations of the study and recommendations for further research. The implications of the study are also discussed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the studies that have been carried out in this area and is organized into the following sections: Theoretical perspectives, Innovation and Firm performance, Innovation, Leadership Style, Organizational Culture and Firm performance. The first part looks at the theoretical underpinnings while the second part reviews the research work that has been done in these areas, and identifies gaps. At the end of the chapter, Conceptual framework is presented.

2.2 Theoretical Foundation

This study is informed by a number of theoretical perspectives; Resource based View (RBV), Dynamic Capability Theory (DCT) and McKinseys 7s framework. RBV offers that competitive advantage of a firm lies primarily in the application of valuable resources at the firm's disposal (Wernerfelt, 1984). Dynamic capability Theory refers to the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al, 1997). McKinseys 7S framework concerns itself with seven areas which it asserts must be well aligned for an organization to operate optimally. These include strategy, structure, systems, shared values, skills, staff and style.

2.2.1 The Resource Based View

RBV as a theory was founded by Wennerfelt (1984) and it offers that the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf, 1993).

Sustainability in the context of a sustainable competitive advantage is independent with regard to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1991). When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable. This is in contrast to views of others (Porter, 1988) that a competitive advantage is sustained when it provides above-average returns in the long run. An Organization's Innovation, its culture and prevailing Leadership Style forms part of its intangible resources, which may be used in the right way to determine its performance.

Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns. According to RBV, for a resource to offer sustained competitive advantage, it must satisfy the criteria below (also called VRIN model, meaning Valuable, Rare, Inimitable and Non Substitutable), which also forms a part of RBV.

To begin with, the resource must be valuable. This means that it must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses. The transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy (Mahoney and Pandian, 1992).

The resource must also be rare. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns. Equally important is the characteristics of inimitability. This means that the competing firms will not be able to duplicate or perfectly imitate the resource in the short run (Peteraf, 1993; Rumelt, 1991).

Causal ambiguity is an important underlying factor of inimitability, which occurs if the source from which a firm's competitive advantage stems is unknown (Peteraf, 1993). If the resource in question is knowledge-based or socially complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides (Peteraf, 1993). Causal ambiguity is the continuum that describes the degree to which decision makers understand the relationship between organizational inputs and outputs (Ghinggold and Johnson 1998). Their argument is that inability of competitors to understand what causes the superior performance of another (inter-firm causal ambiguity), helps to reach a sustainable competitive advantage for the one who is presently performing at a superior level. Conner and Prahalad (1996) posit that knowledge-based resources are the essence of the resource-based perspective.

For a resource to offer a truly sustainable competitive advantage, it must also be non-substitutable. Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability (Priem and Butler, 2001). If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1991), resulting in zero economic profits.

We must care for and protect resources that possess these evaluations, because doing so can improve Firm Performance (Crook, Ketchen, Combs, and Todd, 2008). It's important to note that the characteristics mentioned are individually necessary, but not sufficient conditions for a sustained competitive advantage (Priem and Butler, 2001). Overall, the major concern in RBV is focused on the ability of the firm to maintain a combination of resources that cannot be possessed or built up in a similar manner by competitors.

Some limitations of the RBV have, however, been identified. To begin with, the resource-based view is focused on the internal organization of a firm and it does not consider the external factors like the demand side of the market. So even if a firm has the resources and the capabilities to gain a competitive advantage, it might be that there is no demand, because the model does not consider the "customer".

Also, the resource-based view has a limited ability to make reliable predictions (Priem & Butler, 2001). However, Tywoniak (2007) states that "the usefulness of RBV appears to be greater in terms of generating understanding and providing a structure for strategizing." Barney (2001) states "resource-based logic can help managers more completely understand the kinds of resources that help generate sustained strategic advantages, help them use this understanding to evaluate the full range of resources their firm may possess, and then exploit those resources that have the potential to generate sustained strategic advantage.

This study focused on organizational Culture, Innovation and leadership style and how these relate to firm performance. All these variables fit perfectly in the definitions of intangible assets and in the conditions given by RBV; that the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. The other condition is that in order to transform a short-run competitive advantage into a sustained competitive advantage, the resources must be heterogeneous in nature and not perfectly mobile (Peteraf, 1993). These conditions are met by the variables of this study.

2.2.2 The Dynamic Capability Theory

Founded by Teece (1997), DCT is concerned with capacity of a firm to purposefully create, extend or modify its resource base. The basic assumption of the dynamic capabilities framework is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage. DCT has gained proponents such as Helfat (2007). This perspective grew out of RBV literature, but while the RBV emphasizes selection of appropriate resources, dynamic capabilities emphasize resource development and renewal. The Dynamic Capabilities Theory helps identify the factors likely to impact enterprise performance. It is gradually developing into an interdisciplinary theory of the modern corporation.

Makadok (2001) emphasizes the distinction between capabilities and resources by defining capabilities as “a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm”. Resources are stocks of available factors that are owned or controlled by the organization, and capabilities are an organization’s capacity to deploy resources. Essentially, it is the bundling of the resources that builds capabilities.

The main difference between the resource-based view of the firm and dynamic capabilities view is the fact that the latter focuses more on the issue of competitive survival rather than achievement of sustainable competitive advantage. This focus appears to be closer to contemporary business realities, the latter being more "high-velocity" than the case in previous decades. The demise of companies like Nokia shows that the more pressing issue is competitive survival.

The basic assumption of the dynamic capabilities framework is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage. The academic literature on dynamic capabilities grew out of (1) the resource-based view of the firm and (2) the concept of "routines" in evolutionary theories of organization (Nelson & Sidney, 2005). It thus provides a bridge between the economics-based strategy literature and evolutionary approaches to organizations. Dynamic capabilities theory attempts to deal with two key questions: How can senior managers of successful companies change their existing mental models and paradigms to adapt to radical discontinuous change? And, ultimately, how can companies maintain threshold capability standards and hence ensure competitive survival?

When senior managers are confronted with the task of building dynamic capabilities, they need to consider sometimes drastic fluctuations in the threshold capability definition standards, making it more and more complex for companies to understand the minimum requirements needed to remain in the game as an industry player. In turn, these fluctuations derive from external change in the macro environments and the total resource sum available in an entire industry (Helfat, 2007).

According to Wolfe (1994), monitoring of these external and increasingly unpredictable parameters will then allow managers to tackle the internal process of adapting their resource base. Often, this is simply not possible because of strong path dependencies or practical feasibility constraints that apply to certain industries. For example, some industries rely on a certain manufacturing process.

Kanter (1985) explains that once a new technology arrives, changing the manufacturing process on short notice is unrealistic. It is therefore more likely that adaptations are centered on managerial routines and capability level, rather than apply to the resource base level. In other words, managers need to make the most of their existing resource material yet simultaneously understand the ongoing depreciation of this resource base.

New strategic assets such as capability, technology and customer feedback have to be integrated within the company. Existing strategic assets have to be transformed or reconfigured. In terms of processes, Teece's (1997) concept of dynamic capabilities essentially says that what matters for business is corporate agility: "the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets. The concept of dynamic capabilities, especially in terms of organizational knowledge processes, has become the predominant paradigm for the explanation of competitive advantages.

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Schilke (2014) provides empirical support for the notion that dynamic capabilities, like most ways of organizing, should not be regarded as a universal, one-fits-all solution. The study helps delineate boundary conditions for dynamic capabilities theory—an important precondition for any theory to move forward. The DCT theory is critical for this study as it concerns bundling of resources, in this case finding how organisational culture, leadership style and innovation can be bundled to improve firm performance.

2.2.3 The Mckinsey's 7 S Framework

The Mckinsey's 7 S framework on its part advocates a proper alignment between the seven elements; strategy, structure, systems, shared values, skills, staff and style. A careful look at all these elements reveal that they are either part of the culture or have to do with the leadership of the organization. The basic premise of the model is that these seven internal aspects of an organization need to be aligned if it is to be successful.

The model can be used in a wide variety of situations where an alignment perspective is useful (Williamson, 1991). It may be used to help Improve the performance of a company, examine the likely effects of future changes within a company, align departments and processes during a merger or acquisition, determine how best to implement a proposed strategy etc. The model separates the seven elements into hard and soft. Hard elements are easier to define or identify and management can directly influence them: These are strategy statements; organization charts and reporting lines (structures); and formal processes and systems (such as IT systems). Soft elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful. The elements are so interdependent that a change in one affects all the others.

From the above frameworks it is discernible that by obtaining an understanding of the relationships between the variables, this study extends the frontiers of knowledge as far as RBV and DCT are concerned. With the knowledge gained from the findings of this study, it will be possible to appropriately relate and select these intangible assets in the right proportions (which is the province of RBV) and be able to consciously develop and renew the same (which is DCT's domain).

2.3 Innovation and Firm Performance

The reason for organizations' interest in innovation is improving competitiveness. It would be expected that a company that is adept at embracing new ideas and implementing them should see an improvement in its performance. The competitive success can be measured in terms of improvements in different Firm performance, such as return on investment and market share (Porter, 1988).

Sometimes, however, innovation does not lead to positive effects on Firm performance. An example of this would be when the new idea is introduced but not exploited within the company. It has also been observed that organizational characteristics which aid idea generation may conflict with forces that facilitate adoption and implementation (Zaltman, Duncan and Holbek, 1973). It's only when adopted that the idea will lead to improved Firm performance. To measure performance we should use a "balanced approach" and should be classified at strategic, tactical and operational levels, and be financial and non-financial measures as well" (Gunasekaran *et al.*, 2001).

There has been some research in the area of innovation and performance. For example, Caird (1994) found that the innovator is highly important in the commercial success of innovative products in SMEs. Lipparini and Sobrero (1994) argue that the entrepreneur's ability to "glue" external expertise and capabilities in an original and unique way is considered the key factor in pursuing innovative performance. Simon et al. al (2002) found that entrepreneurial confidence, adaptability, product championing, market emphasis and technological newness contributed to performance across all new product introductions in small computer firms.

Wolff and Pett (2006) suggest that internationalization and innovator position have a positive impact on new product improvement in SMEs. Kickul and Gundry (2002) found that the prospector strategy orientation mediated the relationship between proactive personality and three types of innovation: innovative targeting processes, innovative organizational systems, and innovative boundary supports.

A study carried out in Australia by Prajogo (2006) explored the relationship between innovation performance (in terms of product and process) and business performance (sales growth, market share and profitability) and compared this relationship between manufacturing and service firms. This study was driven by the lack of studies on innovation in service sectors despite the importance of innovation as one of the primary sources of competitive advantage.

Furthermore, as manufacturing firms and service firms are different in many respects, including innovation performance, it could be expected that manufacturing firms could pursue and emphasize different aspects of innovation than their service counterparts. The study revealed some major findings. First, there was no significant difference between manufacturing and service firms in both product and process innovation performance. The second finding, however, indicated a stronger correlation existed for manufacturing firms than for service firms between innovation and business performance, particularly in relation to process innovation. Third, it was found that process innovation shows a relatively stronger relationship with business performance than product innovation in manufacturing sectors (Prajogo, 2006; Jayanthi and Sinha, 1998).

2.4 Innovation, Organizational Culture and Firm Performance

The claim that organizational culture is linked to performance is founded on the perceived role that culture can play in generating competitive advantage (Scholz,1987). Krefting and Frost (1985) suggest that the way in which organizational culture may create competitive advantage is by defining the boundaries of the organization in a manner which facilitates individual interaction and/or by limiting the scope of information processing to appropriate levels.

It is also argued that widely shared and strongly held values enable management to predict employee reactions to certain strategic options thereby minimizing the scope for undesired consequences (Ogbonna, 1993). Theorists also argue that sustainable competitive advantage arises from the creation of organizational competencies which are both superior and imperfectly imitable by competitors (Reed and DeFillippi, 1990).

To this end, it is argued that the 'uniqueness quality' of organizational culture makes it a potentially powerful source of generating advantage over competitors. Indeed, many commentators have advised Organizations and researchers to exploit the multiple advantages which could be offered by culture rather than focusing on the more tangible side of the organization (Prahalad and Bettis, 1986).

In the early days, organizational culture was believed to become the explanatory factor behind the excellent companies particularly in the US. However, there is considerable debate relating to whatever the choice of performance approach in any organizational research. Deter et al. (2000) asserted that organizational performance can be well explained by intangible organizational elements. In this regards, Wilderom and Van den Berg (1998), and Wilderom and Van den Berg (2000), lent support to the relationship of organisational culture and Firm Performance.

Glunk and Wilderom (1999) argued that organizational practices that foster a proactive market orientation, a strong competitor orientation, and professional knowledge management, and combine these with satisfying reward practices for their personnel and competent top management, will have good chances of gaining a competitive advantage on multiple stakeholder performance domains.

2.5. Innovation, Leadership Style and Firm Performance

Innovation means introducing something new or perceived as new. New solutions, products and services are found through exploration, sometimes from far afield. As new ideas are uncovered, or created through combination of existing ideas, it's incumbent on the innovator to try them in a low-risk, localized experiment. The innovator takes the successful ideas and builds a coalition of support around them so that they improve their chances of being adopted and scaled up to full implementation.

Organisations also endeavor to harness innovation. One method of encouraging innovation involves the creation of a formal system for gathering possible innovations proposed by organization members (Monge and Cozzens 1986). In addition, organizations may try to cultivate a climate of innovative-ness (Amabile 1988, Kanter 1988a). Organizations may also facilitate innovation through project teams or Research and Development (R & D) departments (Zaltman, Duncan, and Holbek 1973).

Leadership and firm performance relationship has also received substantial attention among researchers. Fiedler (1996), provided a treatise on the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization, or even an entire country. Indeed, it has been argued that one way in which organizations have sought to cope with the increasing volatility and turbulence of the external environment is by training and developing leaders and equipping them with the skills to cope (Darcy and Kleiner, 1991; Hennessey, 1998; Saari *et al.*, 1988).

These claims are based on the assumption of a direct link between leadership and Firm Performance. This assumption requires critical review. One of the broadest behavioral models is Quinn's (1988) eight-dimensional, Competing Values Model. Its two bipolar axes (that is an internal-external axis that is orthogonal to a control-flexibility axis) intersect to create four quadrants, each of which includes two characteristic leader behaviors (or roles). For Quadrant 1 (the Open Systems Model), they are the Innovator (willing to try new approaches) and the Broker (meets people from outside for negotiation).

Those for Quadrant 2 (the Rational Goal Model) are the Producer (task oriented and work focused) and the Director (provides structure by making plans and setting goals). Those for Quadrant 3 (the Internal Process Model) are the Coordinator (maintains the work flow) and the Monitor (determines whether rules are being followed). The behaviors for Quadrant 4 (the Human Relations Model) are the Facilitator (encourages teamwork to build cohesion) and the Mentor (helps develop people by being considerate, open, and fair).

The behaviors are necessary yet conflicting, that is, leaders must perform all eight behaviors even though performing one reduces the time available to perform others. For example, when performing the Broker (external-flexible) role it is difficult to concurrently perform the opposite Monitor (internal-control) role. The model is summarized in figure 2.1 below:

Competing Values Framework
By Cameron and Quinn



Source: Cameron and Quinn, 1999.

Figure 2.1: Competing Values Framework

The model has been used to test personal characteristics for their influence on the leadership behaviors (e.g. Shim et al., 2002) and the impact of the behaviors on Firm Performance (Hart and Quinn, 1993). The search for leadership performance link has seen numerous anecdotal accounts of improvements of company performance attributed to Changes in leadership (Nicholls, 1988; Quick, 1992; Simms, 1997).

Empirical studies into the links between leadership and performance have, however, been lacking. A study of the impact of leadership on Performance by Thorlindsson (1987) suggested that variations in the performance of different ships, under identical conditions, can be accounted for by the leadership skills of captains. Over a three-year period, Thorlindsson (1987) revealed that the leadership qualities of the ship captains accounted for 35 to 49 per cent of variation in the catch of different crews.

Other studies which examine the links between leadership and performance coincide with the re-emergence of the 'one best way to lead' debate. Of particular relevance is the resurgence of interest into charismatic leadership, which is frequently referred to as transformational leadership (Bass and Avolio, 1993). A number of researchers theorize that transformational leadership is linked to Firm Performance (Bycio *et al.*, 1995; Howell and Avolio, 1993). Conceptually, it is argued that the visionary and inspirational skills of transformational leaders motivate followers to deliver superior performance (Nicholls, 1988; Quick, 1992).

In summary, much of the above evidence presented as supporting the claim of a leadership–performance link is anecdotal and frequently over-concentrates on the ‘transformational’ role of leaders in corporate successes (Quick, 1992; Simms, 1997). It would appear that few studies have responded to the observation of Porter and Mckibben (1988) that much of the research reported as supporting this claim is either inconclusive or empirically suspect. The limited or inconclusive character of research findings in this area suggests the need to investigate further the nature of the relationship between leadership and performance.

2.6 Innovation, Organizational Culture, Leadership Style, and Firm Performance

Some researchers have separately studied the relationships among these variables, but not all together. While innovation could be a key source of competitive, it may only thrive within an organizational culture that upholds it and that is driven by Leadership Style that has respect for diversity of opinions and encourages participation and sharing of the same. Firms ought to promote a culture that nurtures the brightest individuals to share their innovation, knowledge, and abilities (Akgün *et al.*, 2007).

Smirch (1983) identifies two approaches to the study of the cultural phenomenon in organizations: culture as an organizational variable, then culture seen as something which can be manipulated. Thus the nature, direction, and impact of such manipulation are dependent on the skills and abilities of the leader. The majority of the literature which extols the virtues of transformational leadership demonstrates widespread support for this view (Nicholls, 1988; Quick, 1992; Simms, 1997).

According to Tseng and Goo (2005), good organizational capital or organizational knowledge assets will translate the human dimension innovation into company property (Pitt and MacVaugh, 2008). Carmeli (2005) contends that one of the most important variables considered to have a significant influence on innovation is organizational culture. Culture not only influences employee behavior but also leads them to accept innovation as a fundamental value of the organization and to feel more involved in the business (Hartmann, 2006). Consequently, the literature considers organizational culture to be one of the factors that can stimulate the most an innovative behavior among the members of the organization (McLean, 2005; Mumford, 2000). This behavior will thus have an effect on the performance.

Trice and Beyer (1993) have also connected culture with Environment, seeing Organizational Culture as a collective response to uncertainty and chaos. Gagliardi (1986) argues that every organization's primary strategy is to protect the organizational identity that assumptions and values create and maintain. Kotter and Heskett (1992) found that culture significantly influenced Firm Performance when it either helped the organization to anticipate or adapt to environmental change or interfered with its adaptation.

According to Cameron and Quinn (2006), culture defines the core values, assumptions, interpretations and approaches that characterize an organization. Competing Values Framework is an extremely useful in helping to organize and interpret a wide variety of organizational phenomena. The four dominant culture types – hierarchy, market, clan and adhocracy emerge from the framework. Most organizations develop a dominant cultural style. More than 80 percent of the several thousand organizations studied have been characterized by one or more of the culture type identified by the framework.

Hierarchy Culture is characterized by formal rules and policies. Weber (1947) proposed seven characteristics that have become known as the classical attributes of bureaucracy (rules, specialization, meritocracy, hierarchy, separate ownership, impersonality, accountability). The organizational culture compatible with this form is characterized by a formalized and structured place to work (Cameron and Quinn, 2011). The long-term concerns of the organization are stability, predictability and efficiency. Formal rules and policies hold the organization together. Key values centre on maintaining efficient, reliable, fast, Smooth-flowing production (Cameron, Quinn, 2006).

Market Culture is focused on transactions with external constituencies including suppliers, customers, contractors, licensees, unions, regulators and so forth (Williamson, 1975 ; Ouchi ,1981 and Cameron and Quinn, 2006). The core values are competitiveness and productivity. Competitiveness and productivity in market Organizations are achieved through a strong emphasis on external positioning and control.

The basic assumptions in a market culture are that the external environment is not benign but hostile, consumers are choosy and interested in value, the organization is in the business of increasing its competitive position. Clan Culture espouses teamwork and involvement of employees. Researchers observed fundamental differences between the market and hierarchy forms of design in America and clan forms of design in Japan (Ouchi, 1981; Pascale and Athos, 1981). Cameron and Quinn (2006) posit that typical characteristics of clan type firms were teamwork, employee involvement programs and corporate commitment to employee.

Some basic assumptions in a clan culture are that the environment can best be managed through teamwork and employee development, customers are best thought as partners, the organization is in the business of developing a humane work environment (McGregor, 1960; Likert, 1970; Argyris, 1962). The clan culture type organization is held together by loyalty and tradition. The organization emphasizes the long-term benefit of individual development with high cohesion and morale being important (Cameron, Quinn, 1999). Adhocracy Culture fosters adaptability, flexibility and creativity where uncertainty, ambiguity and/or information overload (Cameron and Quinn, 2006).

An important challenge of these organizations is to produce innovative products and services and to adapt quickly to new opportunities. A high emphasis on individuality, risk taking and anticipating the future exists as almost everyone in an adhocracy becomes involved with production, clients, research and Development. In general, there is widespread disagreement on the definition and scope of the organizational culture concept (Ogbonna and Harris, 1998).

Consequently, it is pertinent to note three main issues. First, many researchers note that treating culture as a unitary concept reduces its value as an analytic tool (Martin, 1992; Ogbonna and Harris, 1998a; Pettigrew, 1979). Second, culture cannot be equated to power and politics or climate (Denison, 1996; Riley, 1983; Schein, 1986); and, third, there is disagreement on whether organizational culture can be easily changed (Legge, 1994; Ogbonna, 1993) or not. One of the major reasons for the widespread popularity of and interest in Organizational culture stems from the argument (or assumption) that certain organizational cultures lead to superior organizational performance.

Many academics and practitioners argue that the performance of an organization is dependent on the degree to which the values of the culture are widely shared, that is, are 'strong' (Deal and Kennedy, 1982; Denison, 1990; Kotter and Heskett, 1992; Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman, 1982). Early researchers who link culture to Firm Performance are unequivocal in their claims. An illustration of this is derived from the works of the so-called 'excellence writers' who argue that successful organizations are distinguished by their ability to promote cultural values which are consistent with their chosen strategies (Deal and Kennedy, 1982; Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman, 1982).

Although this view met with initial popularity, the principal tenets of the argument have been subjected to extensive criticism (Legge, 1994; Ogbonna, 1993; Willmott, 1993). Some researchers assessing the links between culture and performance have, however, been more cautious. For example, Gordon and DiTomaso (1992) and Denison (1990) both propose that there is a link between certain organizational culture characteristics and performance but each add a number of provisos.

In particular, they note that culture will remain linked with superior performance only if the culture is able to adapt to changes in environmental conditions. Furthermore, the culture must not only be strong (widely shared), but it must also have unique qualities which cannot be imitated. However, more recently, it has been suggested that the relationship between culture and performance is tenuous (Lewis, 1994; Lim, 1995; Ray, 1986; Willmott, 1993).

Indeed, the growing popularity of the resource-based view of competitive advantage suggests that the degree to which a culture can be theorized to determine a sustainable advantage is dependent upon the value, rarity, imitability, and sustainability of the culture concerned (Barney, 1986, 1991). Overall, the literature on organizational culture is rich and diverse. Much of the richness is founded on the claim by many researchers that culture is linked to Firm Performance. While, some theorists have questioned the universality of a Culture–performance link, sufficient evidence exists to suggest that organizational Culture is associated with Firm Performance.

Kotter and Heskett (1992) found that corporate culture has a significant impact on a firm's long-term economic performance. These authors found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels, outperformed firms that did not have those cultural traits by a huge margin. They also believed that corporate culture was becoming more important in determining the success or failure of firms in the next decade.

Many studies have therefore used financial variables to measure Firm Performance such as profitability, gross profit, return on asset (ROA), return on investment (ROI), and return on equity (ROE), return on sale (ROS), revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency (Parnell and Wright, 1993; Haniffa and Cooke; 2005). For instance, Ezirim et al. (2010) examined the relationship between organizational culture and firm performance of Nigerian companies.

Results from the above studies discovered positive and significant relationship between Firm Performance and organizational culture. Specifically, competitive, entrepreneurial and consensual organizational cultures were revealed to positively and significantly influence profitability, sales volume and market shares of the companies studied. Hence, a positive corporate culture could provide immense benefits to the organization, and thereby a leading competitive edge over other firms in the industry. However, a negative culture could have a negative impact on the Firm Performance as it could deter firms from adopting the required strategic or tactical changes (Sadri and Lees 2001).

From the above literature, it appears that organizational culture played an important role in promoting Firm Performance. In contrast, if culture is seen as an integral part of the organization, then the thinking, feeling, and responses of leaders are molded by the culture (Bass and Avolio, 1993). Schein (1993) observes that organizational culture and leadership are intertwined. He illustrates this inter-connection by looking at the relationship between leadership and culture in the context of the organizational life cycle.

Thus, during the process of Organizational formation, the founder of a company creates an organization which respects their values and beliefs. In this sense, the founder creates and shapes the cultural traits of their organization. However, as the organization develops and time passes, the created culture of the organization exerts an influence on the leader and shapes the actions and style of the leader. Through this dynamic ongoing process, the leader creates and is in turn shaped by the organizational culture.

In summarizing the consensus of opinion on the links between organizational culture and leadership, Bass and Avolio (1993) mirror the argument of Schein (1993) by suggesting that the relationship between the two concepts represents an ongoing interplay in which the leader shapes the culture and is in turn shaped by the resulting culture.

Bass (1985) demonstrates the relationship between leadership and culture by examining the impact of different styles of leadership on culture. He argues that transactional leaders tend to operate within the companies and limits of the existing culture, while transformational leaders frequently work towards changing the organizational culture in line with their vision.

Similarly, Brown (1992) observes that good leaders need to develop the skills that enable them to alter aspects of their culture in order to improve their Firm Performance. While there is no shortage of claims that leadership and culture are linked in the literature (Bass and Avolio, 1993; Nicholls, 1988; Quick, 1992; Schein, 1993; Simms, 1997), there have been very few empirical examinations of the nature and performance implications of this link.

In a recent study of organizational change in the United States federal civil service by Hennessey (1998) it was concluded that leadership played a major role in nurturing the appropriate organizational culture which helped to improve the implementation of specific government reforms. The study further argues that 'the most effective leaders foster, support, and sustain organizational cultures that facilitate the type of management reform envisioned by "reinventing government" and the attendant increases in effectiveness and efficiency' (1998: 523).

The above review finds that the link between leadership and organizational performance, the relationship between organizational culture and performance, and the interplay between leadership and culture have each been studied separately. Interestingly, few empirical studies have combined the simultaneous examination of Organizational culture, Leadership Style, and performance. While some writers suggest that the style of a leader affects performance, certain types of culture are linked to superior performance, and culture and leadership are related, the precise nature and form of interaction between these three concepts is not fully understood.

Clearly further research is necessary to identify, explore, and elucidate the character and pattern of association between organizational culture, Leadership Style, and performance. Firm performance refers to efficiencies and effectiveness in terms of utilization of resources as well as the accomplishment of its goals (Steers, 1982). Measurement of performance gives indication as to the effectiveness of an organization.

Kaplan and Norton (1996) proposed the balanced scorecard (BSC), as a means to evaluate corporate performance from four different perspectives: the financial, the internal business process, the customer, and the learning and growth. The BSC is designed to complement financial measures of past performance with their measures of the drivers of future performance. Some managers have used it as they align their businesses to new strategies, moving away from cost reduction (Bhagwat and Sharma, 2007).

According to Bel (2010), attributes common to all innovative leaders are: excellent communication skills; the ability to motivate others and to create a motivating working environment; the ability to collaborate with others, and a real interest in involving, supporting, coaching and developing other members of the team. Innovative leaders are able to combine creativity with discipline. In today's knowledge organization, the leader must embrace radically different structures and approaches to work organization (Tidd, 2001).

Autonomy, task complexity and ownership of work are seen as vital prerequisites for creativity, new knowledge creation and innovation (Cummings and Oldham, 1993) and intrinsically motivating individually and collectively. Mentzer and Firman (1993) emphasized the need for using performance measures that are realistic, representative, consistent, cost effective and understandable. The Balanced scorecard (Kaplan and Norton, 1996) meets this criterion. According to Robson (2002), the design of performance measurement systems can either encourage a culture of high performance or act as a barrier. In order not to be a barrier, performance measurement systems have to be designed from the outset, with the psychological consequences in mind.

2.7 Summary of Knowledge Gaps

From the previous section, we see that there has been quite some attention given by researchers to the variables under study; Leadership Style, Organizational culture, Innovation and firm performance. However, these have been studied separately and no study has looked at their joint effects. Further, the studies have presented conflicting results and there are certain gaps as captured in table 2.1.

Table 2.1: Summary of Knowledge Gaps

Study	Focus	Methodology	Findings	Knowledge Gap	Current Study
Daniel I. Prajogo (2006)	The relationship between innovation and business performance—a comparative study between manufacturing and service firms	Empirical data was gathered from 194 managers in Australian firms, with nearly equal proportion drawn from the manufacturing and service sectors (52% and 47% respectively). Several major findings were found through data analysis.	No significant difference between manufacturing and service firms in both product and process innovation performance. Stronger correlation existed for manufacturing firms than for service firms between innovation and business performance, particularly in relation to process innovation. Process innovation shows a relatively stronger relationship with business performance than product innovation in manufacturing sectors	The study did not incorporate leadership style and concentrated only on manufacturing and service firms.	The current study includes leadership and also includes all sectors at NSE including agriculture , telecommunications etc
Delgado-Verde (2011)	Organizational knowledge assets and Leadership on innovation capability	The data collection was carried out through a questionnaire on a sample of 251 Spanish high and medium-high manufacturing firms. Exploratory and confirmatory factor analyses and multiple linear regressions were also used.	Internal leadership positively influences innovation capability	Need to check impact of culture	Includes organizational culture in addition to leadership

Study	Focus	Methodology	Findings	Knowledge Gap	Current Study
Filippetti (2011)	Research and design as a source of innovation: a firm-level analysis	The empirical analysis was carried out at the firm-level, on the ground of a recent survey covering more than 5,000 European firms. A factor analysis is carried out first, followed by a cluster analysis based on identified factors in order to ensure a significant number of homogeneous groups of firms.	Design and R&D are complementary sources of innovation; design is predominant in firms characterized by a complex innovation strategy and intense interactions with the external environment	Focused only on role of design in fostering firm's competitiveness, and the results were not conclusive	This study looked at the mediating role of both culture and Leadership Style
Gitonga (2012)	Emotional intelligence and leader effectiveness in the banking sector	The study used cross sectional design to obtain data from executive managers from 43 commercial banks in Kenya. A total of 98 managers out of the 215 managers responded.	The study identified Organizational and leadership skills culture as one of the moderating variables between emotional intelligence and leader effectiveness which included profitability outputs	The study found that there was 66% variation in performance which could not be explained by leadership skills	This study includes the effect of innovation and organizational culture which could be responsible for the unexplained variation in performance by this study.
Mahinda,W (2002)	Organizational culture and HR practices in Manufacturing Industry in Kenya		Established that there exists a link between organizational culture and HR practices	Identified need for further research to determine link between Organizational Culture, HR practices and performance	Explores moderating role of culture and Leadership Style on the innovation – performance link

Study	Focus	Methodology	Findings	Knowledge Gap	Current Study
Naranjo (2011)	Innovation or imitation? The role of organizational culture. analyzed the organizational culture that fosters or inhibits organizational innovation and imitation strategy.	The paper used a sample of 471 Spanish companies for examining the hypotheses. Using hierarchical multiple regression analysis, it relates the effect of organizational culture with an Innovation strategy	Organizational culture is a clear determinant of innovation strategy. Adhocracy cultures foster innovation strategies and hierarchical cultures promote imitation cultures.	The dimension of management of employees has a negative relationship with innovation orientation. This needs investigation.	It is important to corroborate or rectify the finding of a negative relationship between people management and innovation
Neely (2001)	How different kinds of innovation can result in better organizational performance and how external factors can influence both the firm's capacity to innovate and innovation itself.	This paper was to propose a novel reference framework that can be used to study how different kinds of innovation can result in better business performance and how external factors can influence both the firm's capacity to innovate and innovation itself.	Found out a framework that could be used to gather information for further research on innovation management in Europe.	Need to establish whether high levels of diversity in culture can be managed better innovation	Link various culture types to possibility of encouraging innovation or not
Maxwell (2010)	An Exploration of the Impact of organizational culture on innovation performance in the Canadian biotechnology industry.	Investigated the various cultural archetypes and their effect on innovation.	None of the cultural types had a significant impact on innovation performance	There is need to re confirm the findings since these findings were quite unexpected and conflicts with other research results such as Teece (1994)	Current study looks at the four archetypes of culture and seeks to find the relationship with leadership style innovation and performance. Further the current study looked at innovation in different dimensions,

Study	Focus	Methodology	Findings	Knowledge Gap	Current Study
					not just patents as in the study by Maxwell(2010)
Machuki (2012)	External environment – strategy alignment, firm level institutions and performance of publicly quoted companies in Kenya	Collected empirical data from 23 out of 53 firms listed in the Nairobi Securities exchange. Carried out Regression analysis to establish relationships between strategy alignment and firm performance	The study focused on strategy effect of organizational strategy, environment-strategy co-alignment, and firm-level institutions on corporate performance as well as the moderating effect of firm-level institutions on the relationship between environment-strategy alignment and performance.	There were mixed findings and the study reported inconsistencies regarding the relationship studied. Reports the possibility that important complexities may have been overlooked	The current study brings in the role of leadership as leaders are the ones who develop strategies. This might be one of the area identified as overlooked in the study
Taormina (2007)	Interrelating leadership behaviors, organizational socialization, and organizational culture	Administered questionnaires on 166 employees from a variety of Organizations evaluated their leaders and companies on all variables. Correlation and regression analyses were employed	The study explored various behaviors in various cultures for example, control-oriented leader behaviors in supportive culture and presented an empirical analysis of analysis of the interrelationships among the organizational socialization content areas, leadership behavior, and organizational culture.	Correlations revealed leader behaviors to be more control-oriented in bureaucratic culture; and more flexible-oriented in innovative culture; but, contrary to expectations, more control-oriented in supportive culture. Also revealed that both leadership and socialization explained significant variance in all cultures. The leadership behaviors supported most but refuting some aspects of organization theory.	This study will re explore the unexpected finding of highly control-oriented Leadership Style in supportive culture as suggested by Taormina (...) as needing further research.

Study	Focus	Methodology	Findings	Knowledge Gap	Current Study
Harris(2000)	Leadership Style, organizational culture and performance: empirical evidence from UK companies	The study explored the three variables Leadership Style, organizational culture and performance and was carried out among UK companies	The study explored the three variables Leadership Style, organizational culture and performance and was carried out among UK companies	The study suggested that the relationship between Leadership Style and performance is mediated by the form of organizational culture that is present.	The current study explores the joint effect of these variables plus Innovation as the main independent variable.
Yusoff (2011)	Organizational culture and its impact on firm performance: case study of malaysian public listed companies	Used structured questionnaire which consisted of four parts of Hofstede' culture dimensions (power distance, uncertainty avoidance, individualism and masculinity) .The performance was measured by Return of Assets (ROA) and earning per Share (EPS) obtained from 2009 annual reports of top 100 Malaysian Public Listed Companies. The samples of the survey were selected through random stratified sampling and generated 145 usable responses.	The findings indicated that although there is a significant difference of the background of the respondent as well as the nature of the companies, there is no evident of the differences of company's cultures perceived by the respondents. All four culture dimensions used in this study had influenced the ROA and EPS, but only one component (uncertainty avoidance) positively influenced the ROA and EPS of these companies.	study was based on one year's result which has limitation in the interpretation of the results, recommended further research was necessary to demonstrate the impact of culture on firm performance.	The current study used Lord's culture typology, and looked at results over a 3 year period and not just one year. Further it investigated effect of Leadership Style in addition to effect of culture .

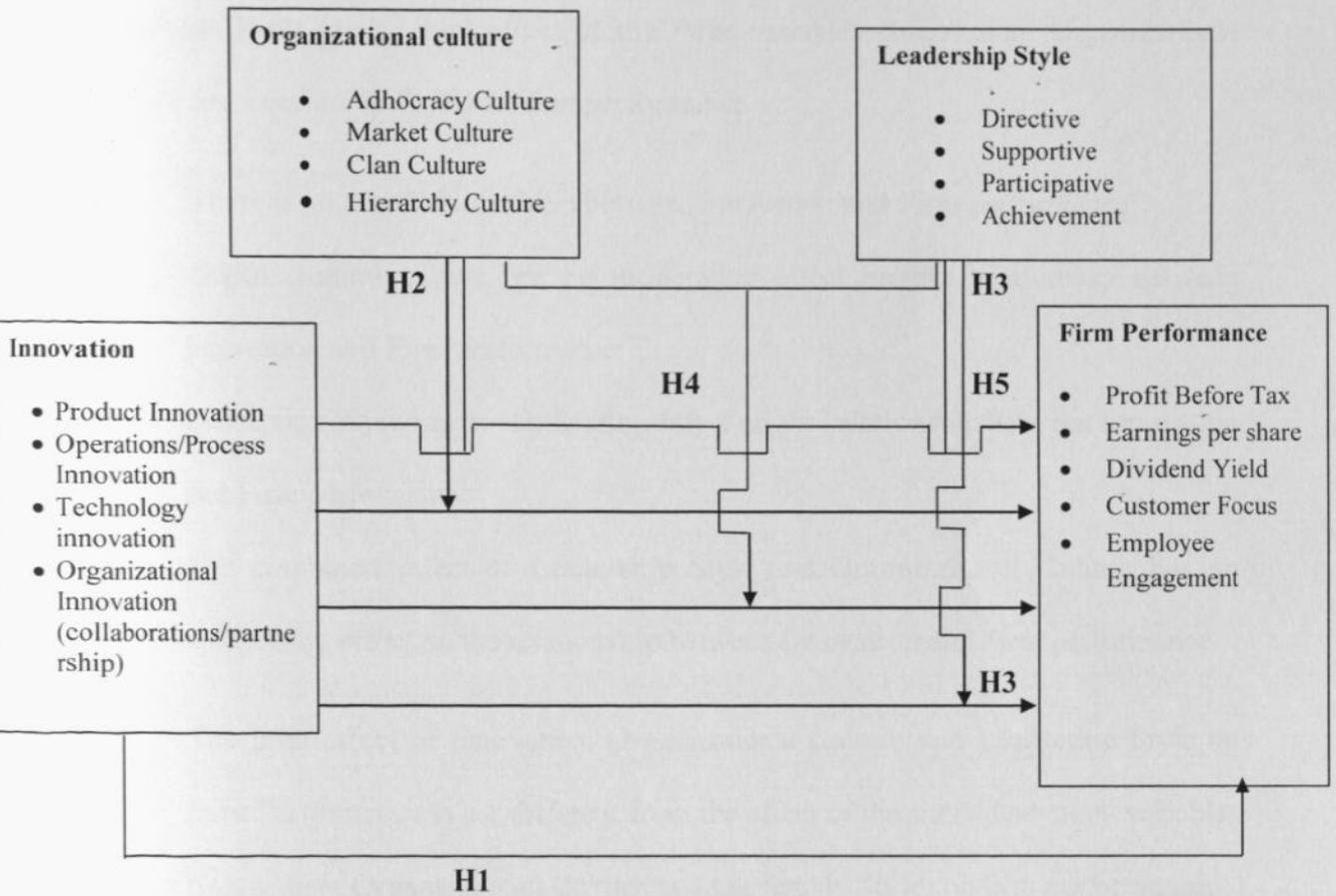
Source: Secondary Data, 2014.

From the table 2.1 above, many of the studies have been done in the western countries. There are few studies done locally. The present study has attempted to fill that gap. Further, the studies above have various gaps that were identified, some of which have been addressed in this study. The ones not addressed have been highlighted and recommendations given for further research.

2.8 Conceptual Framework

The conceptual model in Figure 2.2 captures the conceptual relationships of the variables of the study. Innovation is the independent variable while Firm performance is the dependent variable. Innovation is conceptualized in terms of its various dimensions. The dimensions of innovation include Product Innovation, Process Innovation, technology Innovation and Organizational innovation. Firm performance has been conceptualized in both financial and non-financial terms. The financial measures used Profit Before Tax, Dividend Yield and Earnings per Share. The nonfinancial measures include employee Engagement and Customer Focus. Two variables are conceptually hypothesized to moderate the relationship between Innovation and Firm performance. These are Leadership Style and Organizational Culture. The variables were hypothesized to moderate the relationship, separately and jointly. It is also conceptualized that there is joint effect of Innovation, Leadership Style and Organizational culture on Firm performance.

Figure 2.2: Conceptual Framework



Source: Researcher, 2014.

2.9 Research Hypotheses

The conceptual framework presented above was developed from the literature review, and is the researcher’s conceptualization of how the variables relate to each other. There are five hypotheses. The first hypothesis concerns itself with the presence or absence of relationship between Innovation and Firm Performance. The second and third hypotheses look at the moderating effect of Leadership Style and Organizational culture respectively on the Innovation – performance relationship.

The fourth hypothesis looks at the combined effect of Leadership Style and organization culture on the relationship between innovation and firm performance while the fifth hypothesis looks at the joint effect of the three variables (Innovation, Organizational Culture and Leadership Style) on firm performance.

- H1:** There is no direct relationship between innovation and Firm performance
- H2:** Organizational culture has no moderating effect on the relationship between Innovation and Firm performance
- H3:** Leadership Style has no moderating effect on the relationship between Innovation and Firm performance
- H4:** The combined effect of Leadership Style and Organizational Culture has no moderating effect on the relationship between Innovation and Firm performance.
- H5:** The joint effect of Innovation, Organizational Culture and Leadership Style on Firm Performance is not different from the effect of the individual study variables (Innovation, Organizational Culture and Leadership Style) on firm performance.

A Summary of the hypotheses and Objectives is given in the table 2.2. The various hypotheses were tested at 95% confidence level or 5% level of significance ($p < 0.05$).

Table 2.2: Summary of Objectives and Research Hypotheses

No	Research Objective	Hypothesis
1	Determine the relationship between innovation and performance of firms listed on the NSE	Hypothesis 1 There is no direct relationship between Innovation and performance
2	Ascertain the influence of Organization Culture on the relationship between Innovation and performance of firms listed on the NSE	Hypothesis 2: Organizational culture has no moderating effect on the relationship between Innovation and Firm performance
3	Establish the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE	Hypothesis 3: Leadership Style has no moderating effect on the relationship between Innovation and Firm performance
4	Examine the combined influence of Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE	Hypothesis 4: The combined effect of Leadership Style and Organizational Culture has no moderating effect on the relationship between Innovation and Firm performance
5	Establish the joint effect of Innovation, Organizational culture and Leadership Style on performance of firms listed on the NSE.	Hypothesis 5: The joint effect of Innovation, Organizational Culture and Leadership Style on Firm Performance is not different from the effect of the individual study variables (Innovation, Organizational Culture and Leadership style) on firm performance.
Note: $P < 0.05$		

Source: Researcher, 2014.

2.10 Chapter Summary

This chapter looked at the empirical studies and theoretical literature with respect to the variables under study. It has attempted to foster a detailed understanding of what work has been done in this area of study; reviewing Innovation, Leadership Style and associated theories, organizational culture and firm performance. Each construct was defined and discussed in terms of measurement for this research.

In this chapter, the study reviewed selected empirical studies on Innovation, Leadership Style, Organizational Culture and firm performance and identified knowledge gaps that it sought to address as presented in table 2.2. The chapter provides a conceptual framework defining relationships of the variables based on literature reviewed. The chapter concludes with summary of objectives and corresponding hypotheses.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology used in this study. Specifically, the chapter discusses the research philosophy, the research design, population of the study, data collection, validity and reliability of the instrument and data analysis.

3.2 Research Philosophy

Several positions in the continuum of scientific enquiry exist; including Phenomenological and Positivism. According to Saunders et al.(2007), research philosophy relates to the development of knowledge and the nature of that knowledge, and contains important assumptions about the way in which researchers view the world. They may be viewed in terms of two main perspectives namely quantitative and qualitative (Emory, 1985). The positivistic philosophical foundation is based on real facts, objectivity, neutrality, measurement and validity of results (Saunders et al., 2007). Riley (2000) contends that positivism yields objective, independent, impartial, consistent and valid results which can be easily generalized. On its part, Phenomological philosophy is perceptual as it looks at the qualities and phenomena that are subjective.

Here, the reality is inherent in perception of individuals (Nachmias and Nachmias, 1998; Saunders et al, 2007). Phenomenological approach is useful in theory development while positivistic approach is useful in theory testing. This study sought facts and followed scientific processes in hypothesizing fundamental laws then deducing the observations. Since this study involved theory testing, it employed positivistic philosophy being the more appropriate approach for testing theory .Hypothesis testing was undertaken with the intent of either rejecting or failing to reject the null hypotheses.

3.3 Research Design

Melyoki (2005) as cited by Letting (2009) explains that research design consists of two related sets of activities: the first set of activities is concerned with the question to be answered in the research in order to reach the research goal. The second set of activities is related to how one is going to collect relevant data to answer the research question specified in the first part.

This research was a cross sectional survey in which variables of interest are not controlled or manipulated. According to Irungu (2007), this design is usually appropriate where presence or absence of significant associations among variables is to be established. The cross sectional survey design is also appropriate for this study as it improves accuracy in generalizing findings since it involves detailed study of a unit. Also known as one shot study, this design enhances uniform data collection and comparison across respondents.

This design has also been used by other researchers (Sifa, 2009; Ongore, 2008) for similar studies. The data was evaluated and examined to establish patterns of interrelationship between variables (Bryman and Bell, 2003). According to Zikmund (2003) ,surveys provide quick and accurate means of assessing information as long as these are properly conducted and enables the researcher to confirm whether or not there are significant associations among variables.

Thus, this design enabled the establishment of relationships between Innovation and firm performance and also explored the moderating effect of Leadership Style and organizational culture on this relationship in corporations listed at the Nairobi Securities Exchange. The purpose of this study was to explain how Innovation of an organization results in changes in firm performance and how this relationship is affected or not affected by the prevailing Leadership Style and organizational culture.

The researcher could capture a population's characteristics and test hypotheses quantitatively. Consequently, we had no control of variables and could not manipulate them. This is the essence of using this design as the researcher only reports what has already happened. Cross-sectional survey guards against any bias. Further, cross sectional survey is appropriate for use when the data is collected at one point in time. This design has been widely used by other researchers (Irungu (2007);Munyoki (2007); Aosa (1992) and Letting (2009).

3.4 Population of the Study

The population of the study was the firms listed in the Nairobi Securities Exchange (NSE) as at October 2013. The number was initially envisaged to be 60 but 5 firms were delisted or suspended during the year, hence leaving 55 firms as the population of study. The rationale for the choice for these firms is because they cut across the key economic sectors in Kenyan economy which include agriculture, commercial and services, Manufacturing, finance and investment. This is a cross sectional census survey and targeted all the listed firms at the Nairobi Securities Exchange as of October 2013.

According to the rules governing listing in the NSE, the companies must consistently provide their financial reports annually. This presents the advantage of access to secondary performance data and also enables comparison and evaluation against, across and within the same industry and across different industries (Irungu, 2007). The firms listed in NSE were also particularly important for this study since there is demand for high performance placed on them by the shareholders and the NSE, arising out of the stretching targets of economic growth according to Vision 2030. Productivity needs to improve, the right Leadership Style need to be identified and employed to ensure growth.

3.5 Data Collection

The data was derived from both primary and secondary sources. The two sources of data are meant to reinforce each other (Stiles, 2001). For this study, primary data was obtained from responses on all the study variables: Innovation, Firm performance, Leadership Style, and organizational culture.

The primary data for the study was collected through the use of a structured questionnaire. A five point type likert scale was used. Respondents were from senior management of NSE. 3 year performance data was be sourced from NSE reports (NSE Handbook, 2012). Data was collected from senior managers. One questionnaire was delivered for each organization .Inorder to limit potential measurement error, responses were required from key informants knowledgeable at a strategic level (Bowman and Ambrosini, 1997; Nayyar, 1992). Some researchers argue that the use of a single respondent may be unreliable (Bowman and Ambrosini, 1997)

On the other hand, other researchers have noted the potential negative effect of multiple respondents (Malhotra, 1993) including the difficulties of survey administration (Slater, 2000), and the problems arising from poor inter-rater reliability (Dholakia *et al.*, 2004; Gundlach and Cadotte, 1994). Consequently, the researcher adopted a single-respondent approach. A senior executive was selected as a key respondent.

In order to facilitate collection of data, the letter from university explaining the intention of the research and stating that the results would be used for academic purposes only was presented. It took several visits and follow ups to get back the 36 questionnaires out of the 55 that had been administered. The data collection instrument was pretested with 6 senior managers to ensure reliability and validity.

The research instrument was divided into three sections that enabled collection of relevant data. The three areas included A: Demographic Information. This focused on the respondent demographic data such as time in employment, gender and level of Education. Part B focused on the Company information, such as years of operation, number of employees and whether local or foreign. The last part focused on the variables of study: innovation, Leadership Style, Organizational culture and firm performance. According to Zikmund, (2003), secondary data can be gathered by various sources such as books, periodicals, government sources, regional publications, companies annual report, media and commercial sources.

For this study, secondary data relating to financial performance was obtained from the listed companies published audited accounts, Nairobi Stock Exchange (NSE) 3 year (2010-2012) manual, and Capital Markets Authority yearly reports. The financial (indicators) data obtained included profit/loss before tax per year, earnings per share and dividend yield.

3.6 Reliability Tests

A survey instrument's reliability refers to the extent to which it yields consistent results after repeated trials (Crano and Brewer, 2002). The importance of ensuring that the measurement instrument is reliable and is measuring consistently cannot be overemphasized. According to Robson (2002) there may be four threats to reliability namely subject or participant error, subject or participant bias, observer error and observer bias.

The current study used Cronbach Alpha coefficient to test whether the variables were within the acceptable range of between 0 and 1 (Mugenda , 2003). The closer the Cronbach Alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. The cutoff point was a coefficient of 0.7 and above. In this research the instrument was pre-tested by initially involving 6 managers from the population of the study. This approach is widely used by cognitive psychologists (Robson, 2002). Pre testing helped provide good feedback that was used to amend some parts of the instrument.

Table 3.1: Reliability Test

Variable	Number of Items	Cronbach's Alpha
Innovation	23	.904
Organization culture	19	.859
Leadership Style	13	.845
Firm performance customer focus	9	.851
Firm performance employee engagement	7	.780

Source: Research Data, 2014

The study tested the reliability for the various groups of items that were used in the study. Zumbo (1999) asserts that one of the most commonly used internal consistency coefficients is Cronbach's coefficient alpha. Gliem & Gliem (2003) offer that when using Likert type scales it is imperative to calculate and report Cronbach's alpha coefficient for internal consistency reliability for any scales or subscales one may be using. The coefficients are presented as in Table 3.1 below:

Nunnally (1978), suggested that Cronbach Alpha greater than 0.70 was acceptable as an indicator of reliability of the instrument. Table 3.1 shows that Cronbach's reliability coefficients for the current study ranged from 0.780 to 0.904. Since all alpha coefficients were much greater than 0.70 (the acceptable figure), all items under each scale were applied. Therefore, the reliability tests for the items namely Innovation, Organizational culture, Leadership Style, Customer focus and employee engagement are applicable.

3.7 Validity of the Measurement Instrument

Saunders et al (2007) defines validity as the extent to which data collection method or methods accurately measure what they are intended to measure and the extent to which research findings are really about what they profess to be about. According to Carmine and Zeller (1979) validity can be assessed using expert opinion and informed judgment. Criterion validity reflects the success measures for prediction and estimation (Cooper and Schindler, 2001). It consists of concurrent validity which represents how well the measures relate to the predictor. The predictive validity dimension is demonstrated by the results of hypothesis testing.

In research of this nature, face validity is usually used. According to Fairchild (2005), face validity is a non-statistical assessment of whether or not a test appears to be valid. To establish face validity a panel of experts were asked to give the opinion as to whether or not the instrument would meet this criterion.

3.8 Test of Multicollinearity and Normality of Data

When using a regression model, we say that there exists multicollinearity if there is a strong correlation between two predictor variables. This poses a problem in multiple regression such as increasing the standard errors of Beta coefficients, meaning that the coefficients have a higher variability across samples hence less likely to represent population.

It also limits the size of R, the measure of multiple correlation between the predictors and the outcome and R squared, the variance of the outcome accounted by the second predictor variable, making the second predictor variable account for very little of the remaining variance. Multicollinearity also reduces the importance of the predictor variables hence the individual importance of each variable becomes difficult to assess.

The Variance inflation Factor (VIF) was used to diagnose collinearity of the data. VIF indicates the strength of linear relationship between predictors and concern is raised when VIF is greater than 10 (Myers, 1990). At each level of the predictor variables, the variance of the residual terms is supposed to be constant (homocedasticity). If the variances are unequal, we say there is heteroscedasticity (Sassi, 2009). Tests of normality of the data were conducted. Probability-probability (PP) plots were used for visual test of normality.

3.9 Operationalization of Research Variables

In this study, respondents were asked to state the extent to which they agreed or did not agree with statements, based on a 5 point likert scale. In some of the questions, they were asked compare their firm's performance relative to their major competitors, still on five point likert scales.

Past studies have shown that that this approach is consistent with objective internal performance and even with external secondary data (Curkovic et al., 2000). Letting (2009) observes that the advantage with Likert type questionnaire is that questions used are usually easy to understand and so may lead to consistent answers.

However, the disadvantage with this measurement is that only a few (in this case up to five) options are offered, with which respondents may not fully agree. In spite of the above observation, Chimi and Russel (2009) as cited by Machuki (2011), noted that the Likert scale is used everywhere in nearly all fields of scholarly and business research so much so that it is used in a wide variety of Circumstances, among them: when the value sought is a belief, opinion or affect; when the value sought cannot be asked or answered definitively and with precision; and when the value sought is considered to be of such a sensitive nature that respondents would not answer except categorically in large ranges. Since the data collected here satisfied these features, the Likert type scale was appropriate.

The Independent variable in this study is Innovation and comprises Product Innovation, Organizational Innovation (collaborations/partnerships), Process improvements and Technology Innovation. Innovation accounts for the variance of the differences in the dependent variable. The dependent variable in this study is Firm performance.

Product innovation may include new product offerings or improvements in existing products and appears to be the most common form of innovation. Improvements are meant to make the product more attractive to consumers. When looking process innovation, one considers firms practices of continuously reevaluating and improving its processes, procedures of delivering work, employing best processes and systems and engaging in continuous programs aimed at cost reduction and containment.

Organizational innovation refers to new managerial systems, such as production control, quality management, and changes in organization, such as decentralization of authority and empowerment. Technology innovation refers to both new manufacturing technology and information technology developments. Leadership Style and organizational culture are the two moderating variables in this study.

Cooper and Schindler (2008) explain that a moderating variable is a second independent variable that is included because it is believed to have a significant contribution of contingent effect to the originally stated independent-dependent variable relationship. Leadership Style comprises Directive, Supportive, Participative and Achievement while Organizational culture comprises Adhocracy Culture, Market Culture, Clan Culture and Hierarchy Culture.

3.10 Data Analysis

Once data was collected, it was prepared, analyzed and reported. The data preparation included: questionnaire checking, editing, coding, transcription, data cleaning and finally the data was analyzed to derive information related to Innovation and firm performance (Burns, 1978). The study applied multivariate regression and descriptive analyses. Descriptive analysis is a univariate analysis which consists of frequency tables, diagrams, measures of central tendency (arithmetic mean, median, and mode) and measures of dispersion (Bryman and Bell, 2003).

Regression analysis and descriptive statistics were used to analyze the data to establish the relationship between Innovation and firm performance. Descriptive statistics was used to profile the NSE listed firms. Similar studies have used the same approach to establish characteristics of top management teams (TMTs) (Hambrick et al., 1986; Bryman and Bell, 2003; Irungu 2007). Multivariate statistical analyses were also used to determine the influence organizational culture, leadership and performance of the firms.

The Pearson correlation coefficients show the strength of the linear relationships between the variables in the regression and help determine whether any of the independent variables in the regression are highly correlated. The data analysis was based on responses from 36 firms of the eligible 55 NSE listed firms over the three year period of 2010 , 2011 and 2012. All the primary data of the sample were collected by questionnaires between March and July 2014, and details of secondary data were obtained from the databases of NSE and Capital Markets Authority (CMA).

After the collection of the primary data, editing and coding was done in order to facilitate further data analysis and interpretation of results using SPSS and Excel worksheets. The data was tested for normality. Histograms, normal Q – Q plots and detrended Q-Q plots were obtained (Appendix III).

In order to limit potential measurement error, responses were required from key informants knowledgeable in organizational culture, performance and leadership (Bowman and Ambrosini, 1997; Snow and Hrebiniak, 1980; Hambrick, 1981; Nayyar, 1992). While some researchers argue that the use of a single respondent may be unreliable (Bowman and Ambrosini, 1997), other authors suggest that this issue may not be a problem in certain contexts (Zahra and Covin, 1995).

Similarly, other Researchers have noted the potential negative effect of multiple respondents on usable response rates (Malhotra, 1993), the difficulties of survey administration (Slater, 2000), and the problems arising from poor inter-rater reliability (Dholakia *et al.*, 2004)

Consequently, the study adopted a single-respondent approach and a senior executive was selected as a key informant in each company. A review of existing theories, operationalization, and measures suggested that the measurement of organizational culture, Leadership Style, and Firm Performance could be reliably achieved via the adoption of measures adapted from extant literature (Gundlach and Cadotte, 1994).

Thus, where a theorist in organizational culture sees it as a series of values, the measure of culture focuses on values, whereas definitions of culture which focus on artefacts lead to measures which focus on organizational creations (Harris and Ogbonna, 1999). However, pre-survey discussions with executives revealed that the Deshpande *et al.* (1993) view of culture was consistent with the opinions of practitioners.

To measure Organizational Culture, the study used Organizational Culture Assessment instrument (OCAI). This is a validated tool that has been used to assess culture in many organizations and can be applied over a range of organizations to obtain insight into organizational culture (Cameron and Quinn, 1999). OCAI is based on the Competing Values Framework (CVF) .According to CVF typology, there are four dominant cultural archetype of a firm (Hierarchy, Clan, Market or Adhocracy) and these can be identified by focusing on core attributes such as basic assumptions, orientations and values (Cameron and Quinn, 1999; Igo and Skitmore, 2006).

The measure of perceived Leadership Style was also derived from extant literature. A review of literature pertaining to the measurement of leadership behavior, styles, and characteristics suggested that a large number of measures might possibly be appropriate (Fiedler, 1967; Bowers and Seashore, 1966). However, the measure of perceived Leadership Style of House (1979) and House and Dessler (1974), was presented as reliable and valid by a number of respected authors and texts (Teas, 1986; Kohli, 1989). Indeed, this measure of Leadership Style has been widely used in a variety of literature and is generally accepted as a good measure of perceptions of Leadership Style (Teas, 1986; Kohli, 1989). All the study variables were operationalized as presented in Table 3.2.

Table 3.2: Operationalization of the Research Key Study Variables

Variable	Indicator	Definition/measure	Questions
Innovation Independent variable	New products	Introduction of new products or changes to design of existing products)	Questions 4a- 4e
	Process Innovation	Development and implementation of new process of production or delivery implemented or changed.	Questions 4f- 4j
	Technology Innovation	Speed of adoption and level of technology	Questions 4k- 4o
	Organizational Innovation(collaborations/partnerships)	Management systems and organizational innovations that is new managerial systems	Questions 4p- 4w
Organization performance Dependent variable	Profit Before Tax, Earnings per share, Dividend yield	Audited accounts of Pretax profit, Earnings per share and Dividend yield.	Secondary data was used
	Customer focus	The systems within the organization to proactively identify customer needs and address the same and how to quickly resolve any customer related performance issues	Questions 7a -7i
	Employee Engagement	Refers to employees feeling of commitment to go the extra mile in serving the organization	Questions 7j-7p
Organizational Culture Moderating Variable	Adhocracy Culture	Emphasizes flexibility and change and it is externally oriented emphasizes also flexibility but its focus is on the internal organization Control oriented but also focuses on the internal organization Externally focused, but it is control oriented. Core values are productivity and competitiveness	Questions 5a – 5s
	Clan Culture		
	Hierarchy Culture		
	Market Culture		
Leadership Style Moderating variable	Directive	Leader clarifies goals and means to reach the goals Leader is friendly and approachable; makes the work more pleasant; The leader consults with employees, asks for their suggestions The leader sets challenging goals, expects employees to perform at their highest levels.	Questions 6a-6m
	Supportive		
	Participative		
	Achievement		

Source: Researcher, 2014

The relationship between the variables was investigated by testing the hypotheses. To test hypothesis H₁ Pearson's Product Moment Coefficient (r) was calculated. This was used to determine the nature and the strength of the relationship among the variables, Innovation and Organization performance with r ranging from -1 to +1.

Both simple and multiple regression models were used.

The multiple regression analysis model is expressed in the form

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

and the simple regression model in the form $Y = \alpha + \beta_1 X_1 + \varepsilon$

Where:

Y represents Dependent Variable (that is Firm performance)

α is the model constant

β_1 , β_2 and β_3 are regression coefficients (beta coefficients for the variables)

X₁, X₂, and X₃ represent independent and moderating variables ε is the error term.

A Summary objectives Hypothesis , Data Analytical Models and analysis done is presented in Table 3.3.

Table 3.3 Summary of Objectives Hypotheses and Data Analytical Models

Objective	Hypothesis	Analytical model	Output of Analysis
Determine the relationship between innovational and Firm performance	H1: There is no direct relationship between Innovation and performance	Person product moment correlation (r) (Simple regression) $Y = \beta_0 + \beta_1 X_1 + \varepsilon$	correlation analysis, r Coefficient of determination
Ascertain the influence of Organization Culture on the relationship between Innovation and performance of firms listed on the NSE	H2: Organizational culture has no moderating effect on the relationship between Innovation and Firm performance	Person product moment correlation (r) (Multiple regression) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$	Coefficient of correlation, r Coefficient of correlation, R^2 P values, F values
Determine how Leadership Style influences the relationship between innovation and firm performance	H3: Leadership Style has no moderating effect on the relationship between Innovation and Firm performance	Person product moment correlation (r) (Multiple regression) $Y = \alpha + \beta_1 X_1 + \beta_3 X_3 + \varepsilon$	Coefficient of correlation, r Coefficient of correlation, R^2 P values, F values
Examine the combined influence of organizational culture and Leadership Style on the relationship between innovation and performance of firms listed on the NSE	H4: The combined effect of Leadership Style and Organizational Culture has no moderating effect on the relationship between Innovation and Firm performance	Person product Moment correlation (r) (Multiple regression) $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$	Coefficient of correlation, r Coefficient of correlation, R^2 P values, F values Individual t values and p values
Establish the joint effect of Innovation, Organizational culture and Leadership on performance of firms listed on the NSE	H5: The joint effect of Innovation (I), Organizational Culture (OC) and Leadership Style (LS) on Firm Performance is not different from the effect of the individual study variables (I, OC and LS) on firm performance.	Person product Moment correlation (r) (Multiple Correlation) $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$	Coefficient of correlation, r Coefficient of correlation, R^2 P values, F values Individual t values and p values

Source: Researcher, 2014

3.11 Chapter Summary

This Chapter looked at the overall research methodology employed in the study. Specifically it discussed the research philosophy, particularly two philosophical positions which included phenomenological and positivistic philosophies of knowledge. The study adopted positivistic approach. The chapter also discussed the research design and explained why the choice of cross sectional survey design was appropriate for its use.

The chapter also discussed the population of study, the data collection methodology, including primary and secondary sources. The instrument was briefly described and also the process of collection, drop and pick together with intense follow up and phone calls were discussed here. The Reliability and Validity of the instrument were also discussed and Cronbach alpha coefficients for the items presented. All the variables of study including their operationalization were also briefly discussed. A table describing all variables, their operationalization, relevant measures and questions was presented.

The process of Data analysis using both Statistical Package for Social Sciences (SPSS) and excel worksheets was also discussed in this chapter. The methods of investigations was described; correlation analysis, regression analysis including the models. At the end of the chapter, a summary table giving the Objectives, Hypotheses and analytical data models is provided.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The general Objective of this study was to determine the influence of Leadership Style and organizational culture on the relationship between Innovation and performance of firms listed in the NSE. In this chapter we present the findings and discussions of each objective, one by one. The chapter starts by looking at the response rate, respondent characteristics, Organizational characteristics, and preliminary findings of influence of the study. Thereafter, there is testing and presentation of results of regression results for each hypothesis tested.

4.2 Response Rate

According to Portune (1996), a response rate of 60 per cent is considered statistically sufficient. This study had a response from 36 of 55 firms indicating a 65 percent response rate. The response rate compares well with similar studies on firm performance. Irungu (2007) had a response rate of 74% while Machuki (2011) had 43%. Tan and Litschert (1994) achieved response rate of 40.2% while Venkatraman (1990) achieved a response rate of 30%.

The high response rate achieved in this study was possible through a combination of strategies, including drop and pick method, personal visits and follow up through further visits and telephone calls. The letter from the University introducing the researcher was also very instrumental in improving the response rate.

4.3 Respondents Demographics

This section presents the demographic characteristics of the respondents to the study, including gender, age and length of service within the organizations.

Table 4.1: Respondent Gender

Gender	Frequency	Percentage
Female	10	27.8
Male	26	72.2
Total	36	100.0

Source: Research Data, 2014

From table 4.1, 27.8% of the respondents were female while 72.2% percent were male.

This might be a pointer to the gender demographics existing in the NSE listed companies senior management composition.

Table 4.2: Respondents Level of Education

Level of education	Frequency	Percentage
Diploma	2	5.6
Bachelor's degree	9	25.0
post graduate degree	25	69.4
Total	36	100.0

Source: Research Data, 2014

In terms of the level of education, a majority of respondents hold a postgraduate degree (69.4%). The respondents with a degree and above constitute 94.4%, showing highly knowledgeable respondents. This level of literacy was important in ensuring that the questions asked were clearly understood and answered. It might also explain why all the questions that were returned were properly and fully completed.

Table 4.3: Length of Service

Length of Service	Frequency	Percentage
2-5 yrs	3	8.3
6-10 yrs	1	2.8
11-15 yrs	7	19.4
over 16 yrs	25	69.4
Total	36	100.0

Source: Research Data, 2014

A majority of the respondents had worked for over 16 years (69.4%) while those who had less than 8.3 years were only 8.3%. The tenure of employees is important in terms of being conversant with the culture and Leadership Styles in the organization. One can infer that the respondents are familiar with the issues in their organizations and could competently answer questions of Innovation, Organizational Culture and Leadership Style. Tenure is also important in terms of institutional memory.

4.4 Profiles of the Organizations in the Population of Study

This study was carried out among firm listed in the Nairobi Securities Exchange. These firms are in various sectors such as Agriculture, commercial and allied, Telecoms and technology, Automobiles and accessories, Banking, Insurance, Investment, manufacturing and allied, construction and allied and energy and petroleum. Table 4.4 below shows the number of respondents by sector.

Table 4.4: Respondents by Sector

Sector	Frequency	Percentage
Agriculture	3	8.3
commercial and allied	6	16.7
Telecoms and technology	2	5.6
automobiles and accessories	3	8.3
Banking	6	16.7
Insurance	6	16.7
Investment	2	5.6
manufacturing and allied	1	2.8
construction and allied	4	11.1
energy and petroleum	3	8.3
Total	36	100.0

Source: Research Data, 2014

The results show that majority of the organizations were in the commercial and allied , Banking and Insurance (all 16.7%). Those in the construction came next at 11.1% and the least represented sector was manufacturing and allied which was 2.8%. Agricultural sector and energy and petroleum sectors were represented by 3 companies each, representing 8.3%.

Table 4.5: Number of Employees

Number of employees	Frequency	Percentage
up to 100 employees	30	83.3
101-200 employees	6	16.7
Total	36	100.0

Source: Research Data, 2014

The results indicate that a majority of the organizations (83.3%) had up to 100 employees while 16.7% of the organizations had employees in the 100 – 200 range.

4.5 Preliminary Findings

The overall objective of this study was to find the moderating effects of Organizational culture and Leadership Style on the relationship between Innovation and firm performance. The first objective was to determine the relationship between Innovation and Performance of firms listed on the NSE. The next, to ascertain the influence of Organizational culture on the relationship between Innovation and performance of firms listed on the NSE, to establish the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE and to examine the influence of the interaction between Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE.

The data on Innovation, Organizational Culture, Leadership Style, and non-financial performance (in terms of customer focus and employee engagement) was obtained from a questionnaire while the financial performance data was worked out from secondary data available from the NSE reports.

The study presents a description of the preliminary findings. First, the results on the Innovation dimensions are presented. These are then followed by the results on the individual effect of these dimensions on the performance of the surveyed companies. The results are presented using mean scores and t-values. The instrument used a 5 point likert scale, hence the tests were carried out at a test-value of 3 with 95percent confidence ($p=0.05$) as the value 3 is the average of the values in the 5-point likert scale assuming normal distribution.

The results of the individual effect of innovation dimensions on the performance are presented using standardized Beta coefficients and t-values. The Beta coefficients and t-values were derived from hierarchical regression analysis. This analysis involved regressing the innovation dimensions on the indicators of performance, one at a time. The Beta coefficients indicate the weighting of the effect of each innovation dimension on a particular indicator of performance while the t values show the significance of the effect.

4.5.1 Manifestation of Innovation

Innovation has been defined as the management discipline which focuses on organizations mission, searches for unique opportunities, determines whether they fit the organizations strategic direction, defines measures of success and continually reassesses opportunities (Gaynor, 2002). Drucker (1998) explicitly states that innovation is work rather than genius; successful innovation requires hard, focused and purposeful work. Robert et al (1999) observed that organizational innovation and innovative practice rely very much on organizational knowledge networks, and how such networks of conversation allow for or prevent different domains of knowledge from being connected in a new meaningful way.

In an effort to increase their chances of success, many organizations have today sought new ways of doing things. There are problems in the identification of innovation types because the literature on innovation show a large variety of innovation types .The reasons for this variety are the environmental conditions, organizational factors, generation processes of innovation, and organizational sector.

Studies have used various classifications of innovation such as Radical Innovation and Incremental innovation (Al Enzi, 2008.), Service Innovation and Technical Innovation (Balzevic, 2003.), Technological, Process, Administration innovation (Forge, 2008). This study adopted the classification that uses innovation dimensions of Products, Process, Technological, Organizational innovation (Lin, 2010).

4.5.2. Product Innovation

Product innovation may include new product offerings or improvements in existing products and appears to be the most common form of innovation. Improvements are meant to make the product more attractive to consumers. While looking at Product Innovation one looks at the development of the products, speed of that development, and ability to create these products on a continuous basis.

Table 4.6: Products Innovation

Products Innovation	Number	Mean	Standard Deviation (SD)
My firm develops environmental friendly products	36	4.14	.639
My firm extends the range of products.	36	4.06	.630
My firm replaces obsolete products.	36	4.03	.696
My firm continuously improves products' design.	36	3.92	.770
My firm reduces the time to develop a new product until it is launched to the market	36	3.83	.775
Average		3.996	

Source: Research Data, 2014

As shown in table 4.6, A majority of respondents agree that their firms develop environmentally friendly products (Mean = 4.14) and also that the firms replace obsolete products (mean = 4.06). However, in terms of new product innovation, the respondents feel there should be improvement in reducing the time it takes to develop and launch it to the market (mean = 3.83). Further, there is good consensus among the respondents concerning these views (SD ranges from 0.63 – 0.775, all less than 1).

4.5.3 Process Innovation

Process innovation involves creating or improving methods of production, service or administrative operations (Khazanchi et al., 2007) as well as developments in the processes, systems and reengineering activities undertaken to develop new products. For example, to support the manufacture of new products and improve plant competitiveness, process technologies, operational and organizational practices may be upgraded, modified or replaced with new and advanced processes (Jayanthi and Sinha, 1998).

When looking at process innovation, one considers firms' practices of continuously reevaluating and improving its processes, procedures of delivering work, employing best processes and systems and engaging in continuous programs aimed at cost reduction and containment.

Table 4.7: Process Innovation

Process Innovation	Number	Mean	Standard Deviation
Firm has valuable knowledge on the best processes and systems for work organization.	36	4.28	.615
Firm conducts continuous process reviews and improvements	36	4.22	.540
Firm has valuable knowledge for innovating business processes.	36	4.19	.624
Firm continually develops programs to reduce operation costs.	36	3.92	.732
Firm creates and manages a portfolio of interrelated processes.	36	3.86	.683
Average		4.09	

Source: Research Data, 2014

The results for process innovation show that respondents gave a high ranking to firm's knowledge and best processes and systems (mean =4.28) and firms knowledge in innovating the business processes (mean=4.22). The firms scored relatively lowly in terms of continuously reducing operating costs (3.92) and management of portfolio of interrelated processes (3.86).

The same opinions are generally shared among the respondents with the highest disparity being between the development of programs to address cost reduction (SD =0.732) and firms conducting continuous reviews and improvements (SD = 0.540).

4.5.4 Technological Innovation

Technological innovation refers to the ability of the firm to employ new technologies in organizing its operations and management activities. It looks at the environmental friendliness of its process speed and efficiencies obtained.

Table 4.8: Technological Innovation

Technological Innovation	N	Mean	Standard Deviation
My firm organizes its operations efficiently	36	4.28	.566
My firm integrates operation and management activities.	36	4.17	.655
My firm assigns resources to technology related issues efficiently.	36	4.06	.715
My firm offers environmental friendly processes.	36	4.00	.717
My firm maintains a low level of stocks without impairing the service.	36	3.78	.797
Average		4.058	

Source: Research Data, 2014

Table 4.8 shows that the respondents agree that the firms organize their operations efficiently (Mean= 4.28). They also rank fairly highly about the environmental friendliness of their processes, assigning resources to technological issues and integrating operation and management activities(mean >4.0).They rank relatively lowl the fact that firms maintain lower levels of stock without impairing the service (Mean = 3.78). There is little variation is these views (on all items, SD <1).

4.5.5 Organizational Innovation

According to Abernathy and Utterback (1978) and Trott (2008), Organization Innovation refers to innovation in management initiatives. Organization innovation is a firm level type of innovation. It involves use of best practice databases in organization, employee development initiatives and close liaison with customers, quality management systems and such practices as outsourcing.

Table 4.9: Organizational Innovation

Organizational innovation	N	Mean	Standard Deviation
Use of databases of best practices, lessons, and other knowledge	36	4.08	.692
Collaboration with customers.	36	4.08	.692
Use of quality-management systems	36	3.83	.775
Implementation of practices for employee development and improving worker retention.	36	3.56	.969
Outsourcing of business activities	36	3.53	1.134
Use of inter-functional working groups	36	3.47	1.055
Flexible job responsibilities.	36	3.44	.809
Decentralization in decision making	36	3.22	1.017
Average		3.651	

Source: Research Data, 2014, 2014

Table 4.9 shows that the respondents agree that firms use databases of best practices, lessons, and other knowledge (Mean= 4.08) and Collaboration with customers (Mean= 4.08). The ranking is comparatively lower on the Decentralization in decision making (Mean = 3.22). There is notable variation of these views when it comes to decentralization in decision making, use of inter functional working groups, and outsourcing of business activities ($SD > 1$). The variation of opinion is less in terms of collaboration with customers and use of databases ($SD < 1$).

4.6 Organizational Culture

Schein (1986) defined corporate culture as a group of behaviors, norms, accepted dominant values, philosophy, game rules and the atmospheres or climate existent in a company” To measure Organizational Culture, the study used Organisational Culture Assessment instrument (OCAI).

This is a validated tool that has been used to assess culture in many organizations and can be applied over a range of organizations to obtain insight into organizational culture (Cameron and Quinn, 1999). OCAI, based on the Competing Values Framework (CVF) was used to obtain data from the target population (NSE listed firms). This instrument has benefits including: empirical evidence of reliability and validity as a culture instrument, practicality, manageability, (Cameron and Quinn, 2006; Cameron and Freeman, 1991; Quinn and Spreitzer, 1991; Yu and Wu, 2009).

According to CVF typology, there are four dominant cultural archetype of a firm (Hierarchy, Clan, Market or Adhocracy) and these can be identified by focusing on core attributes such as basic assumptions, orientations and values (Cameron and Quinn, 1999; Igo and Skitmore, 2006).

Hierarchical culture represents a culture of stability, structure, efficient-minded management (bureaucracy), predictability and control with clear tasks and enforcement of rules, formal procedures and order. The focus is on internal maintenance with a need for stability and order. The firm orientation is controlling (Quinn, 1999).

Table 4.10: Hierarchical Culture

Hierarchical Culture	N	Mean	Standard Deviation
We have formal norms and rules which are to be followed by everyone	36	4.28	.513
We must adhere to the existing strict hierarchy	36	4.08	.732
Instructions and regulations are needed to govern every process of work	36	3.97	.774
One needs to control spending of resources strictly, or total disorder will happen	36	3.89	.708
Rules of the company must not be disobeyed even if employee thinks that he acts in favor of company	36	3.83	.845
Average		4.01	

Source: Research Data, 2014, 2014

As in the above table, a majority of respondents agree that there are formal norms and rules which are to be followed by everyone (Mean = 4.28) and also that the existing strict hierarchy must be adhered to (mean = 4.08). However, the respondents feel rules of the company must not be disobeyed even if employee thinks that he acts in favor of company (mean = 3.83).

Further, there is good consensus among the respondents concerning these views (SD ranges are all less than 1). Market Culture is a competitive and a goal-oriented culture. Activities are externally oriented with centralized power. Effectiveness is assessed based on market share and profitability with an emphasis on winning. The focus is on external positioning with a need for stability and order. The firm orientation is competing (Boggs, 2004).

Table 4.11: Market Culture

Market Culture	N	Mean	Standard Deviation
It is very important to feel market changes to react contemporarily	36	4.08	.554
Customers' interests are never ignored in decision making of organization	36	4.00	.828
We constantly improve our methods of work to gain advantages over rivals	36	3.92	.692
During conflict everybody tries to solve it quickly and mutually profitable	36	3.67	.828
Average		3.917	

Source: Research Data, 2014

Most respondents agree that it is very important to feel market changes to react contemporarily (Mean = 4.08) and that their customers' interests are never ignored in decision making of organization (mean = 4.00). Nevertheless, the respondents gave lower ranking the fact that during conflict everybody tries to solve it quickly and in a mutually profitable manner (mean = 3.67). Further, there is general consensus among the respondents concerning these views (SD ranges are all less than 1).

Clan Culture is one of shared values, commitment, open communication, common goals, mutual help, employee involvement, strong interactions among members, loyalty, cohesiveness, teamwork, consensus and participation. The organization is like an extended family and customers are viewed as partners. Leaders tend to be team builders, mentors and are supportive. The focus is on internal maintenance with flexibility, concern for people and sensitivity to constituents. The firm orientation is collaborative (Cameron and Quinn, 1999).

Table 4.12: Clan Culture

Clan Culture	N	Mean	Standard Deviation
Everyone must put maximum effort to achieve common goal	36	4.39	.599
Agreement is easily achieved even concerning hard problems in organization	36	3.78	.929
Reward for success must go to department, because everyone puts an effort	36	3.44	1.229
It is not accepted to talk about people behind their back	36	3.06	1.330
competition between colleagues usually brings more harm than good	36	2.69	1.167
Average		3.472	

Source: Research Data, 2014

The above table shows that respondents agree that everyone must put maximum effort to achieve common goal (Mean = 4.39) and agreement is easily achieved even concerning hard problems in organization (mean = 3.78). However, they do not agree that competition between colleagues usually brings more harm than good (mean = 2.69). Further, there is wide variation of opinion among the respondents concerning reward management, talking behind people's backs and competition among colleagues (the SD ranges are greater than 1).

Adhocracy Culture is characterized by a dynamic, creative and entrepreneurial place to work where the leaders are visionary risk takers and success is based on innovation and producing unique original products and services. Creativity and risk-taking are valued and employees constantly try new things with an emphasis on being on the leading edge. The focus is on external positioning and there is a high degree of flexibility and autonomy. The firm orientation is creative (Cameron and Quinn, 2006; Cameron and Freeman, 1991; Igo and Skitmore, 2006; Yu and Wu, 2009).

Table 4.13 : Adhocracy Culture

Adhocracy culture	N	Mean	Standard Deviation
Information is available for everyone. One can get any needed information	36	3.92	.874
Projects are coordinated easily through all functional units	36	3.81	.889
Workers of any division have equal perspectives	36	3.56	.969
New ideas must be applied immediately otherwise they become old and obsolete	36	3.47	.941
Most competent representative of group must make decisions even if formally he is not a leader of the group	36	3.28	1.137
Average		3.608	

Source: Research Data, 2014

The table above shows that respondents agree that Information is available for everyone. One can get any needed information (Mean = 3.92) and that Projects are coordinated easily through all functional units (mean = 3.81). Fewer agree that Most competent representative of group must make decisions even if formally he is not a leader of the group (mean = 3.28). However, there is a diversity of opinion among respondents concerning this item (SD is greater than 1).

4.7 Leadership Styles

This study adopted the path goal model. This model contends that leaders clarify the path (way) to achieve the objectives (goal). Four Leadership Styles are identified: Directive, Supportive, Participative and achievement oriented (Robert et al, 1999). The model also explains that effective leaders are capable of selecting the most appropriate behavioral style (or styles) for a situation. Leaders might simultaneously use two or more styles.

In Achievement Leadership Style, the leader sets challenging goals, expects employees to perform at their highest levels, continuously seeks improvement in employee performance, and shows a high degree of confidence that employees will assume responsibility and accomplish challenging goals.

Table 4.14: Achievement Leadership Style

Achievement Leadership Style	N	Mean	Standard Deviation
Leaders tend to be goal oriented, decisive and competitive	36	4.31	.525
Leadership focuses on competing and winning	36	4.14	.593
Focus is on external positioning with a need for stability and order	36	4.06	.715
Average		4.17	

Source: Research Data, 2014

The table 4.14 above shows an agreement that leaders tend to be goal oriented, decisive and competitive (Mean = 4.31). Fewer agree that focus is on external positioning with a need for stability and order (mean = 4.06). Further, there is agreement among the respondents concerning these views (SD ranges are less than 1).

In Supportive Leadership Style, the leader is friendly and approachable; makes the work more pleasant; treats employees with equal respect; and shows concern for the status, needs, and wellbeing of employees. Supportive leadership is the same as people-oriented leadership.

Table 4.15: Supportive Leadership Style

Supportive Leadership Style	N	Mean	Standard Deviation
Leaders encourage collaboration among employees	36	4.06	.754
Leaders tend to be team builders, mentors and are supportive	36	4.03	.736
Focus on is on internal maintenance with flexibility, concern for people and sensitivity to constituents	36	3.61	.766
Average		3.82	

Source: Research Data, 2014

The table 4.15 above shows an agreement that Leaders encourage collaboration among employees (Mean = 4.06). Fewer agree that focus on is on internal maintenance with flexibility, concern for people and sensitivity to constituents (mean = 3.61). Further, there is agreement among the respondents concerning these views (SD ranges are less than 1). In the case of Participative Leadership Style, the leader consults with employees, asks for their suggestions, and takes these ideas into serious consideration before making a decision.

Table 4.16 Participative Leadership Style

Participative Leadership Style	N	Mean	Standard Deviation
Leaders tend to be innovative and entrepreneurial	36	4.06	.674
Leaders tend encourage creativity and risk taking among employees	36	4.00	.956
Leaders tend provide a high degree of flexibility and autonomy	36	3.42	.874
Leaders tend to consult with employees and take into consideration their views	36	3.25	.770
Average		3.68	

Source: Research Data, 2014

According to the table 4.16 above most agree that leaders tend to be innovative and entrepreneurial (Mean = 4.06). However, less agree that Leaders tend to consult with employees and take into consideration their views (mean = 3.25). There is agreement among the respondents concerning these views (SD ranges are less than 1).

In Directive Leadership Style, the leader clarifies performance goals, the means to reach those goals, and the standards against which performance will be judged. This style also includes judicious use of rewards and disciplinary actions. Directive leadership is the same as task-oriented leadership.

Table 4.17: Directive Leadership Style

Directive Leadership Style	N	Mean	Standard Deviation
Leaders tend to focus on organizing and monitoring	36	3.97	.609
Leaders focus internal maintenance, stability and order	36	3.89	.667
Leaders tend to be conservative, organizing and monitoring	36	3.64	.899
Average		3.83	

Source: Research Data, 2014

The table 4.17 above indicates agreement that leaders tend to focus on organizing and monitoring (Mean = 3.97). However, less agree that leaders tend to be conservative, organizing and monitoring (mean = 3.64). There is agreement among the respondents concerning these views (SD ranges are less than 1).

4.8 Firm Performance

The study operationalized firm performance both in financial and non-financial terms. In financial terms, the measurement was done in terms of PBT, DY and EPS. The financial data was obtained from secondary sources (NSE handbook, 2012). The non-financial measures included Customer focus and employee engagement.

In considering firm performance from a Customer Focus perspective, we must remember that all businesses exist at the behest of their customers. Without satisfying customers, the business stands a risk of failure. When mining the performance of a business in terms of their focus on customers, we check the extent to which they put customers first in all their undertakings, tendency to exceed customer expectations, whether they conduct customer feedback and utilize the information, number of repeat business from existing customers and referrals.

Table 4.18: Customer Focus

Customer Focus	N	Mean	Standard Deviation
In all our actions we put the customers interest comes first	36	4.28	.741
We always strive to exceed customer expectation	36	4.11	.747
employees do understand our customers' needs and wants	36	4.11	.747
We have a customer feedback mechanism in place	36	4.08	.937
customers appreciate and are delighted with our service capabilities	36	4.06	.674
We utilize customer survey information to design our products	36	4.03	.774
We are more customer focused than our competitors	36	3.89	.785
We get repeat business regularly from customer referrals	36	3.75	1.052
Customer complaints on our products are minimal	36	3.69	.920
Average		4	

Source: Research Data, 2014

The table above 4.18 respondents tend to agree that in all actions the companies put the customers interest comes first (Mean = 4.28) and that the organizations always strive to exceed customer expectation and employees do understand customers' needs and wants Mean = (4.11). There is however less agreement that Customer complaints on products are minimal (mean = 3.69).

There is agreement among the respondents concerning these views (SD ranges are less than 1) except on the issue of repeat business from customer referrals (SD >1). Firm performance is also measured in terms of Employee Engagement. This is a critical measure for the firm as indicates the extent to which the staff in an organization will be committed to go an extra mile for the sake of their organization to meet its objectives. Highly engaged employees run on discretionary effort. The higher the employee engagement the better the chances of an organization to retain its employees, have competitive advantage and excel in the achievement of its goals.

In determining employee engagement, we consider the view among employees as regards their careers within the organization, relationships within, including teamwork, measurement of performance and rewarding the same.

Table 4.19: Employee Engagement

Employee Engagement	N	Mean	Std. Deviation
There is good teamwork among employees and managers	36	4.11	.708
I can pursue my career in this organization	36	3.94	.826
Learning programs are part of organizational activities	36	3.86	.593
Performance is measured and rewarded in my organization	36	3.78	.989
We measure employee engagement regularly	36	3.72	.914
Organization values, seeks and takes into account employee opinions	36	3.67	.894
My pay compares favorably with that of my colleagues in competitor companies	36	2.81	1.369
Average		3.698	

Source: Research Data, 2014

Most respondents agree that there is good teamwork among employees and managers (Mean = 4.11) and also that it is possible to pursue career in the organization (mean = 3.94). However, there is a low score concerning salary when compared with that of competitor companies (mean = 2.81) although there is no good consensus among the respondents concerning this item (SD >1).

4.9 Hypotheses Testing and Interpretation of Results

In this section, the study presents overall scores and descriptive on the variables, constructs and concepts. Results received from 36 companies listed in the NSE were statistically analyzed and hypotheses tested at 95% confidence level (p value is less or equal to 0.05). In the regression analyses, simple linear and multiple analyses were done to establish the nature and magnitude of the relationships between the variables and the hypothesized relationships. Coefficient R indicates the strength and direction of the linear relationship between the variables of study.

When $R = 0.5$ and above, we infer a strong positive relationship, when $R = 0.3 - 0.49$ we infer a moderately strong relationship, when $R < 0.3$ we conclude there is a weak relationship while when $R = 0$ we infer that there is no relationship. R^2 is known as coefficient of determination and it shows the amount of variation in the dependent variable that is attributable to the independent or predictor variable.

The Beta values show the amount of change in the dependent variable attributable to the amount of change in the predictor variable. The F ratio measures the model fit, that is, put simply, it's a measure of how well the equation line developed fits the observed data. The statistical significance of each hypothesized relationship is interpreted based on F and t values.

4.9.1 The influence of Innovation on Firm Performance

The first objective of this study was to determine the relationship between Innovation and performance of firms listed in the NSE. To measure performance, the study used Dividend Yield (DY), Earnings Per Share (EPS) and Profit Before Tax (PBT), Employee Engagement (EE) and Customer Focus (CF). Previous scholars have used these measures in similar studies (Letting, 2009; Sagar and Rajesh, 2008). In order to establish the influence of Innovation on firm performance, the study tested the hypothesis below:

Hypothesis H₁: There is no direct relationship between Innovation (I) and Firm performance (FP).

To investigate the relationship between innovation and firm performance, the study conducted a regression analysis as in the table 4.20. Innovation was regressed against the various measures of performance (DY, EPS, PBT, EE and CF). The result of influence of Innovation on employee engagement is presented in table 4.20.

Table 4.20: Innovation and Employee Engagement

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.855 ^a	.730	.696		.33588	
ANOVA ^c						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.473	4	2.368	20.992	.000 ^a
	Residual	3.497	31	.113		
	Total	12.971	35			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.804	.587		3.072	.004
	product innovation	-.232	.112	-.226	-2.071	.047
	process innovation	-.251	.151	-.193	-1.655	.108
	technological innovation	.091	.138	.073	.654	.518
	organization innovation	.953	.117	.982	8.157	.000
Predictors: (Constant), Innovation ; Dependent Variable: employee engagement						
Predictors: (Constant), organization innovation, product innovation, technological innovation, process innovation						
Dependent Variable: Employee Engagement						

Source: Research Data, 2014

The results in Table 4.20 indicate that there is a strong positive relationship between innovation and performance ($R = .855$) with 73 percent of variation in firm performance being explained by the variation in innovation ($R \text{ square} = 0.73$). This implies that 26 per cent variation in firm performance is explained by factors other than innovation. The model was statistically significant ($F = 20.99$, $p \text{ value} < 0.05$).

Product innovation (B = -.232, t =-2.071, P value= 0.047) and organization innovation (B =.953, t =8.157, P value= 0.000) significantly contribute to employee engagement. The model defining the relationship was thus represented as:

$$Y = 1.804 - 0.232 \text{ PI} + 0.953 \text{ OI}$$

Where

Y=Firm Performance (in terms of employee engagement), PI= product innovation ,OI= Organization innovation

Table 4.21: Innovation and Customer Focus

Model Summary						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	
1	.648 ^a	.421	.346		.45217	
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.600	4	1.150	5.625	.002 ^a
	Residual	6.338	31	.204		
	Total	10.938	35			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.666	.790		2.108	.043
	new product innovation	-.073	.151	-.078	-.484	.631
	process innovation	.035	.204	.029	.170	.866
	technological innovation	.126	.186	.110	.674	.505
	organization innovation	.541	.157	.606	3.436	.002
Predictors: (Constant), organization innovation, new product innovation, technological innovation, process innovation						
Predictors: (Constant), organization innovation, new product innovation, technological innovation, process innovation						
Dependent Variable: customer focus						

Source: Research Data, 2014

The results in table 4.21 indicate that there is a strong positive relationship between innovation and performance (R= .648) with 42.1 percent of variation in firm performance being explained by the variation in innovation (R square = 0.421). This implies that 58 percent of variation in performance is explained by other factors other than innovation.

The model was statistically significant (F = 5.625, p value < 0.05).

Organizational innovation (B =.541, t=3.436, P value= 0.002) significantly contributes to Customer Focus. The model defining the relationship was thus represented as:

$$Y= 1.66+0.541OI$$

Where

Y=Customer Focus

OI= Organization Innovation

Table 4.22: Innovation and Profit Before Tax

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.486 ^a	.236	.137	3.74795E6		
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.344E14	4	3.359E13	2.391	.072 ^a
	Residual	4.355E14	31	1.405E13		
	Total	5.698E14	35			

The results in table 4.22 indicate that there is a positive relationship between innovation and profit Before Tax (R= .486) with 23.6 percent of variation in firm performance being explained by the variation in innovation (R square = 0.236). This implies that 74 per cent of variation in profit before tax is explained by other factors other than innovation. The model was, however, not significant (F =2.391, p value > 0.05).

Table 4.23: Innovation and Employee Engagement

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.547 ^a	.299	.279	.51705		
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.881	1	3.881	14.517	.001 ^a
	Residual	9.090	34	.267		
	Total	12.971	35			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.561	.828		.678	0.503
	Innovation	.794	.209	.547	3.810	0.001
Predictors: (Constant), innovation						
Dependent Variable: employee engagement						

Source: Research Data, 2014

The results in table 4.23 show the overall relationship between innovation and employee engagement. In this case the various dimensions of innovation are combined to form one composite for innovation. We see a strong positive relationship between innovation and performance (R= .547) with 29.9 percent of variation in firm performance being explained by the variation in innovation (R square = 0.299). The model was significant (F =14.517, p value <0.05).

Innovation (B =.794, t =3.81, P value= 0.001) significantly contribute to employee engagement. The model defining the relationship was thus represented as:

$$Y = 0.561 + 0.794I$$

Y=Employee Engagement , I= innovation

Table 4.24: Innovation and Customer Focus

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.545 ^a	.297	.276	.47558		
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.248	1	3.248	14.362	.001 ^a
	Residual	7.690	34	.226		
	Total	10.938	35			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.130	.762		1.483	.147
	Innovation	.727	.192	.545	3.790	.001
Predictors: (Constant), Innovation						
Dependent Variable: Customer Focus						

Source: Research Data, 2014

The results in table 4.24 indicate that there is a strong positive relationship between innovation and performance ($R = .545$) with 29.7 percent of variation in firm performance being explained by the variation in innovation ($R^2 = 0.297$). This means that 70 percent of variation in customer service is explained by factors other than innovation. The model was significant ($F = 14.362$, p value < 0.05).

Innovation ($B = .727$, $t = 3.790$, P value = 0.001) significantly contribute to Customer focus. The model defining the relationship was thus represented as:

$$Y = 1.130 + 0.727 I$$

Where

Y = Customer focus

I = innovation

Table 4.25: Innovation and Earnings Per Share

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.425 ^a	.180	.156	11.21219		
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	940.307	1	940.307	7.480	.010 ^a
	Residual	4274.248	34	125.713		
	Total	5214.554	35			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-41.628	17.954		-2.319	.027
	Innovation	12.365	4.521	.425	2.735	.010
Predictors: (Constant), innovation						
Dependent Variable: earnings per share						

Source: Research Data, 2014

The results in table 4.25 indicate that there is a moderate positive relationship between innovation and performance (R= .425) with 18 percent of variation in firm performance being explained by innovation (R square = 0.180). This implies that 78 percent of variation in Earnings per share is explained by innovation. The model was significant (F =7.48, p value <0.05).

Innovation (B =12.365, t =2.735, P value= 0.010) significantly contribute to Earnings per share. The model defining the relationship was thus represented as:

$$Y = -41.628 + 12.365I$$

Where

Y = Earnings per share

I = innovation

Table 4.26: Innovation and Dividend Yield

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.333 ^a	.111	.085	2.36153		
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.717	1	23.717	4.253	.047 ^a
	Residual	189.611	34	5.577		
	Total	213.328	35			
b. Dependent Variable: dividend yield						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.259	3.781		-1.391	.173
	Innovation	1.964	.952	.333	2.062	.047
Predictors: (Constant), innovation Dependent Variable: dividend yield						

Source: Research Data, 2014

The results in table 4.26 indicate that there is a weak positive relationship between innovation and performance ($R = .333$) with 11.1 percent of variation in firm performance being explained by the variation in innovation ($R^2 = 0.111$). This implies that 89 percent variation in dividend yield is explained by other factors other than innovation. The model was significant ($F = 4.253$, p value < 0.05).

Innovation ($B = 1.964$, $t = 2.062$, P value = 0.047) significantly contribute to dividend yield. The model defining the relationship was thus represented as:

$$Y = -5.259 + 1.964I$$

Where

Y = Dividend yield, I = innovation

A unit increase in innovation results in 1.964 increase in dividend yield.

Table 4.27: Innovation and Profit Before Tax

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.198 _a	.039	.011	1.266	.039	1.388	1	34	.247	1.569
ANOVA ^a										
Model	Sum of Squares		Df	Mean Square	F	Sig.				
1	Regression	2.226	1	2.226	1.388	.247 ^b				
	Residual	54.524	34	1.604						
	Total	56.750	35							
Coefficients ^a										
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.				
	B	Std. Error	Beta							
1	(Constant)	5.126	2.028		2.528	.016				
	Innov_Overall	-.602	.511	-.198	-1.178	.247				

a. Dependent Variable: Profit Before Tax

Source: Research Data, 2014

The results in table 4.27 indicate that there is a positive relationship between innovation and Profit Before Tax (R= .198) with 3.9 percent of variation in firm performance being explained by the variation in innovation (R square = 0.039). This implies that 96% per cent variation in dividend yield is explained by other factors other than innovation. The model was not significant (F =1.388, p value >0.05).

Table 4.28: Innovation and Firm Performance

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.396 ^a	.157	.132	.54002	.157	6.318	1	34	.017	1.369
Model			Sum of Squares	Df	Mean Square	F			Sig.	
1	Regression		1.842	1	1.842	6.318			.017 ^b	
	Residual		9.915	34	.292					
	Total		11.757	35						
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.				
		B	Std. Error	Beta						
1	(Constant)	1.133	.865		1.311	.199				
	Innov_Overall	.547	.218	.396	2.514	.017				

a. Dependent Variable: FirmPerf Overall

Source: Research data, 2014

The results in table 4.28 indicate that there is a weak positive relationship between innovation and firm performance (R= .396) with 15.7 percent of variation in firm performance being explained by the variation in innovation (R square = 0.157). This implies that 84.3 per cent variation in firm performance is explained by other factors other than innovation. The model was significant (F =6.318, p value <0.05).

Innovation (B =0.547, t =2.514, P value= 0.017) significantly contribute to firm performance. The model defining the relationship was thus represented as:

$$Y = 1.133 + 0.547I$$

Where Y = Firm Performance, I= Innovation.

From the foregoing, the research established a strong positive relationship between Innovation and employee engagement, with a high proportion of the employee engagement being explained by innovation (73 percent, $R^2 = 0.73$). Specifically, Organizational innovation and product innovation showed significant contribution to employee engagement. Similar results were recorded for the relationship between Innovation and firm performance, although in this case only organization innovation had significant contribution to customer focus.

The results of the relationship between Innovation and financial measures of performance were somehow mixed since the relationship was significant for dividend yield and EPS but not significant for Profit before tax. On overall, the results established that there is a direct relationship between Innovation (I) and Firm performance (FP). We therefore reject hypothesis H1 and conclude that there is a direct relationship between Innovation and Firm performance.

4.9.2 Moderating effect of Organizational Culture on relationship between Innovation and Firm performance

The second Objective of the study was to Ascertain the influence of Organization Culture on the relationship between Innovation and performance of firms listed on the NSE. The firm performance was measured in terms of financial (DY, EPS, PBT) and non-financial (Employee Engagement, Customer focus). The hypothesis was stated as:

Hypothesis H₂: Organizational culture has no moderating effect on the relationship between Innovation and Firm performance

Organizational Culture was captured in terms of the various culture types which are Clan culture, Market, Hierarchical culture and Adhocracy culture. To investigate the effect of organizational culture on the relationship between innovation and firm performance, the study used a multiple linear regression. Effect of Organizational Culture on the relationship between Innovation and Employee Engagement was estimated as in the table below:

Table 4.29: Effect of Organizational Culture on the relationship between Innovation and Employee Engagement.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.547 ^a	.299	.279	.51705	.299	14.517	1	34	.001
2	.631 ^b	.398	.361	.48654	.099	5.398	1	33	.026
ANOVA									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		3.881	1	3.881	14.517	.001 ^a		
	Residual		9.090	34	.267				
	Total		12.971	35					
2	Regression		5.159	2	2.579	10.896	.000 ^b		
	Residual		7.812	33	.237				
	Total		12.971	35					
Coefficients									
Model		Unstandardized Coefficients		Standardized Coefficients		T	Sig.		
		B	Std. Error	Beta					
1	(Constant)	.561	.828			.678	.503		
	Innovation	.794	.209	.547		3.810	.001		
2	(Constant)	.254	.790			.321	.750		
	Innovation	.306	.288	.210		1.062	.296		
	Organizational Culture	.597	.257	.460		2.323	.026		
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Organizational Culture									
c. Dependent Variable: Employee Engagement									

Source: Research Data, 2014

Model one shows the results of analysis when only Innovation was used ($R^2 = 0.299$, $p < 0.05$). These results suggest that Innovation alone accounted for 29.9 percent variation in employee engagement. This indicates that 70.1 per cent variability in employee engagement was explained by other factors not captured. These results are statistically significant. The beta coefficient is positive 0.794, $t = 3.810$, $p < 0.05$ indicating that one unit change in innovation is associated with 79.4% change in employee engagement. The results reveal that employee Innovation has a strong positive effect on employee engagement. The F value of 14.517, $p < 0.05$ is statistically significant implying that the data adequately fits the model.

In model two, when Organizational Culture was introduced we had a change ($R^2 = 0.398$, $p < 0.05$) indicating that Innovation together with Organizational Culture accounted for 39.8 percent variation in employee engagement of NSE listed firms. 61.2 per cent of the variation in employee engagement was not explained by the model, indicating that there are other factors not captured by the model. The R^2 change was 0.099 when organizational culture was added implying that organizational culture accounted for 9.9 percent variation in employee engagement.

The beta coefficient was positive ($B = 0.597$, $t = 2.323$, $p = 0.026$) implying that one unit change in the organizational culture is associated with 59.7 percent variation in the relationship between innovation and employee engagement.

Both models one and two were significant (p -values = 0.001 and 0.000, respectively). The null hypothesis was rejected. Organizational culture has a moderating effect on the relationship between Innovation and Firm performance in NSE listed firms.

Organizational Culture had positive coefficients (beta =0 .597, p-value = 0.026) indicating that a unit change in Organizational Culture causes a positive change in employee engagement. The relationship can be represented by the following equation:

$$\text{Employee engagement, EE} = 0.597 \text{ OC}$$

$$(p= 0.0126)$$

The study also investigated the effect of Organizational culture on the relationship between Innovation and Customer Focus .the results were obtained as in able 4.30 below:

**Table 4.30: Innovation, Organizational Culture and Customer Focus
Model Summary**

model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.545 ^a	.297	.276	.47558	.297	14.362	1	34	.001
2	.556 ^b	.309	.267	.47848	.012	.589	1	33	.448
ANOVA									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	3.248	1	3.248	14.362	.001 ^a			
	Residual	7.690	34	.226					
	Total	10.938	35						
2	Regression	3.383	2	1.692	7.388	.002 ^b			
	Residual	7.555	33	.229					
	Total	10.938	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	1.130	.762		1.483	.147			
	Innovation	.727	.192	.545	3.790	.001			
2	(Constant)	1.030	.777		1.325	.194			
	Innovation	.568	.283	.426	2.008	.053			
	Organizational Culture	.194	.253	.163	.767	.448			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Organizational Culture									
c. Dependent Variable: customer focus									

Source: Research Data, 2014

In model one, R^2 was 0.297 indicating that Innovation alone accounted for 29.7 percent variation in Customer focus. In model two, when Organizational Culture was added, R^2 was 0.309 indicating that Innovation together with Organizational Culture accounted for 39.8 percent variation in customer focus of NSE listed firms.

The R^2 change was 0.012 when organizational culture was added implying that organizational culture accounted for 1.2 percent variation in customer focus.

Both models one and two were significant (p-values = 0.001 and 0.002, respectively). The null hypothesis was rejected. Organizational culture has a moderating effect on the relationship between Innovation and Firm performance (in terms of customer focus) within NSE listed firms.

Organizational Culture had positive coefficients (beta =0 .194) indicating that a unit change in Organizational Culture causes a positive change in employee engagement. Organizational Culture was however not significant ($p>0.05$).

Table 4.31: Innovation, Organizational Culture and Dividend Yield

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					Square Change	F Change	df1	df2	Sig. F Change
1	.333 ^a	.111	.085	2.36153	.111	4.253	1	34	.047
2	.334 ^b	.112	.058	2.39617	.001	.024	1	33	.878
ANOVA ^c									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		23.717	1	23.717	4.253	.047 ^a		
	Residual		189.611	34	5.577				
	Total		213.328	35					
2	Regression		23.854	2	11.927	2.077	.141 ^b		
	Residual		189.474	33	5.742				
	Total		213.328	35					
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	-5.259	3.781		-1.391	.173			
	Innovation	1.964	.952	.333	2.062	.047			
2	(Constant)	-5.158	3.892		-1.325	.194			
	Innovation	2.124	1.417	.361	1.499	.143			
	Organizational Culture	-.195	1.265	-.037	-.155	.878			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Organizational Culture									
c. Dependent Variable: dividend yield									

Source: Research Data, 2014

In model one; R was 0.333 indicating that there is a positive relation between Innovation and dividend yield. The R² change was 0.001 when organizational culture was added implying that organizational culture accounted for 0.1 percent variation in Dividend Yield.

Model one was significant (p-values = 0.047) while model two was not ($P > 0.05$). The results were therefore inconclusive hence we could not reject or fail to reject the hypothesis that Organizational culture has a moderating effect on the relationship between Innovation and Firm performance (in terms of dividend yield) within NSE listed firms.

Table 4.32: Innovation, Organizational Culture and Earnings Per Share

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.425 ^a	.180	.156	11.21219	.180	7.480	1	34	.010
2	.464 ^b	.216	.168	11.13355	.035	1.482	1	33	.232
ANOVA ^c									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	940.307	1	940.307	7.480	.010 ^a			
	Residual	4274.248	34	125.713					
	Total	5214.554	35						
2	Regression	1124.011	2	562.006	4.534	.018 ^b			
	Residual	4090.543	33	123.956					
	Total	5214.554	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	-41.628	17.954		-2.319	.027			
	Innovation	12.365	4.521	.425	2.735	.010			
2	(Constant)	-45.311	18.083		-2.506	.017			
	Innovation	6.503	6.584	.223	.988	.330			
	Organizational Culture	7.153	5.876	.275	1.217	.232			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Organizational Culture									
c. Dependent Variable: earnings per share									

Source: Research Data, 2014

In model one, R^2 was 0.180 indicating that Innovation alone accounted for 18.0 percent variation in earnings per share. In model two, when Organizational Culture was added, R^2 was 0.216 indicating that Innovation together with Organizational Culture accounted for 21.6 percent variation in earnings per share of NSE listed firms. The R^2 change was 0.035 when organizational culture was added implying that organizational culture accounted for 3.5 percent variation in earning per share.

Both models one and two were significant (p-values = 0.010 and 0.018, respectively). The null hypothesis was rejected. Organizational culture has a moderating effect on the relationship between Innovation and Firm performance (in terms of earnings per share) within NSE listed firms.

Organizational Culture had positive coefficients (beta =7.513) indicating that a unit change in Organizational Culture causes a positive change in earnings per share. Organizational Culture was however not significant ($p>0.05$).

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Table 4.33: Innovation, Organizational Culture and Earnings Per Share

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.198 ^a	.039	.011	1.266	.039	1.388	1	34	.247
2	.199 ^b	.040	-.019	1.285	.000	.012	1	33	.913

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.226	1	2.226	1.388	.247 ^b
	Residual	54.524	34	1.604		
	Total	56.750	35			
2	Regression	2.246	2	1.123	.680	.514 ^c
	Residual	54.504	33	1.652		
	Total	56.750	35			

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.126	2.028		2.528	.016
	Innov_Overall	-.602	.511	-.198	-1.178	.247
2	(Constant)	5.165	2.087		2.474	.019
	Innov_Overall	-.541	.760	-.178	-.711	.482
	OrgCulture_Overall	-.075	.678	-.028	-.110	.913

a. Dependent Variable: FPPBT

b. Predictors: (Constant), Innov_Overall

c. Predictors: (Constant), Innov_Overall, OrgCulture_Overall

Source: Research Data, 2014

In model one, R^2 was 0.039 indicating that Innovation alone accounted for 3.9 percent variation in profit before tax. In model two, when Organizational Culture was added, R^2 was 0.40 indicating that Innovation together with Organizational Culture accounted for 4.0 percent variation in profit before tax of NSE listed firms. Both models one and two were however not significant (p -values >0.05).

Table 4.34: Innovation, Organizational Culture and Firm Performance

Model Summary ^c										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.396 ^a	.157	.132	.54002	.157	6.318	1	34	.017	
2	.442 ^b	.195	.147	.53539	.039	1.590	1	33	.216	1.497
ANOVA ^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	1.842	1	1.842	6.318	.017 ^b				
	Residual	9.915	34	.292						
	Total	11.757	35							
2	Regression	2.298	2	1.149	4.008	.028 ^c				
	Residual	9.459	33	.287						
	Total	11.757	35							
coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.				
		B	Std. Error	Beta						
1	(Constant)	1.133	.865		1.311	.19				
	Innov_Overall	.547	.218	.396	2.514	.01				
2	(Constant)	.950	.870		1.093	.28				
	Innov_Overall	.255	.317	.185	.807	.42				
	OrgCulture_Overall	.356	.283	.289	1.261	.21				
a. Dependent Variable: FirmPerf_Overall										
b. Predictors: (Constant), Innov_Overall										
c. Predictors: (Constant), Innov_Overall, OrgCulture_Overall										

Source: Research data, 2014

In model one, R^2 was 0.157 indicating that Innovation alone accounted for 15.7 percent variation in firm performance. In model two, when Organizational Culture was added, R^2 was 0.195 indicating that Innovation together with Organizational Culture accounted for 19.5 percent variation in overall performance of NSE listed firms. The R^2 change was 0.039 when organizational culture was added implying that organizational culture accounted for 3.9 percent variation in overall firm performance.

Both models one and two were significant (p-values = 0.017 and 0.028, respectively). The null hypothesis was rejected. Organizational culture has a moderating effect on the relationship between Innovation and Firm performance within NSE listed firms.

Organizational Culture had positive coefficients (beta =0.356) indicating that a unit change in Organizational Culture causes a positive change in firm performance. Organizational Culture was however not significant ($p>0.05$).

From the foregoing results, we see that organizational culture has a moderating effect on the relationship between innovation and employee engagement and also for the relationship between innovation and Customer Focus. While there was a positive relationship between Innovation and dividend yield the model was insignificant while the one with EPS was significant. We established that Organizational culture has a moderating effect on the relationship between innovation and overall firm performance. We therefore we reject the hypothesis H2 and conclude that Organizational Culture has a moderating effect on the relationship between Innovation and firm performance.

4.9.3 Moderating Effect of Leadership Style on the Relationship between Innovation and Firm Performance

The third objective of the study was to determine the influence of Leadership Style on the relationship between Innovation and firm performance. The firm performance was measured in terms of financial (DY, EPS, PBT) and non-financial (Employee Engagement, Customer focus).

The hypothesis was stated as:

Hypothesis H3: Leadership Style has no moderating effect on the relationship between Innovation and Firm performance

Leadership Style was captured in terms of the various styles of leadership that is Supportive, Directive, Participative and Achievement oriented. To investigate the effect of Leadership Style on the relationship between Innovation and firm performance, the study used a multiple linear regression.

Table 4.35: Innovation, Leadership Style and Employee Engagement

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.547 ^a	.299	.279	.51705	.299	14.517	1	34	.001
2	.639 ^b	.408	.372	.48224	.109	6.085	1	33	.019
ANOVA ^c									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	3.881	1	3.881	14.517	.001 ^a			
	Residual	9.090	34	.267					
	Total	12.971	35						
2	Regression	5.296	2	2.648	11.387	.000 ^b			
	Residual	7.674	33	.233					
	Total	12.971	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	.561	.828		.678	.503			
	Innovation	.794	.209	.547	3.810	.001			
2	(Constant)	-.035	.809		-.043	.966			
	Innovation	.273	.287	.188	.951	.349			
	Leadership Style	.682	.276	.488	2.467	.019			

a. Predictors: (Constant), innovation

b. Predictors: (Constant), innovation, Leadership Style

c. Dependent Variable: Employee Engagement

Source: Research Data, 2014

In model one, R^2 was 0.299 indicating that Innovation alone accounted for 29.9 percent variation in employee engagement. In model two, when Leadership Style was added, R^2 was 0.408 indicating that Innovation together with Leadership Style accounted for 40.8 percent variation in employee engagement of NSE listed firms. The R^2 change was 0.109 when Leadership Style was added implying that Leadership Style accounted for 10.9 percent variation in employee engagement.

Both models one and two were significant (p-values = 0.001 and 0.000, respectively). The null hypothesis was rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance in NSE listed firms.

Leadership Style had positive coefficients (beta =0 .682, p-value = 0.019) indicating that a unit change in Leadership Style causes a positive change in employee engagement. The relationship can be represented by the following equation:

Employee engagement, $EE = 0.682 LS$ (p= 0.019)

Table 4.36: Innovation, Leadership Style and Customer Focus

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.545 ^a	.297	.276	.47558	.297	14.362	1	34	.001
2	.772 ^b	.596	.571	.36612	.299	24.369	1	33	.000
ANOVA									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		3.248	1	3.248	14.362	.001 ^a		
	Residual		7.690	34	.226				
	Total		10.938	35					
2	Regression		6.515	2	3.257	24.301	.000 ^b		
	Residual		4.423	33	.134				
	Total		10.938	35					
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	1.130	.762		1.483	.147			
	Innovation	.727	.192	.545	3.790	.001			
2	(Constant)	.224	.614		.364	.718			
	Innovation	-.065	.218	-.049	-.299	.767			
	Leadership Style	1.036	.210	.807	4.936	.000			
a. Predictors: (Constant), Innovation b. Predictors: (Constant), Innovation, Leadership Style c. Dependent Variable: Customer Focus									

Source: Research Data, 2014

In model one, R^2 was 0.297 indicating that Innovation alone accounted for 29.7 percent variation in customer focus. In model two, when Leadership Style was added, R^2 was 0.596 indicating that Innovation together with Leadership Style accounted for 59.6 percent variation in customer focus of NSE listed firms. The R^2 change was 0.299 when Leadership Style was added implying that Leadership Style accounted for 29.9 percent variation in customer focus.

Both models one and two were significant (p -values = 0.001 and 0.000, respectively).

The null hypothesis was rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance in NSE listed firms.

Leadership Style had positive coefficients ($\beta = 1.036$, p -value = 0.000) indicating that a unit change in Leadership Style causes a positive change in employee engagement. The relationship can be represented by the following equation:

$$\text{Customer Focus} = 1.036 \text{ LS } (p = 0.000)$$

Table 4.37: Innovation, Leadership Style and Dividend Yield

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.333 ^a	.111	.085	2.36153	.111	4.253	1	34	.047
2	.414 ^b	.172	.121	2.31407	.060	2.409	1	33	.130
ANOVA ^c									
Model	Sum of Squares		Df	Mean Square	F	Sig.			
1	Regression	23.717	1	23.717	4.253	.047 ^a			
	Residual	189.611	34	5.577					
	Total	213.328	35						
2	Regression	36.616	2	18.308	3.419	.045 ^b			
	Residual	176.712	33	5.355					
	Total	213.328	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	-5.259	3.781		-1.391	.173			
	Innovation	1.964	.952	.333	2.062	.047			
2	(Constant)	-7.059	3.883		-1.818	.078			
	innovation	.390	1.378	.066	.283	.779			
	Leadership Style	2.058	1.326	.363	1.552	.130			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Leadership Style									
c. Dependent Variable: dividend yield									

Source: Research Data, 2014

In model one, R^2 was 0.111 indicating that Innovation alone accounted for 11.1 percent variation in dividend yield. In model two, when Leadership Style was added, R^2 was 0.172 indicating that Innovation together with Leadership Style accounted for 17.2 percent variation in dividend yield of NSE listed firms. The R^2 change was 0.060 when Leadership Style was added implying that Leadership Style accounted for 6.0 percent variation in dividend yield.

Both models one and two were significant (p-values = 0.047 and 0.045, respectively). The null hypothesis was rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance (dividend yield) in NSE listed firms.

Leadership Style had positive coefficients (beta =2.058), indicating that a unit change in Leadership Style causes a positive change in dividend yield. The influence of innovation on dividend yield was statistically significant (B = 1.964, t = 2.062, P value = <.05). However on introducing Leadership Style (B =2.058, t = 1.552, P value > 0.05), the influence of innovation on dividend yield becomes insignificant (B = 0.390, t = 0.283, P value = >.05). We reject the null hypothesis and conclude that Leadership Style moderates the relationship between innovation and DY.

Table 4.38: Innovation, Leadership Style and Earnings Per Share

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.425 ^a	.180	.156	11.21219	.180	7.480	1	34	.010
2	.531 ^b	.282	.238	10.65334	.101	4.661	1	33	.038
ANOVA ^c									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	940.307	1	940.307	7.480	.010 ^a			
	Residual	4274.248	34	125.713					
	Total	5214.554	35						
2	Regression	1469.261	2	734.631	6.473	.004 ^b			
	Residual	3745.293	33	113.494					
	Total	5214.554	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	-41.628	17.954		-2.319	.027			
	Innovation	12.365	4.521	.425	2.735	.010			
2	(Constant)	-53.154	17.875		-2.974	.005			
	Innovation	2.287	6.344	.079	.360	.721			
	Leadership Style	13.180	6.105	.470	2.159	.038			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Leadership Style									
c. Dependent Variable: earnings per share									

Source: Research Data, 2014

In model one, R^2 was 0.180 indicating that Innovation alone accounted for 18.0 percent variation in earnings per share. In model two, when Leadership Style was added, R^2 was 0.282 indicating that Innovation together with Leadership Style accounted for 28.2 percent variation in customer focus of NSE listed firms. The R^2 change was 0.101 when Leadership Style was added implying that Leadership Style accounted for 10.1 percent variation in earnings per share.

Both models one and two were significant (p-values = 0.010 and 0.004, respectively). The null hypothesis was rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance (earnings per share) in NSE listed firms.

Leadership Style had positive coefficients (beta =13.18), indicating that a unit change in Leadership Style causes a positive change in earnings per share.

Table 4.39: Innovation, Leadership Style and Profit Before Tax

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.198 ^a	.039	.011	1.266	.039	1.388	1	34	.247
2	.305 ^b	.093	.038	1.249	.054	1.956	1	33	.171
ANOVA ^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	2.226	1	2.226	1.388	.247 ^b			
	Residual	54.524	34	1.604					
	Total	56.750	35						
2	Regression	5.277	2	2.639	1.692	.200 ^c			
	Residual	51.473	33	1.560					
	Total	56.750	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.			
		B	Std. Error	Beta					
1	(Constant)	5.126	2.028		2.528	.016			
	Innov_Overall	-.602	.511	-.198	-1.178	.247			
2	(Constant)	4.251	2.095		2.029	.051			
	Innov_Overall	-1.367	.744	-.450	-1.838	.075			
	Leadstyle Overall	1.001	.716	.342	1.399	.171			
a. Dependent Variable: FPPBT									
b. Predictors: (Constant), Innov_Overall									
c. Predictors: (Constant), Innov_Overall, Leadstyle Overall									

Source: Research Data, 2014

In model one, R^2 was 0.039 indicating that Innovation alone accounted for 3.9 percent variation in profit before tax. In model two, when Leadership Style was added, R^2 was 0.093 indicating that Innovation together with Leadership Style accounted for 9.3 percent variation in profit before tax of NSE listed firms. The R^2 change was 0.054 when Leadership Style was added implying that Leadership Style accounted for 5.4 percent variation in profit before tax. Both models one and two were not significant (p -values >0.05).

Table 4.40: Innovation, Leadership Style and Firm Performance

Model Summary ^c										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.396 ^a	.157	.132	.54002	.157	6.318	1	34	.017	1.197
2	.631 ^b	.398	.361	.46313	.241	13.226	1	33	.001	
ANOVA ^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	1.842	1	1.842	6.318	.017 ^b				
	Residual	9.915	34	.292						
	Total	11.757	35							
2	Regression	4.679	2	2.340	10.908	.000 ^c				
	Residual	7.078	33	.214						
	Total	11.757	35							
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.				
		B	Std. Error	Beta						
1	(Constant)	1.133	.865		1.311	.199				
	Innov_Overall	.547	.218	.396	2.514	.017				
2	(Constant)	.289	.777		.372	.712				
	Innov_Overall	-.191	.276	-.138	-.692	.494				
	Leadstyle_Overall	.965	.265	.725	3.637	.001				
a. Dependent Variable: FirmPerf_Overall										
b. Predictors: (Constant), Innov_Overall										
c. Predictors: (Constant), Innov_Overall, Leadstyle_Overall										

Source: Research Data, 2014

In model one, R^2 was 0.157 indicating that Innovation alone accounted for 15.7 percent variation in firm performance. In model two, when Leadership Style was added, R^2 was 0.398 indicating that Innovation together with Leadership Style accounted for 39.8 percent variation in overall performance of NSE listed firms. The R^2 change was 0.241 when Leadership Style was added implying that Leadership Style accounted for 24.1 percent variation in overall performance.

Both models one and two were significant (p-values = 0.017 and 0.000, respectively). Leadership Style has a moderating effect on the relationship between Innovation and Firm performance (earnings per share) in NSE listed firms.

From the foregoing results, the relationship between innovation and employee engagement was moderated by Leadership Style and the same was true for Customer Focus, Dividend yield, earnings per share but not for profit before tax. When we tested the hypothesis on overall firm performance, it was established that leadership Style has a moderating effect on the relationship between Innovation and Firm performance (earnings per share) in NSE listed firms. The null hypothesis was therefore rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance (earnings per share) in NSE listed firms.

4.9.4 Combined effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Firm Performance

The fourth Objective of the study was to examine the combined influence of organizational culture and Leadership Style on the relationship between innovation and performance of firms listed on the NSE. The firm performance was measured in terms of financial (DY, EPS, PBT) and non-financial (Employee Engagement, Customer focus). The hypothesis was stated as:

Hypothesis H₄: The Combined Effect of Leadership Style and Organizational Culture has no Moderating Effect on the Relationship between Innovation and Firm Performance

Leadership Style was captured in terms of the various styles of leadership that is Supportive, Directive, Participative and Achievement oriented. Organizational culture was captured in terms of typology developed by Cameron and Quinn (1999) that includes Clan culture, Market culture, Hierarchy and Adhocracy Culture. To investigate the effect of Leadership Style on the relationship between Innovation and firm performance, the study used a multiple linear regression.

Table 4.41: Combined Effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Firm Earnings per Share

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.425 ^a	.180	.156	11.21219	.180	7.480	1	34	.010
2	.518 ^b	.268	.224	10.75371	.088	3.961	1	33	.055
ANOVA ^c									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		940.307	1	940.307	7.480	.010 ^a		
	Residual		4274.248	34	125.713				
	Total		5214.554	35					
2	Regression		1398.358	2	699.179	6.046	.006 ^b		
	Residual		3816.197	33	115.642				
	Total		5214.554	35					
Coefficients ^a									
Model			Unstandardized Coefficients		Standardized Coefficients	T	Sig.		
			B	Std. Error	Beta				
1	(Constant)		-41.628	17.954		-2.319	.027		
	Innovation		12.365	4.521	.425			2.735	.010
2	(Constant)		-51.298	17.892		-2.867	.007		
	Innovation		1.340	7.035	.046			.190	.850
	leadership and culture combination		13.919	6.994	.481			1.990	.055
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, leadership and culture combination									
c. Dependent Variable: earnings per share									

Source: Research Data, 2014

In model one, R^2 was 0.180 indicating that Innovation alone accounted for 18.0 percent variation in earnings per share. In model two, when Leadership Style and Organizational Culture combination was added, R^2 was 0.268 indicating that Innovation together with LS and OC accounted for 26.8 percent variation in earnings per share of NSE listed firms. The R^2 change was 0.088 when Leadership Style and OC combination was added implying that Leadership Style and OC accounted for 8.08 percent earnings per share.

Both models one and two are significant (p -values = 0.010, p = 0.006). Leadership Style and organizational culture combination has a moderating effect on the relationship between Innovation and Firm performance (in terms of earnings per share) in NSE listed firms.

Table 4.42: Combined effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Dividend Yield

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.333 ^a	.111	.085	2.36153	.111	4.253	1	34	.047
2	.356 ^b	.127	.074	2.37624	.015	.580	1	33	.452
ANOVA ^c									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	23.717	1	23.717	4.253	.047 ^a			
	Residual	189.611	34	5.577					
	Total	213.328	35						
2	Regression	26.993	2	13.496	2.390	.107 ^b			
	Residual	186.335	33	5.647					
	Total	213.328	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	-5.259	3.781		-1.391	.173			
	Innovation	1.964	.952	.333	2.062	.047			
2	(Constant)	-6.076	3.954		-1.537	.134			
	Innovation	1.031	1.555	.175	.663	.512			
	leadership and culture combined	1.177	1.545	.201	.762	.452			
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, leadership and culture combination									
c. Dependent Variable: dividend yield									

Source: Research Data, 2014

In model one, R^2 was 0.111 indicating that Innovation alone accounted for 11.1 percent variation in dividend yield. In model two, when leadership and culture combination was added, R^2 was 0.127 indicating that Innovation together with Leadership Style accounted for 12.7 percent variation in customer focus of NSE listed firms. The R^2 change was 0.015 when leadership and culture combination was added implying that Leadership Style and Organizational Culture accounted for 1.5 percent variation in dividend yield.

Model one was significant (p-values = 0.047). Leadership Style and organizational culture combination has a moderating effect on the relationship between Innovation and Firm performance (dividend yield) in NSE listed firms.

Leadership Style and Organizational Culture combination had positive coefficients (beta = 1.177), indicating that a unit change in Leadership Style causes a positive change in dividend yield.

Table 4.43: Combined effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Employee Engagement

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.547 ^a	.299	.279	.51705	.299	14.517	1	34	.001
2	.667 ^b	.444	.411	.46737	.145	8.612	1	33	.006
ANOVA ^c									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		3.881	1	3.881	14.517	.001 ^a		
	Residual		9.090	34	.267				
	Total		12.971	35					
2	Regression		5.762	2	2.881	13.190	.000 ^b		
	Residual		7.208	33	.218				
	Total		12.971	35					
Coefficients ^a									
Model				Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig.	
			B		Beta				
1	(Constant)			.561	.828		.678	.503	
	Innovation			.794	.209	.547	3.810	.001	
2	(Constant)			-.059	.778		-.075	.940	
	Innovation			.088	.306	.060	.287	.776	
	leadership and culture combination			.892	.304	.618	2.935	.006	
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, leadership and culture combination									
c. Dependent Variable: employee engagement									

Source: Research Data, 2014

In model one, R^2 was 0.299 indicating that Innovation alone accounted for 29.9 percent variation in employee engagement. In model two, when leadership and culture combination was added, R^2 was 0.444 indicating that Innovation together with Leadership Style accounted for 44.4 percent variation in customer focus of NSE listed firms. The R^2 change was 0.145 when leadership and culture combination was added implying that Leadership Style and culture combination accounted for 14.5 percent variation in employee engagement.

Both model one and two were significant (p-values = 0.001 and p= 0.000 respectively). Leadership Style and organizational culture combination has a moderating effect on the relationship between Innovation and Firm performance (employee engagement) in NSE listed firms.

Leadership Style and Organizational Culture combination had positive coefficients (beta =0.892), indicating that a unit change in Leadership Style causes a positive change in dividend yield.

Table 4.44: Combined effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Customer Focus
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.545 ^a	.297	.276	.47558	.297	14.362	1	34	.001
2	.663 ^b	.440	.406	.43075	.143	8.445	1	33	.006
ANOVA ^c									
Model			Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression		3.248	1	3.248	14.362	.001 ^a		
	Residual		7.690	34	.226				
	Total		10.938	35					
2	Regression		4.815	2	2.408	12.976	.000 ^b		
	Residual		6.123	33	.186				
	Total		10.938	35					
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.			
		B	Std. Error	Beta					
1	(Constant)	1.130	.762		1.483	.147			
	Innovation	.727	.192	.545	3.790	.001			
2	(Constant)	.564	.717		.787	.437			
	Innovation	.082	.282	.061	.291	.773			
	leadership and culture combination	.814	.280	.614	2.906	.006			
a. Predictors: (Constant), innovation b. Predictors: (Constant), innovation, leadership and culture combination c. Dependent Variable: customer focus									

Source: Research Data, 2014

In model one, R^2 was 0.297 indicating that Innovation alone accounted for 29.7 percent variation in customer focus. In model two, when leadership and culture combination was added, R^2 was 0.440 indicating that Innovation together with Leadership Style and Organizational Culture combined accounted for 44.0 percent variation in customer focus of NSE listed firms. The R^2 change was 0.143 when leadership and culture combination was added implying that Leadership Style and culture combination accounted for 14.3 percent variation in customer focus.

Both model one and two were significant (p-values = 0.001 and p= 0.000 respectively). Leadership Style and organizational culture combination has a moderating effect on the relationship between Innovation and Firm performance (customer focus) in NSE listed firms. Leadership Style and Organizational Culture combination had positive coefficients (beta =0.814), indicating that a unit change in Leadership Style causes a positive change in customer focus.

Table 4.45: Combined effect of Leadership Style and Organizational Culture on the Relationship between Innovation and Firm Performance

Model Summary ^c										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df 1	df2	Sig. F Change	
1	.396 _a	.157	.132	.54002	.157	6.318	1	34	.017	1.424
2	.563 _b	.317	.275	.49340	.160	7.729	1	33	.009	
ANOVA ^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	1.842	1	1.842	6.318	.017 ^b				
	Residual	9.915	34	.292						
	Total	11.757	35							
2	Regression	3.724	2	1.862	7.648	.002 ^c				
	Residual	8.034	33	.243						
	Total	11.757	35							
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.				
		B	Std. Error	Beta						
1	(Constant)	1.133	.865		1.311	.199				
	Innov Overall	.547	.218	.396	2.514	.017				
2	(Constant)	.514	.821		.626	.536				
	Innov Overall	-.159	.323	-.115	-.493	.625				
	Joint LS OC	.892	.321	.649	2.780	.009				
a. Predictors: (Constant), Innov Overall										
b. Predictors: (Constant), Innov Overall, Joint_LS_OC										
c. Dependent Variable: FirmPerf Overall										

Source: Research Data, 2014

In model one, R^2 was 0.157 indicating that Innovation alone accounted for 15.7 percent variation in firm performance. In model two, when leadership style and culture combination was added, R^2 was 0.317 indicating that Innovation together with Leadership Style and Organizational Culture combined accounted for 31.7 percent variation in performance of NSE listed firms. The R^2 change was 0.160 when leadership style and culture combination was added implying that Leadership Style and culture combination accounted for 16.0 percent variation in firm performance.

Both model one and two were significant (p-values = 0.017 and p= 0.002 respectively). Leadership Style and organizational culture combination has a moderating effect on the relationship between Innovation and Firm performance (customer focus) in NSE listed firms. Leadership Style and Organizational Culture combination had positive coefficients (beta =0.892), indicating that a unit change in Leadership Style and organizational culture combination causes a positive change in firm performance.

From the foregoing results there are clear results for the moderating effect of combined Leadership Style and organizational culture on the relationship between innovation and performance. This is because the moderating effect is significant for the relationship between Innovation and earnings per share, dividend yield, employee engagement and Customer focus. The hypothesis was rejected and we concluded that the combined effect of LS and OC moderated the relationship between innovation and Firm performance.

4.9.5 Innovation, Organizational Culture, Leadership Style and firm performance

The fifth objective of the study was to establish the joint effect of Innovation, Organizational culture and Leadership on performance of firms listed on the NSE. The firm performance was measured in terms of financial (DY, EPS, PBT) and non-financial (Employee Engagement, Customer focus). In order to statistically determine this relationship, the following hypothesis was tested:

Hypothesis H₅: The joint effect of Innovation (I), Organizational Culture (OC) and Leadership Style (LS) on Firm Performance (FP) is not different from the effect of the individual study variables (I, OC and LS) on firm performance (FP).

The study used multiple regression analysis. The predictor variables Innovation, Organizational Culture and Leadership Style were estimated against the firm performance measures Dividend Yield (DY), Earnings Per Share (EPS), Profit before Tax (PBT), Employee Engagement (EE) and Customer Focus (CF).

Table 4.46: Innovation, Organizational Culture, Leadership Style and Employee Engagement

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.547 ^a	.299	.279	.51705	.299	14.517	1	34	.001
2	.631 ^b	.398	.361	.48654	.099	5.398	1	33	.026
3	.667 ^c	.445	.393	.47434	.047	2.718	1	32	.109

ANOVA^d

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.881	1	3.881	14.517	.001 ^a
	Residual	9.090	34	.267		
	Total	12.971	35			
2	Regression	5.159	2	2.579	10.896	.000 ^b
	Residual	7.812	33	.237		
	Total	12.971	35			
3	Regression	5.770	3	1.923	8.549	.000 ^c
	Residual	7.200	32	.225		
	Total	12.971	35			

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.561	.828		.678	.503		
	Innovation	.794	.209	.547	3.810	.001	1.000	1.000
2	(Constant)	.254	.790		.321	.750		
	Innovation	.306	.288	.210	1.062	.296	.465	2.150
	Organizational Culture	.597	.257	.460	2.323	.026	.465	2.150
3	(Constant)	-.079	.796		-.100	.921		
	Innovation	.086	.310	.059	.277	.783	.380	2.634
	Organizational Culture	.402	.277	.310	1.452	.156	.380	2.629
	Leadership Style	.496	.301	.355	1.649	.109	.375	2.666

a. Predictors: (Constant), innovation

b. Predictors: (Constant), innovation, Organizational Culture

c. Predictors: (Constant), innovation, Organizational Culture, Leadership Style

d. Dependent Variable: employee engagement

Source: Research Data, 2014

The study used multiple regression analysis. The predictor variables Innovation, Organizational Culture and Leadership Style were estimated against the firm performance measures Dividend Yield (DY), Earnings Per Share (EPS), Profit before Tax (PBT), Employee Engagement (EE) and Customer Focus (CF).

Table 4.46: Innovation, Organizational Culture, Leadership Style and Employee Engagement

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.547 ^a	.299	.279	.51705	.299	14.517	1	34	.001	
2	.631 ^b	.398	.361	.48654	.099	5.398	1	33	.026	
3	.667 ^c	.445	.393	.47434	.047	2.718	1	32	.109	
ANOVA ^d										
Model		Sum of Squares	Df	Mean Square	F	Sig.				
1	Regression	3.881	1	3.881	14.517	.001 ^a				
	Residual	9.090	34	.267						
	Total	12.971	35							
2	Regression	5.159	2	2.579	10.896	.000 ^b				
	Residual	7.812	33	.237						
	Total	12.971	35							
3	Regression	5.770	3	1.923	8.549	.000 ^c				
	Residual	7.200	32	.225						
	Total	12.971	35							
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics			
		B	Std. Error	Beta			Tolerance	VIF		
1	(Constant)	.561	.828		.678	.503				
	Innovation	.794	.209	.547	3.810	.001	1.000	1.000		
2	(Constant)	.254	.790		.321	.750				
	Innovation	.306	.288	.210	1.062	.296	.465	2.150		
	Organizational Culture	.597	.257	.460	2.323	.026	.465	2.150		
3	(Constant)	-.079	.796		-.100	.921				
	Innovation	.086	.310	.059	.277	.783	.380	2.634		
	Organizational Culture	.402	.277	.310	1.452	.156	.380	2.629		
	Leadership Style	.496	.301	.355	1.649	.109	.375	2.666		
a. Predictors: (Constant), innovation b. Predictors: (Constant), innovation, Organizational Culture c. Predictors: (Constant), innovation, Organizational Culture, Leadership Style d. Dependent Variable: employee engagement										

Source: Research Data, 2014

The results in table 4.46 indicate that there is a moderate and positive relationship between innovation and employee engagement ($R = .547$) that is enhanced on the addition of both Organizational Culture ($R = .631$) and Leadership Style ($R = 0.667$). The explained variation in the relationship ($R^2 = .299$, $F = 14.517$, $P \text{ value} = <.05$) is also enhanced on addition of Organizational Culture ($R^2 = .398$, $F = 10.896$, $P \text{ value} = <.05$) and Leadership Style ($R^2 = 0.445$, $F = 8.549$, $P \text{ value} = <.05$) and the model was significant.

Innovation significantly influenced employee engagement but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing employee engagement was not independent of each other but through an interaction.

Table 4.47: Innovation, Organizational Culture, Leadership Style and Customer Focus

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.545 ^a	.297	.276	.47558	.297	14.362	1	34	.001
2	.556 ^b	.309	.267	.47848	.012	.589	1	33	.448
3	.783 ^c	.614	.578	.36331	.305	25.237	1	32	.000

ANOVA^d

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.248	1	3.248	14.362	.001 ^a
	Residual	7.690	34	.226		
	Total	10.938	35			
2	Regression	3.383	2	1.692	7.388	.002 ^b
	Residual	7.555	33	.229		
	Total	10.938	35			
3	Regression	6.714	3	2.238	16.956	.000 ^c
	Residual	4.224	32	.132		
	Total	10.938	35			

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.130	.762		1.483	.147		
	Innovation	.727	.192	.545	3.790	.001	1.000	1.000
2	(Constant)	1.030	.777		1.325	.194		
	Innovation	.568	.283	.426	2.008	.053	.465	2.150
	Organizational Culture	.194	.253	.163	.767	.448	.465	2.150
3	(Constant)	.253	.610		.414	.682		
	Innovation	.056	.238	.042	.236	.815	.380	2.634
	Organizational Culture	-.261	.212	-.219	-1.230	.228	.380	2.629
	Leadership Style	1.156	.230	.901	5.024	.000	.375	2.666

a. Predictors: (Constant), innovation

b. Predictors: (Constant), innovation, Organizational Culture

c. Predictors: (Constant), innovation, Organizational Culture, Leadership Style

d. Dependent Variable: customer focus

Source: Research Data, 2014

The results in table 4.47 indicate that there is a moderate and positive relationship between innovation and employee engagement ($R = .545$) that is enhanced on the addition of both Organizational Culture ($R = .556$) and Leadership Style ($R = .783$). The explained variation in the relationship ($R^2 = .297$, $F = 14.362$, $P \text{ value} = <.05$) is also enhanced on addition of Organizational Culture ($R^2 = .309$, $F = 7.388$, $P \text{ value} = <.05$) and Leadership Style ($R^2 = .614$, $F = 16.956$, $P \text{ value} = <.05$) and the model was significant.

Innovation significantly influenced customer focus but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing employee engagement was not independent of each other but through an interaction.

Table 4.48: Innovation, Organizational Culture, Leadership Style and Earnings Per Share

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.425 ^a	.180	.156	11.21219	.180	7.480	1	34	.010
2	.464 ^b	.216	.168	11.13355	.035	1.482	1	33	.232
3	.534 ^c	.285	.218	10.79378	.069	3.110	1	32	.087
ANOVA ^a									
Model		Sum of Squares	Df	Mean Square	F				Sig.
1	Regression	940.307	1	940.307	7.480				.010 ^a
	Residual	4274.248	34	125.713					
	Total	5214.554	35						
2	Regression	1124.011	2	562.006	4.534				.018 ^b
	Residual	4090.543	33	123.956					
	Total	5214.554	35						
3	Regression	1486.372	3	495.457	4.253				.012 ^c
	Residual	3728.182	32	116.506					
	Total	5214.554	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
		B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	-41.628	17.954		-2.319	.027			
	Innovation	12.365	4.521	.425	2.735	.010	1.000	1.000	
2	(Constant)	-45.311	18.083		-2.506	.017			
	Innovation	6.503	6.584	.223	.988	.330	.465	2.150	
	Organizational Culture	7.153	5.876	.275	1.217	.232	.465	2.150	
3	(Constant)	-53.419	18.124		-2.947	.006			
	Innovation	1.164	7.064	.040	.165	.870	.380	2.634	
	Organizational Culture	2.414	6.299	.093	.383	.704	.380	2.629	
	Leadership Style	12.061	6.839	.430	1.764	.087	.375	2.666	
a. Predictors: (Constant), innovation									
b. Predictors: (Constant), innovation, Organizational Culture									
c. Predictors: (Constant), innovation, Organizational Culture, Leadership Style									
d. Dependent Variable: Earnings per share									

Source: Research Data, 2014

The results in table 4.48 indicate that there is positive relationship between innovation and earnings per share ($R = .425$) that is enhanced on the addition of both Organizational Culture ($R = .0464$) and Leadership Style ($R = 0.534$). The explained variation in the relationship ($R^2 = 0.180$, $F = 7.480$, $P \text{ value} = <.05$) is also enhanced on addition of Organizational Culture ($R^2 = 0.216$, $F = 4.534$, $P \text{ value} = <.05$) and Leadership Style ($R^2 = 0.285$, $F = 4.253$, $P \text{ value} = <.05$) and the model was significant.

Innovation significantly influenced earnings per share but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing earnings per share was not independent of each other but through an interaction.

In the ANOVA table, all the three models 1, 2 and 3 are significant ($F = 7.480$, $F = 4.534$, and $F = 4.253$, $p = 0.010$ and $p = 0.018$ and $p = 0.012$). Therefore we reject the null hypothesis and conclude that the joint effect of Innovation, Leadership Style and Organizational culture combination moderates the relationship between innovation and EPS.

Table 4.49: Innovation, Leadership Style, Organizational Culture and Dividend Yield

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.333 ^a	.111	.085	2.36153	.111	4.253	1	34	.047
2	.334 ^b	.112	.058	2.39617	.001	.024	1	33	.878
3	.439 ^c	.192	.117	2.32033	.081	3.192	1	32	.083
ANOVA ^d									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	23.717	1	23.717	4.253	.047 ^a			
	Residual	189.611	34	5.577					
	Total	213.328	35						
2	Regression	23.854	2	11.927	2.077	.141 ^b			
	Residual	189.474	33	5.742					
	Total	213.328	35						
3	Regression	41.042	3	13.681	2.541	.074 ^c			
	Residual	172.286	32	5.384					
	Total	213.328	35						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
		B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	-5.259	3.781		-1.391	.173			
	Innovation	1.964	.952	.333	2.062	.047	1.000	1.000	
2	(Constant)	-5.158	3.892		-1.325	.194			
	Innovation	2.124	1.417	.361	1.499	.143	.465	2.150	
	organization culture	-.195	1.265	-.037	-.155	.878	.465	2.150	
3	(Constant)	-6.924	3.896		-1.777	.085			
	Innovation	.961	1.519	.163	.633	.531	.380	2.634	
	organization culture	-1.228	1.354	-.234	-.907	.371	.380	2.629	
	Leadership Style	2.627	1.470	.463	1.787	.083	.375	2.666	
a. Predictors: (Constant), innovation b. Predictors: (Constant), innovation, organization culture c. Predictors: (Constant), innovation, organization culture, Leadership Style d. Dependent Variable: dividend yield									

Source: Research Data, 2014

The results in table 4.49 indicate that there is a weak positive relationship between innovation and dividend yield ($R = 0.333$) that is enhanced on the addition of both Organizational Culture ($R = 0.334$) and Leadership Style ($R = 0.439$). The explained variation in the relationship ($R^2 = 0.111$, $F = 4.253$, $P \text{ value} = <.05$) is also enhanced on addition of Organizational Culture ($R^2 = 0.112$) and Leadership Style ($R^2 = 0.192$). However model was not significant ($F = 2.541$, $P \text{ value} > 0.05$).

Innovation significantly influenced dividend yield but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing dividend yield was not independent of each other but through an interaction.

Table 4.50: Innovation, Leadership Style, Organizational Culture and Firm Performance

Model Summary ^d										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.396 ^a	.157	.132	.54002	.157	6.318	1	34	.017	1.192
2	.442 ^b	.195	.147	.53539	.039	1.590	1	33	.216	
3	.631 ^c	.398	.342	.47024	.203	10.779	1	32	.002	
ANOVA ^a										
Model	Sum of Squares		df	Mean Square	F	Sig.				
1	Regression	1.842	1	1.842	6.318	.017 ^b				
	Residual	9.915	34	.292						
	Total	11.757	35							
2	Regression	2.298	2	1.149	4.008	.028 ^c				
	Residual	9.459	33	.287						
	Total	11.757	35							
3	Regression	4.681	3	1.560	7.057	.001 ^d				
	Residual	7.076	32	.221						
	Total	11.757	35							
Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics			
		B	Std. Error	Beta			Tolerance	VIF		
1	(Constant)	1.133	.865		1.311	.199				
	Innov_Overall	.547	.218	.396	2.514	.017	1.000	1.000		
	(Constant)	.950	.870		1.093	.282				
2	Innov_Overall	.255	.317	.185	.807	.426	.465	2.150		
	OrgCulture_Overall	.356	.283	.289	1.261	.216	.465	2.150		
	(Constant)	.292	.790		.370	.714				
3	Innov_Overall	-.178	.308	-.128	-.577	.568	.380	2.634		
	OrgCulture_Overall	-.028	.274	-.023	-.102	.919	.380	2.629		
	Leadstyle Overall	.978	.298	.735	3.283	.002	.375	2.666		

a. Dependent Variable: FirmPerf_Overall

Source: Research Data, 2014

The results in table 4.50 indicate that there is a positive relationship between innovation and firm performance ($R = 0.396$) that is enhanced on the addition of both Organizational Culture ($R = 0.442$) and Leadership Style ($R = 0.631$). The explained variation in the relationship ($R^2 = 0.157$, $F = 6.318$, P value = $<.05$) is also enhanced on addition of Organizational Culture ($R^2 = 0.195$) and Leadership Style ($R^2 = 0.398$). All the three models were significant ($F = 2.541$, P value <0.05).

Innovation significantly influenced firm performance but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing firm performance was not independent of each other but through an interaction.

From the foregoing results of hypothesis 5, research established that the joint effect of Innovation, Organizational Culture and Leadership Style on Customer focus was significantly different from the effect of the individual study variables. The same was established employee engagement and earnings per share. For Dividend yield and profit before tax, the models were not significant. Finally it was also established that the joint effect of Innovation, Organizational Culture and Leadership Style on Firm performance was significantly different from the effect of the individual study variables. We reject hypothesis H5 and conclude that the joint effect of Innovation, Organizational Culture and Leadership Style on Firm performance is different from the effect of the individual study variables.

Table 4.51: Summary of Objectives, Hypotheses and Findings

Research Objective	Hypothesis	Summary of Findings	Hypothesis Conclusion
Determine the relationship between innovation and performance of firms listed on the NSE	<p>Hypothesis1</p> <p>There is no direct relationship between innovation and Firm performance</p>	<p>There is a strong positive relationship between innovation and performance (R= .855) with 73 percent of variation in firm performance being explained by the variation in innovation (R square = 0.73). The model was statistically significant (F = 20.99, p value < 0.05).</p> <p>Product innovation (B = -.232, t =-2.071, P value= 0.047) and organization innovation (B =.953, t =8.157, P value= 0.000) significantly contribute to employee engagement.</p> <p>There is a moderate positive relationship between innovation and performance (R= .648) with 42.1 percent of variation in firm performance being explained by the variation in innovation (R square = 0.421). The model was statistically significant (F = 5.625, p value < 0.05).</p> <p>Organization innovation (B =.541, t =3.436, P value= 0.002) significantly contributes to Customer Focus. There is a positive relationship between innovation and profit Before Tax (R= .486) with 23.6 percent of variation in firm performance being explained by the variation in innovation (R square = 0.236). The model was, however, not significant (F =2.391, p value > 0.05).</p> <p>Moderate positive relationship between overall innovation and performance (R= .545) with 29.7</p>	<p>Null Hypothesis rejected.</p> <p>Conclusion: There is relationship between Innovation and performance</p>

Table 4.51: Summary of Objectives, Hypotheses and Findings cont...

Research Objective	Hypothesis	Summary of Findings	Hypothesis Conclusion
		<p>percent of variation in firm performance being explained by the variation in innovation (R square = 0.297). The model was significant (F =14.362, p value <0.05).</p> <p>There is a weak positive relationship between innovation and performance (R= .425) with 18 percent of variation in firm performance being explained by innovation (R square = 0.180). The model was significant (F =7.48, p value <0.05).</p> <p>There is a weak positive relationship between innovation and performance (R= .333) with 11.1 percent of variation in firm performance being explained by the variation in innovation (R square = 0.111). The model was significant (F =4.253, p value <0.05).</p>	<p>Null hypothesis rejected</p> <p>Conclusion:</p> <p>There is a relationship between innovation and firm performance</p>
<p>Ascertain the relationship between Innovation and performance of firms listed on the NSE</p>	<p>Hypothesis2: Organizational culture has no moderating effect on the relationship between Innovation and Firm performance</p>	<p>Organizational culture accounted for 9.9 percent variation in employee engagement.</p> <p>Organizational culture accounted for 1.2 percent variation in customer focus.</p> <p>Organizational culture accounted for 0.1 percent variation in Dividend Yield.</p> <p>Innovation together with Organizational Culture accounted for 21.6 percent variation in earnings per share of NSE listed firms. The R² change was 0.035 when organizational</p>	<p>Null hypothesis rejected. Organizational culture has moderating effect on the relationship between Innovation and Firm performance</p>

Table 4.51: Summary of Objectives, Hypotheses and Findings cont...

Research Objective	Hypothesis	Summary of Findings	Hypothesis Conclusion
		culture was added implying that organizational culture accounted for 3.5 percent variation in earnings per share.	
Establish the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE	Hypothesis3: Leadership Style has no moderating effect on the relationship between Innovation and Firm performance	Leadership Style accounted for 10.9 percent variation in employee engagement, 29.9 percent variation in customer focus, 6.0 percent variation in dividend yield. Leadership Style accounted for 10.1 percent variation in earnings per share.	Null Hypothesis rejected. Leadership Style has a moderating effect on the relationship between Innovation and Firm performance
Examine the combined influence of Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE	Hypothesis4: The combined effect of Leadership Style and Organizational Culture has no moderating effect on the relationship between Innovation and Firm performance	Combined Leadership Style and OC accounted for 8.08 percent earnings per share. Leadership Style and Organizational Culture accounted for 1.5 percent variation in dividend yield. Leadership Style and culture combination accounted for 14.5 percent variation in employee engagement. Leadership Style and culture combination accounted for 14.3 percent variation in customer focus.	Confirmed. Combined effect of Leadership Style and organizational culture had a moderating effect on firm performance.
Establish the joint effect of Organizational culture, Leadership Style and Innovation on firm performance of firms listed on the NSE	Hypothesis 5: The joint effect of Innovation(I), Organizational Culture(OC) and Leadership Style(LS) on Firm Performance (FP) is different from the effect of the individual study	Innovation significantly influenced customer focus but the relationship became insignificant on addition of Organizational Culture and Leadership Style. Innovation significantly influenced employee engagement but the relationship became insignificant on addition of Organizational Culture and Leadership Style, indicating that the contribution of the three	Confirmed. The joint effect of Innovation, Leadership Style and culture had a significant effect which became insignificant when a third variable was introduced meaning the variables were not independent of each other but acted through an interaction.

Table 4.51: Summary of Objectives, Hypotheses and Findings cont...

Research Objective	Hypothesis	Summary of Findings	Hypothesis Conclusion
	variables(I,OC and LS) on Firm Performance(FP)	<p>variables in influencing employee engagement was not independent of each other but through an interaction.</p> <p>Innovation significantly influenced earnings per share but the relationship became insignificant on addition of Organizational Culture and Leadership Style indicating that the contribution of the three variables in influencing employee engagement was not independent of each other but through an interaction.</p> <p>Innovation significantly influenced dividend yield but the relationship became insignificant on addition of Organizational Culture and Leadership Style. This was indicative of the fact that the contribution of the three variables in influencing employee engagement was not independent of each other but through an interaction.</p>	Confirmed

Source: Researcher, 2014

Table 4.51 gives a comprehensive summary of the Objectives, hypotheses and findings from the statistical analysis. The findings of this study contributes to improve understanding of Innovation and performance of firms listed in the NSE as it revealed several relationships among the variables under study. In summary, the study concluded that there is a direct positive relationship between Innovation and performance.

4.10 Discussion

The discussion here below is relevant to the findings of the current study. The general Objective of this study was to determine the influence of organizational culture and Leadership Style on the relationship between Innovation and performance of firms listed in the NSE.

The study also had specific objectives which included determining the relationship between innovation and performance of firms listed on the NSE, ascertaining the influence of Organizational culture on the relationship between Innovation and performance of firms listed on the NSE, establishing the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE, examining the combined influence of Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE and establishing the joint effect of Organizational culture, Leadership Style and Innovation on firm performance of firms listed on the NSE. Hypotheses were developed to help achieve these objectives.

From the section above, the study established some findings. In terms of the relationship between innovation and firm performance, it was established that there was a strong positive relationship between Innovation and employee engagement, with a high proportion of the employee engagement being explained by innovation (73 percent, $R^2 = 0.73$). This is consistent with the results obtained Gunday (2014) who showed a positive relationship between innovation and measures of firm performance. Specifically these results show that Organizational innovation and product innovation revealed significant contribution to employee engagement.

Similar results were recorded for the relationship between Innovation and Customer focus, although in this case only organization innovation had significant contribution to customer focus. The results of the relationship between Innovation and financial measures of performance were somehow mixed since the relationship was significant for dividend yield and EPS but not significant for Profit before tax. This finding is also compatible with that by Lin and Chen (2007). Organizational innovations do not only prepare a suitable Milieu for the other innovation types, but also have a strong and direct impact on firm performance.

The results indicate that the extent of sacrifice that employees would take to further the interest of the organization depends significantly on the ability of the organization to create new products or to improve their existing products, more so in a continuous manner(that is to innovate). It is apparent that by continuously improving their products and creating new products, organizations sustain their ability to be industry leaders. The positive influence of product innovation on employee engagement therefore implies that employees are proud to be associated with lead organizations and are by extension willing to take great sacrifice to further the interest of the company, if only to maintain this industry leadership position. Additionally and unsurprisingly, the nature of treatment employees receive from their organizations also encourages them to sacrifice for their organizations. Besides quality management and showing concern over employee welfare, companies can enhance employee engagement by continuously improving and recreating their products. Therefore, it is safe to suggest that managers need to pay more attention to organizational innovations. Product innovation also appears as a critical driver for firm performance, which also acts as a bridge carrying positive impacts of process innovations to innovative performance (Bunday, 2014).

The revelation that organizational innovation positively and significantly affects customer focus imply that organizations that pay close attention to development of their staff with respect to customers and adopt top quality management practices tend to achieve greater focus on their customers. Such organizations appear to be more interested in people development and satisfaction in general and tend to extend the compassionate treatment to their customers. There is a strong possibility that the staff improvement undertaken by such organizations is focused at providing quality services to their customers on whom they have greater focus anyway. Consequently, organizations that are keen on acquiring new customers as well as those keen on maintaining their customers should focus more on improving the quality of their staff and the manner of treatment they accord their own staff (Lin, 2007).

This will possibly encourage their staff to pursue the organizational goal of maintaining and acquiring business through impressive handling of customers. This finding underscores the need for investment in staff development as a step towards realizing company performance. Combining all dimensions of innovation into one composite measure, we find that innovation has a positive and significant influence on employee engagement and customer focus.

Similarly, we also find a positive and significant influence of innovation on financial performance indicators such as earnings per share and dividend yield. Such positive influences could be a consequence of the competitive edge courtesy of the product innovations. They could also be a result of customer loyalty achieved via the customer focus that is embedded in the organizational innovation pursued by respective companies.

These findings reinforce the need to pay close attention to product improvement/renewal and staff development and welfare as a means of enhancing company performance. Expenditure on staff development and welfare should therefore not be singularly be viewed as a cost to the company but should be understood as an investment that pays off in terms of company's financial performance.

These results indicate a support for Hypothesis H₁ and are consistent with those of a previous research. Prajogo (2006) established a positive relationship between Innovation and performance. Deshpande et al (1993) in a study of Japanese firms indicated that innovation led to increase in firm performance in terms of market share, profit before tax and growth rate. The current study, however, did not establish significant positive relationship between innovation and profit before tax.

The study findings also offer credence to findings Salavou (2002) who carried out a study among SMEs operating in the food industry in Greece and also found that product innovation was a significant determinant of business performance based on Return on Asset (ROA). They are also consistent with findings of Yamin et al.(1997) who specifically compared the impact of product innovation versus process innovation on business performance in terms of liquidity, leverage, activity and Return on Investment (ROI) and established a positive relationship between innovation and performance.

This study also examined moderating effect of organizational culture on the relationship between Innovation and firm performance was also examined. The study found out that organizational culture has a moderating effect on the relationship between innovation and employee engagement and also for the relationship between innovation and Customer Focus.

The study, through the second objective, sought to establish the moderating effect of culture on the relationship between Innovation and Firm performance. First we find a general predominance of cultures of market orientation and hierarchy and among companies listed in the NSE. In particular, companies are seen to exhibit strong, goal-oriented, decisive and competitive leadership with strong responsiveness to market changes where customer's interests are strongly adhered to. Companies are also viewed to display hierarchy and strong adherence to norms and values. There is, however, less of the clan culture.

Additionally our analysis revealed the moderating effects of organizational culture on company performance. Holding innovations constant, organizational culture had a positive and significant influence on employee engagement. Since in overall, hierarchical and market cultures are more predominant among the studied companies, these findings reveal a sense of competitive behavior tempered with elements of order and stability. Within the predominant cultures of market and hierarchy, we notice the pre-eminence of rules and authority while there is also apparent emphasis on responsiveness to customers and competition. The results are consistent with those of Deal and Kennedy (1982) that suggested that organizational performance can be enhanced by strong shared values.

It is also apparent that organizational culture moderates the effect of innovation on employee engagement. With the inclusion of organizational culture in the model, we notice a reduction of innovation's effect (indeed the effect becomes insignificant) while there is an improvement on the total variation in employee engagement. Some of the effects are therefore incorrectly attributed to innovations and are actually accounted for by organizational culture.

Pursuing product and organizational innovation therefore brings more reward in companies when there is greater market orientation and where there is an overriding hierarchical culture. This is in contrast to the results obtained by Salih (2012) which revealed that none of the organisational culture dimensions (Clan, adhocracy, market and hierarchy) were related to firm financial performance (Sales growth and ROA).

On the other hand, we find much less moderating effect of organizational culture on the effect of innovation on company performance in terms of customer focus. Inclusion of organizational culture in the model only increases the total variation by a meagre 1.2 percent. Moreover, innovations still remains a significant determinant of customer focus.

With regards to financial performance, our findings have shown that indeed, organizational culture has a moderating effect on the relationship between innovation and earnings per share. By including a measure of organizational culture in the model, the variation in firm performance explained by the model improves by 3.5 percent while the measure of innovation becomes insignificant. This implies that the influence of innovation on firm performance is tempered by the inclusion of a measure of organizational culture. This is consistent with findings of Deal (1982). While innovations can enhance financial performance of companies, the moderating effect of organizational culture and the overall predominance of market and hierarchical culture, underscore the need for competition and order in enhancing returns on investment.

The current study had as its third objective, establishing of moderating effect of Leadership Style on the relationship between Innovation and firm performance. Indeed Leadership Style adopted by a company determines whether the innovations get undertaken and if the same improves company performance. The current study analyses reveal a strong presence of achievement-oriented and directive Leadership Styles. There are also elements of supportive leadership especially with regards to emphasis on collaboration among employees and team building. However, we observe less participative leadership among firms listed in NSE. In particular, many employees feel that they are not consulted and that their views are not taken into consideration.

The results indicated that Leadership Style accounted for 29.9 percent variation in customer focus, 6.0 percent variation in dividend yield and 10.1 percent variation in earnings per share. The models were significant and beta coefficients were positive. It is clear that Leadership Style has a moderating effect on the relationship between innovation and firm performance.

The other objective was about establishing if there was a moderating effect of Leadership Style and organizational culture (combined) on the relationship between innovation and performance. The results obtained were very clear and consistent with findings of a study by Chien (2004) found that major factors determining organizational performance included leadership styles and environment. The current study found that the moderating effect is significant for the relationship between Innovation and earnings per share, dividend yield, employee engagement and Customer focus.

The current study established that a whole 14.5 percent variation in employee engagement was explained by the LS and OC combined effect while 14.3 percent of customer focus was explained by the same combination. The combination also explained variations in DY (1.5 percent) EPS (8.08 percent). The hypothesis was rejected and we concluded that the combined effect of LS and OC moderated the relationship between innovation and Firm performance.

As far as the joint effect of Innovation, Organizational Culture and Leadership Style on the relationship between Innovation and Customer service was concerned, the study found out that there was a significant difference of the joint effect from the effect of the individual study variables on the relationship between innovation and customer focus. The same was established for employee engagement and also for earnings per share. For the relationship between Innovation and dividend yield and between Innovation and profit before tax, the models were not significant.

These findings were found to be consistent with empirical work by previous scholars. Chung Wen (2011) in a study about transformational leadership established that leadership was positively correlated to Firm Performance ($r = 0.25$, $p < 0.001$). The study also concluded that leadership accounted for 6% variability in business performance. In terms of Innovation, the study found a medium positive correlation with business performance ($r = 0.33$ and $p < 0.001$).

These findings were further in line with those from a study of the impact of leadership on performance by Thorlindsson (1987) which suggested that variations in the performance of different ships, under identical conditions, can be accounted for by the leadership skills of captains. Over a three-year period, Thorlindsson (1987) revealed that the leadership qualities of the ship captains accounted for 35 to 49 per cent of variation in the catch of different crews.

Heskett (1992) found that culture significantly influenced Firm Performance when it either helped the organization to anticipate or adapt to environmental change or interfered with its adaptation. A study by Ruth (2009) established a positive relationship between Culture and performance in terms of Corporate Social Responsibility (CSR) of organizations in eight countries. All four organizational culture types according to Cameron and Quinn (1999) - hierarchy, clan, market, and adhocracy were found to predict CSR performance of firms.

The current study also supports the findings by Kotter and Heskett (1992) that established that corporate culture has a significant impact on a firm's long-term economic performance. These authors found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels, outperformed firms that did not have those cultural traits by a huge margin. They also believed that corporate culture was becoming more important in determining the success or failure of firms in the next decade.

Many studies have used financial variables to measure Firm Performance such as profitability, gross profit, return on asset (ROA), return on investment (ROI), and return on equity (ROE), return on sale (ROS), revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency (Parnell and Wright, 1993; Haniffa and Cooke; 2005; Ezirim et al. 2010).

Other empirical studies also show a strong positive relationship between employee satisfaction, customer satisfaction, and Firm Performance as measured by employee's and customer's self-reports to assess the effects of leadership behavior (George, 1990; Johnson, 1992; Reynierse and Harker, 1992; Schmitt and Allscheid (1995). As suggested by this wealth of findings, positive changes in employee satisfaction and customer satisfaction lead to positive changes in Firm Performance. Therefore, employee satisfaction and customer satisfaction remain useful measures of Firm Performance.

According to Ogbonna and Harris (2000) despite the implicit and explicit linking of leadership and culture in many parts of organization theory, little critical research attention has been devoted to understanding the links between the two concepts and the impact that such an association might have on Firm Performance. The absence of critical literature exploring the performance implications of the links between organizational culture and leadership is surprising given the numerous references to the importance of the two concepts in the functioning of organizations (Fiedler, 1996; Schein,1993). The current study provides empirical evidence of the links between Innovation, different types of organizational culture, a range of Leadership Styles and Firm Performance.

4.11 Chapter Summary

This chapter presented data analysis, results and discussion. The general Objective of this study was to determine the influence of Leadership Style and organizational culture on the relationship between Innovation and performance of firms listed in the NSE. In this chapter we presented the findings and discussions of each hypothesis, one by one. The chapter started by looking at the response rate, respondent characteristics, Organizational characteristics, and preliminary findings of influence of the study. Thereafter, there was testing and presentation of results of regression results for each hypothesis tested.

To test hypothesis, multiple regression analysis and correlation analysis were performed. This was done hypothesis by hypothesis, beginning from H_1 and ending with Hypothesis H_5 . Summary and discussion of the results are presented.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of answers to the research questions, provides the conclusions and implications of the study. Further it also looks at the limitations of the study and suggests areas for further research.

5.2 Summary

This study investigated the moderating effect of Leadership Style and organizational culture on the relationship between Innovation and Firm Performance of firms listed in the NSE. The specific Objectives of the study included Determine the relationship between innovation and performance of firms listed on the NSE. The study also aimed at ascertaining the influence of Organizational culture on the relationship between Innovation and performance of firms listed on the NSE and establishing the influence of Leadership Style on the relationship between Innovation and performance of firms listed on the NSE.

The other objectives were to examine the combined influence of Leadership Style and organizational culture on the relationship between innovation and performance of firms listed on the NSE and finally establishing the joint effect of Organizational culture, Leadership Style and Innovation on firm performance of firms listed on the NSE. No known study has addressed itself to these objectives. Based on an extensive review of literature and theories regarding the variables of study, the conceptual framework that guided this study was developed. The model linked Innovation to firm performance. Hypotheses were formulated with respect to the relationships between the variables under study. A questionnaire was developed in various parts measuring these variables.

Of the 55 firms listed in NSE, 36 returned questionnaires, representing a 65percent percent response rate. Using the data collected various formulated hypotheses were tested. The analysis was preceded by clear operationalization of all the variables thereafter their effects on various measures of firm performance were tested. Innovation was operationalized in terms of the various dimensions; Product Innovation, Process Innovation, Technology Innovation and Organizational innovation.

Leadership Style was operationalized in terms of Supportive style, Directive style, Participative and Achievement oriented styles. Organizational Culture was operationalized as Hierarchical, market, Clan and Adhocracy Culture. Firm performance was viewed both from financial and non-financial sense. Financial measures included Dividend Yield, Profit Before Tax and Earnings per share. The non-financial measures were employee engagement and customer focus.

5.3 Conclusion

The current study had its general Objective as to determine the influence of organizational culture and Leadership Style on the relationship between Innovation and performance of firms listed in the NSE. As far as the moderating effect of Organizational Culture on the relationship between Innovation and firm performance was concerned, the study established that Organizational culture indeed moderated the relationship between innovation performance measures such as employee engagement, customer focus and earnings per share. The effect was less for dividend yield and not significant for profit before tax.

In addition to organizational culture there is a possibility that the Leadership Style adopted by a company will determine the impact of innovations on company performance. Our analyses reveal a strong presence of achievement-oriented and directive Leadership Styles. There are also elements of supportive leadership especially with regards to emphasis on collaboration among employees and team building. However, we observe less participative leadership among firms listed in NSE. In particular, employees feel that they are not consulted and that their views are not taken into consideration.

The study found that Leadership Style has a moderating effect on employee engagement. By including a measure of Leadership Style, the measure of innovations becomes insignificant while variation in employee engagement explained by the model improves by about 10 percent. This implies that the effect of innovations on employee engagement is moderated by the inclusion of an additional variable measuring Leadership Style.

It follows therefore that the achievement-oriented and directive Leadership Styles that are predominant in the listed firms enhances employees' commitment to the success of companies. In order to encourage employee engagements, company leadership should therefore set clear performance goals and continuously seek ways of supporting their staff to achieve these goals. Further employee engagement can also be attained by a leadership system that clarifies pathways to goal achievement, sets standards against which employee performance is measured and employs a prudent use of reward and disciplinary action. It is indeed evident from these findings that such goal-oriented and reward based Leadership Style encourages employees to dedicate themselves to realization of organizational goals.

Similarly, Leadership Style had a positive and a moderating effect on the relationship between innovations and customer focus. The inclusion of a measure of Leadership Style improves the variation in customer focus explained by the model by almost 30 percent. This inclusion also makes the measure of innovation insignificant.

We also find that Leadership Style has a moderating effect on the relationship between innovations and firms financial performance. Inclusion of a measure of Leadership Style improves the variation in earning per share explained by the model by 10 percent. We, however, find much less moderating effect of Leadership Style on the relationship between innovations and dividend yield.

Innovative practices within companies should therefore be combined with achievement-oriented and directive Leadership Styles in order to enhance employee engagement and ensure a general focus on customers. A combination of the two also enhances financial performance of firms, more so in terms of earnings per share.

Having established the individual moderating effects of organizational culture and Leadership Style, the study sought to understand whether an interaction of the two would still have a moderating effect collectively. The inclusion of an interaction term between organizational culture and Leadership Style improves the variation in earnings per share explained by the model. The same combination, however, had an insignificant effect on dividend yield.

Further analyses reveal that an interaction of organizational culture and Leadership Style had a positive and significant effect on employee engagement. Furthermore, the explanatory power of the model improved by about 14 percent by the inclusion of the combined term while the measure of innovation becomes insignificant. This further confirms the moderating effect of organizational culture and Leadership Style combined. An analysis of customer focus also showed similar effects. Finally the study also evaluated the joint effects of innovation, organizational culture and Leadership Style and compared the same to individual effect of the same variables on firm performance.

From the study, we make the conclusion that there is a positive strong relationship between innovation and firm performance, that the both organizational culture and leadership style individually moderate the relationship between innovation and firm performance and that their combined effect also moderate this relationship. We also conclude that the joint effect of the study variables (Innovation, Organizational Culture and Leadership style) on firm performance is different from when they act individually.

5.4 Implications of the Study

The results from the study of the effect of Leadership Style and organizational culture on the relationship between Innovation and firm performance in firms listed in Nairobi securities Exchange suggest several implications for Organizational theory and practice. These implications are practical, theoretical and methodological.

5.4.1 Theoretical Implications

Harris (1999) posited that Organizational Culture, Leadership Style and firm performance have been studied separately and there is need to study them with a view to finding their joint effects on each other and on performance. This study serves as a reference point for scholars who would want to further investigate these variables, including Innovation. In the current study some measures of performance have very strong relationships (employee engagement and Customer focus) while the strength of the relationships is moderate (for example in the case of dividend yield).

According to Behery (2014), past research has sought to establish relationship between Organizational culture and performance, all to no avail. The current study hence provides an important contribution in better understanding the nature and type of organizational culture and performance of organizations in a developing country, which may be different from those in the more established western context.

Fenwick (2008) contends that the quality of performance measurement is critical to determining outcomes about leadership matters yet most studies not have been well designed in this respect as they have employed either financial measurements or non-financial measurements, rather than employing both kinds of measures in order to enhance the validity of the research. They have neglected the interrelationship between financial performance and customer satisfaction and employee satisfaction. This provides a narrow measurement of performance that may not have appropriately evaluated the sought-after performance effects appropriately. Thus, both financial measurements and non-financial measurements of performance were used in this study as they are essential in order to enhance research validity.

Additionally, previous scholars (e.g. Bass, 1985) have focused on a limited range of leadership paradigms (e.g. transactional and visionary). Classical and organic paradigms have been omitted when researching the leadership-performance relationship. This truncates leadership measurements. While Bass has claimed that visionary leadership is almost always more effective than transactional leadership, other researchers (Avery, 2004) argue that there is no single leadership paradigm that is the most effective. Instead, an organization should adopt the Leadership Style that suits the context in which the leadership and followers interact.

From these results, scholars in the area of Organization Behavior, Organizational Development, Human Resources Management, Strategy, Leadership, and Management Science will need to consider each of these variables for further study from a multidimensional perspective.

5.4.2 Policy Implications

Innovation has become an important element in enhancing competitive advantage of organizations so as to achieve their goals. Both private and public organizations as well as governments must now take keen interest in Innovation as a source of performance improvement.

With the Kenyan government's declared targets of achieving 10 percent growth year on year, there is need for a good understanding of innovation and how leadership and culture will play even as the government works on its innovation policies and procedures for implementation of new ideas. Western countries such as Canada have long developed Innovation policies within the government so as to address competitiveness against the onslaught by the Eastern bloc countries (such as china) in terms of business (The Innovation framework, 2004).

An Innovation study by Adegoke (2009) focusing on SMEs concluded that there was more impact to be gained from incremental rather than radical innovation within the SMEs in the UK. This study recommended the UK government to make informed decisions with respect to focus and allocation of resources appropriately. It also brought a useful message to large firms seeking SMEs for takeover based on the latter's apparent focus on radical innovations.

The result showed that a link between innovation and sales turnover growth in SMEs. This was an important contribution with important implications. It confirmed the importance of innovation and provided support for the encouragement of innovation in SMEs. Policy and government initiatives directed at SMEs tended to encourage the development of radical innovations (for example, grants for R&D) and entering new geographic markets (for example, the various programmers to encourage export).

From these results, it was recommended that since UK SMEs favor incremental over radical innovation, the policy initiatives could also be made to encourage SMEs to focus on incremental innovations rather than radical ones. The current study, having focused on NSE, will be a good basis for the formation of policies with respect to innovation from an African and specifically Kenyan perspective.

5.4.3 Managerial Implications

This study provided several implications for management in the organizations. Managers need to understand how their daily actions and the leadership decisions they make all the time will facilitate or inhibit the building of a culture that will enhance innovation, and which will in turn enhance performance of their firms. Specifically, the study established that that Leadership Style has a moderating effect on Innovation - employee engagement relationship. We noted that the effect of innovations on employee engagement is moderated by the inclusion of an additional variable measuring Leadership Style. We also found that in the studied firms, the achievement-oriented and directive Leadership Styles were predominant. In order to encourage employee engagement, company leadership should therefore set clear performance goals and continuously seek ways of supporting their staff to achieve these goals.

Furthermore, employee engagement can also be attained by a leadership system that clarifies pathways to goal achievement, sets standards against which employee performance is measured and employs a prudent use of reward and disciplinary action. It is indeed evident from these findings that such goal-oriented and reward based Leadership Style encourages employees to dedicate themselves to realization of organizational goals.

Similarly, Leadership Style had a positive and a moderating effect on the relationship between innovations and customer focus. The inclusion of a measure of Leadership Style improves the variation in customer focus explained by the model by almost 30 percent. These are important for managers to know and keep in mind as they go about their daily duties; leveraging rewards to set the right culture and practicing Leadership Styles that will not inhibit innovations, thus improving firm performance.

One of the roles managers have to keep focusing on is encouraging a culture that will facilitate the doing of business and not inhibit the same. There, however, has been debate as to the practicability of managing culture. According to Ogbonna and Harris (1998), while managing culture is at best difficult and at worst impossible, changes to Leadership Styles are comparatively easily achieved. Literature is replete with quick fix' culture change programs designed to improve Firm Performance (see Deal and Kennedy, 1982), management focus may be directed towards implementing leadership change programs.

5.5 Limitations of the Study

Like all others, the current study had a number of limitations. First of all, since the data was only obtained from firms listed in the Nairobi Securities exchange, the results may not be readily generalizable across all firms and industries. Further, the data collected was from senior managers, and only one per organization. This might be akin to a self-appraisal of the manager hence inherent respondent bias.

The other limitation is inherent in the use of regression and correlation models. This type of analysis assumes linearity, yet, sometimes there could nonlinear relationships. All in all, in spite of the above limitations, there was rigor in the process and the study contributes to a better understanding of the relationships as envisaged in the research objectives.

5.6 Recommendations for Further Research

This study recommends further study where the joint effect of the variables on the relationship between Innovation and profit before can be re explored. Further, the studies could use different measures such as Return On Assets (ROA) and Return on Investments (ROI) in addition to Earnings per share and Dividend yield. These measures have been used by similar studies (Ongore, 2011, Letting 2009).

An examination of direct and indirect effects between various dimensions of innovation is worthy of further research. For example, it may be necessary to determine whether product innovation leads to business performance only if it is accompanied by process innovation or organizational innovation. It would also be worthwhile to delve further into the differences between various sectors and industries; service versus fast moving consumer goods, for example. This is because the various industries are fragmented and the impacts of innovation may be different in each. Such study would help identify the specific dimensions of innovation which have significant effect on business performance in different sectors thus informing decisions that are context relevant.

According to Kenya Economic Development report (2009), corporate organizations in Kenya employ 25 % of the labor force and contribute over 16.3 % of Kenya's gross domestic product. The sector is also among the largest employers in Kenya in addition to the tax opportunities it presents. This report also explains that the economies of most successful countries in the world originated from their successful business organizations which drive the economy of the country. Be that as it may, it would be interesting to undertake a similar study specifically in the public sector so as to better inform government policy within the sector.

With the Kenya vision 2030 goals of annual economic growth at 10 percent, a study of leadership, innovation, organizational culture and firm performance within the public sector will go a long way in helping inform government policy and strategy for development. This is especially the case as public and private sectors present some inherent contextual variations that may result in different results altogether.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Instructions: This questionnaire seeks to collect data on the various aspects of the study. It will only be used for the study purposes. Kindly respond to all the questions honestly and to the best of your knowledge.

PART A: DEMOGRAPHICS (TICK AS APPROPRIATE)

1. State the name of your organization:

2. Indicate your Gender: Male [] Female []

3. Indicate the highest level of education/training you attained

Technical/Professional certificate [] Diploma [] Bachelor's degree [] Post graduate []

4. Indicate the number of years you have worked for this organization

Less than 1 year [] 1-5years [] 6- 10 yrs[] 11- 15 yrs [] Over 16 years []

PART B: COMPANY INFORMATION

1. Number of employees

Up to 100 101 to 200 201 to 300 301 to 400 Above 400

2. Classification of your company

Kenyan Foreign Other,

Specify.....

3. Years of operation in Kenya

Up to 10 Years 11 to 20 21 to 30 31 to 40 above 40 years

PART C: Innovation, Organizational Culture, Leadership Style and Firm

performance

4. Innovation

New Products Innovation

Please tick based on the level to which you agree or disagree with the statement
 1= To a very little extent 2=To a less extent 3=To a moderate extent 4=To a large extent 5=To a very large extent

		1	2	3	4	5
4a	My firm replaces obsolete products.					
4b	My firm extends the range of products.					
4c	My firm develops environmental friendly products.					
4d	My firm continuously improves products' design.					
4e	My firm reduces the time to develop a new product until it is launched to the market.					

Process Innovation: Evaluate the process innovation competences in your firm as compared to the average of your competitors on the scale, where 1 equals “much worse” and 5 “much better”:

4f	My firm creates and manages a portfolio of interrelated processes.					
4g	My firm is conducts continuous process reviews and improvements					
4h	My firm continually develops programs to reduce operation costs.					
4i	My firm has valuable knowledge for innovating business processes.					
4j	My firm has valuable knowledge on the best processes and systems for work organization.					

Technology Innovation:

Evaluate the Technology innovation competences in your firm as compared to the average of your competitors on the scale, where 1 equals “much worse” and 5 “much better”:

		1	2	3	4	5
4k	My firm organizes its operations efficiently.					
4l	My firm assigns resources to technology related issues efficiently.					
4m	My firm maintains a low level of stocks without impairing the service.					
4n	My firm offers environmental friendly processes.					
4o	My firm integrates operation management activities.					

Organizational innovation(Network/Collaboration)						
Indicate the extent to which your company has recently used for the first time the following organizational instruments on the scale 1-5 , where 1 equals “never” and 5 “very often”:		1	2	3	4	5
4p	Use of databases of best practices, lessons, and other knowledge					
4q	Implementation of practices for employee development and improving worker retention.					
4r	Use of quality-management systems.					
4s	Decentralization in decision making.					
4t	Use of inter-functional working groups.					
4u	Flexible job responsibilities.					
4v	Collaboration with customers.					
4w	Outsourcing of business activities					
1. Organizational Culture						
Please tick based on the level to which you agree or disagree with the statement 1= To a very little extent 2=To a less extent 3=To a moderate extent 4=To a large extent 5=To a very large extent						
Hierarchical culture		1	2	3	4	5
5a	In this organization, we have formal norms and rules which are to be followed by everyone					
5b	In this organization rules of the company must not be disobeyed even if employee thinks that he acts in favor of company					
5c	In this organization instructions and regulations are needed to govern every process of work					
5d	In this organization we must adhere to the existing strict hierarchy					

5e	In this organization one needs to control spending of resources strictly, or total disorder will happen					
Market culture						
		1	2	3	4	5
5f	In this organization customers' interests are never ignored in decision making of organization					
5g	In this organization we constantly improve our methods of work to gain advantages over rivals					
5h	In this organization during conflict everybody tries to solve it quickly and mutually profitable					
5i	In this organization it is very important to feel market changes to react contemporarily					
Clan Culture						
		1	2	3	4	5
5j	In this organization agreement is easily achieved even concerning hard problems in organization					
5k	In this organization competition between colleagues usually brings more harm than use					
5l	In this organization it is not accepted to talk about people behind their back					
5m	In this organization in group everyone must put maximum effort to achieve common goal					
5n	Reward for success must go to whole department, because everyone put an effort					

Adhocracy culture						
		1	2	3	4	5
5o	In this organization, information is available for everyone. One can get any needed information					
5p	In this organization projects are coordinated easily through all functional units					
5q	In this organization new ideas must be applied immediately otherwise they become old and obsolete					
5r	In this organization most competent representative of group must make decisions even if formally he is not a leader of the group					
5s	In this organization workers of any division have equal perspectives					
2. Leadership Styles Please tick based on the level to which you agree or disagree with the statement 1= To a very little extent 2=To a less extent 3=To a moderate extent 4=To a large extent 5=To a very large extent Achievement						
		1	2	3	4	5
6a	In this organization leaders tend to be goal oriented, decisive and competitive					
6b	focus is on external positioning with a need for stability and order					
6c	The firm leadership focuses on competing and winning					

Supportive						
		1	2	3	4	5
6d	In this organization leaders tend to be team builders, mentors and are supportive					
6e	Leaders focus on is on internal maintenance with flexibility, concern for people and sensitivity to constituents					
6f	Leaders encourage collaboration among employees					
Participative						
		1	2	3	4	5
6g	In this organization leaders tend to be innovative and entrepreneurial					
6h	In this organization leaders tend provide a high degree of flexibility and autonomy					
6i	leaders tend encourage creativity and risk taking among employees					
6j	leaders tend consult with employees and take into consideration their views					
Directive						
		1	2	3	4	5
6k	In this organization ,leaders tend to be conservative, organizing and monitoring					
6l	Leaders focus internal maintenance, stability and order					
6m	In this organization ,leaders tend to focus on organizing and monitoring					

3. Firm Performance						
Please tick based on the level to which you agree or disagree with the statement 1= To a very little extent 2=To a less extent 3=To a moderate extent 4=To a large extent 5=To a very large extent						
Customer focus						
		1	2	3	4	5
7a	Our customers appreciate and are delighted with our service capabilities					
7b	In all our actions we put the customers interest comes first					
7c	We have a customer feedback mechanism in place					
7d	We utilize customer survey information to design our products					
7e	Our employees do understand our customers' needs and wants					
7f	Customers complain on our products is negligible					
7g	We are more customer focused than our competitors					
7h	We always strive to exceed customer expectation					
7i	We get repeat business regularly from customer referrals					
Employee Engagement						
		1	2	3	4	5
7j	Our organization values, seeks and takes into account employee opinions					
7k	We measure employee engagement regularly					
7l	Learning programs are part of organizational activities					

7m	There is good teamwork among employees and managers					
7n	I can pursue my career in this organization					
7o	Performance is measured and rewarded in my organization					
7p	My pay compares favorably with that of my colleagues in competitor companies					

THANK YOU VERY MUCH FOR TAKING PART IN THIS PROCESS.

APPENDIX II: NAIROBI SECURITIES LISTED COMPANIES AS AT OCTOBER 2013

AGRICULTURAL

Eaagads Ltd
Kapchorua Tea Co. Ltd
Kakuzi Ltd
Limuru Tea Co. Ltd
Rea Vipingo Plantations Ltd
Sasini Ltd Ord
Williamson Tea Kenya Ltd

COMMERCIAL AND SERVICES

7 Express Ltd
Kenya Airways Ltd
Nation Media Group
Standard Group Ltd
TPS Eastern Africa (Serena) Ltd
Scangroup Ltd
Uchumi Supermarket Ltd
Hutchings Biemer Ltd
Longhorn Kenya Ltd

TELECOMMUNICATION AND TECHNOLOGY

AccessKenya Group Ltd
Safaricom Ltd

AUTOMOBILES AND ACCESSORIES

Car and General (K) Ltd
Sameer Africa Ltd
Marshalls (E.A.) Ltd

BANKING

Barclays Bank Ltd
CFC Stanbic Holdings Ltd
Diamond Trust Bank Kenya
Housing Finance Co Ltd
Kenya Commercial Bank Ltd
National Bank of Kenya Ltd
NIC Bank Ltd
Standard Chartered Bank Ltd
Equity Bank Ltd
The Co-operative Bank of Kenya Ltd

INSURANCE

Jubilee Holdings Ltd

Pan Africa Insurance Holdings Ltd
Kenya Re-Insurance Corporation Ltd
CFC Insurance Holdings
British-American Investments Company (Kenya) Ltd
CIC Insurance Group Ltd

INVESTMENT

City Trust Ltd
Olympia Capital Holdings ltd
Centum Investment Co Ltd
Trans-Century Ltd

MANUFACTURING AND ALLIED

B.O.C Kenya Ltd
British American Tobacco Kenya Ltd
Carbacid Investments Ltd
East African Breweries Ltd
Mumias Sugar Co. Ltd
Unga Group Ltd
Eveready East Africa Ltd
Kenya Orchards Ltd
A.Baumann CO Ltd

CONSTRUCTION AND ALLIED

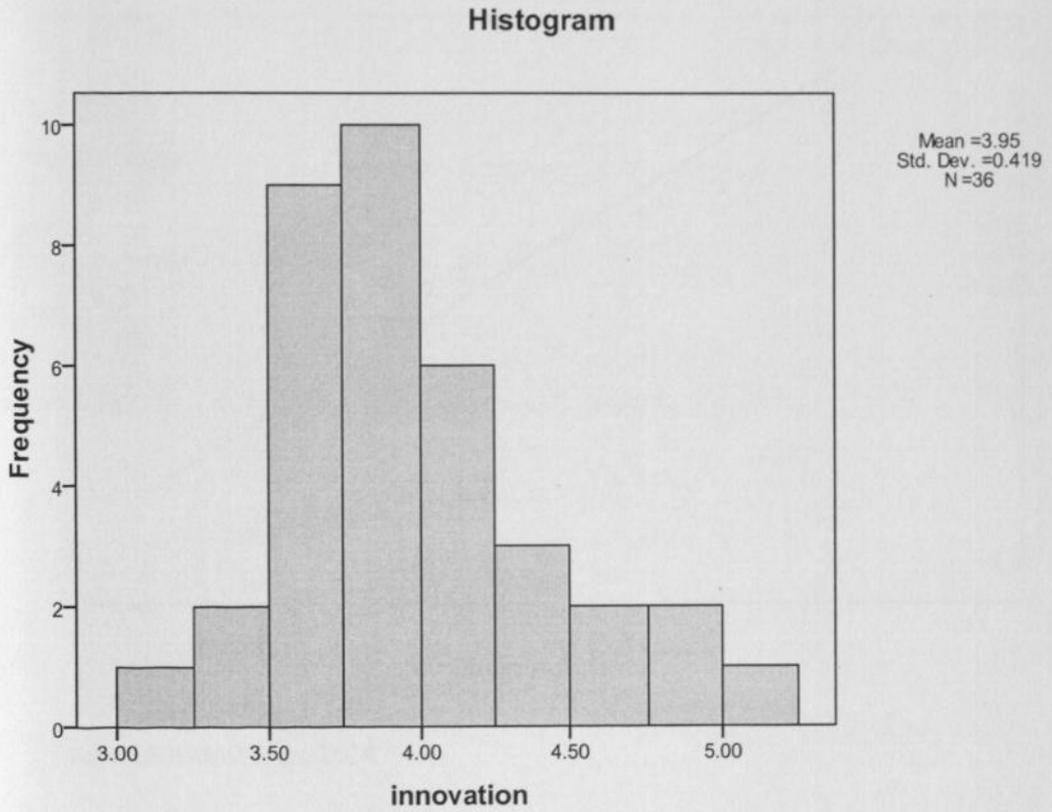
Athi River Mining
Bamburi Cement Ltd
Crown Berger Ltd
E.A.Cables Ltd
E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

KenolKobil Ltd
Total Kenya Ltd
KenGen Ltd Ord.
Kenya Power & Lighting Co Ltd

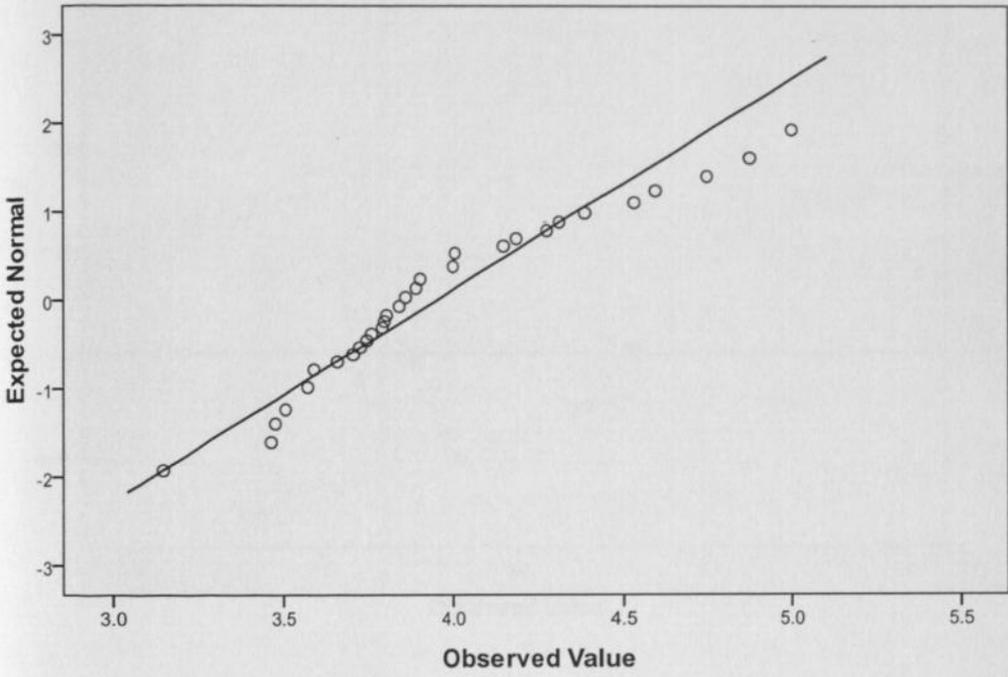
Source: www.nse.co.ke, October, 31, 2013.

APPENDIX III: Normality Graphs



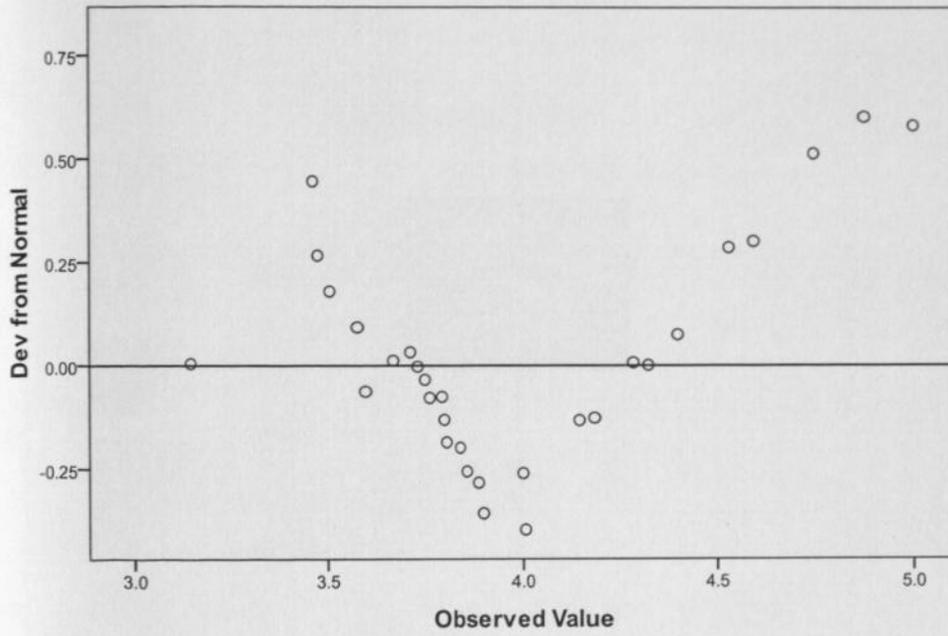
Source: Research Data, 2014

Normal Q-Q Plot of innovation



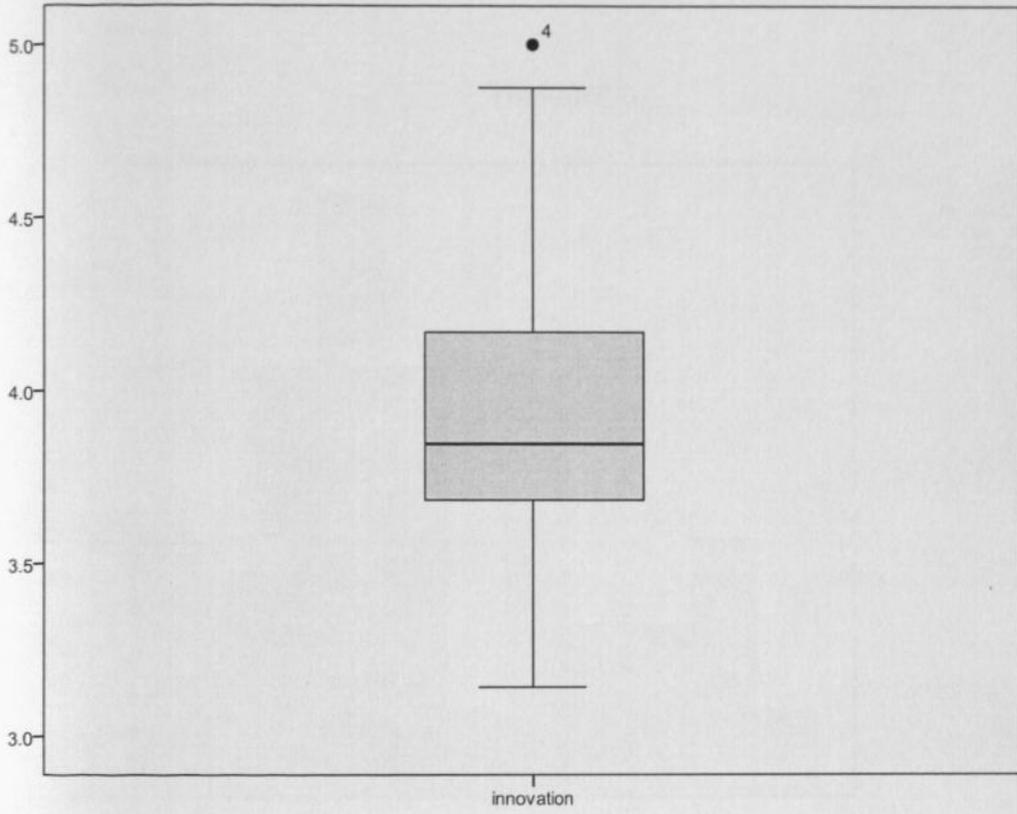
Source: Research Data, 2014

Detrended Normal Q-Q Plot of innovation



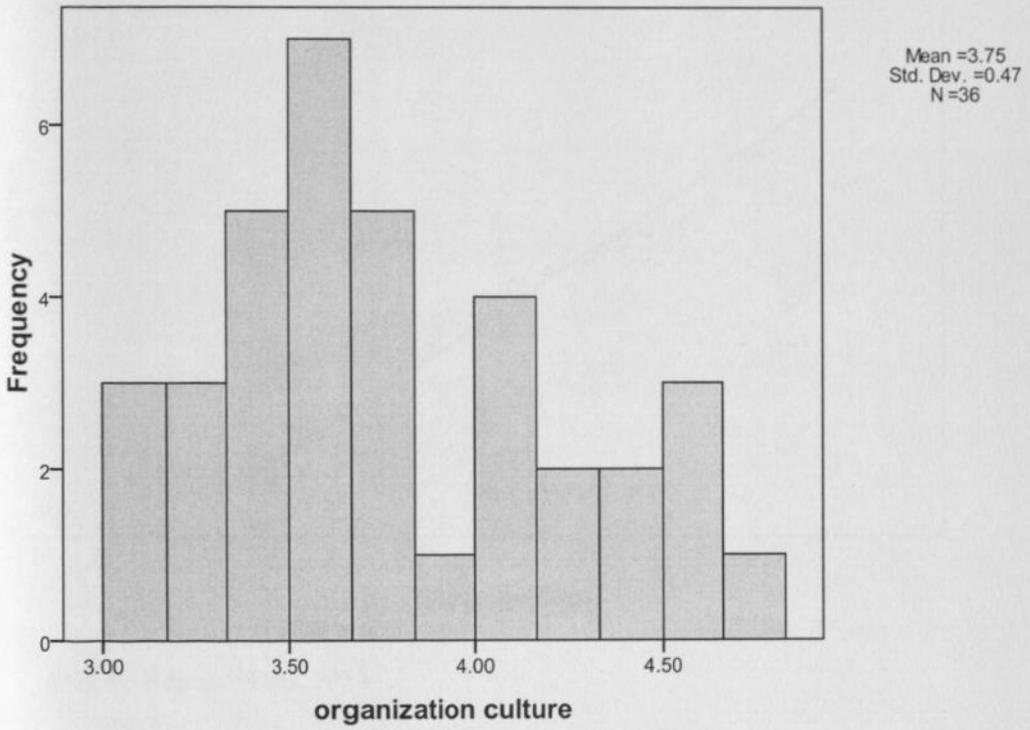
Source: Research Data, 2014

Appendix III contd



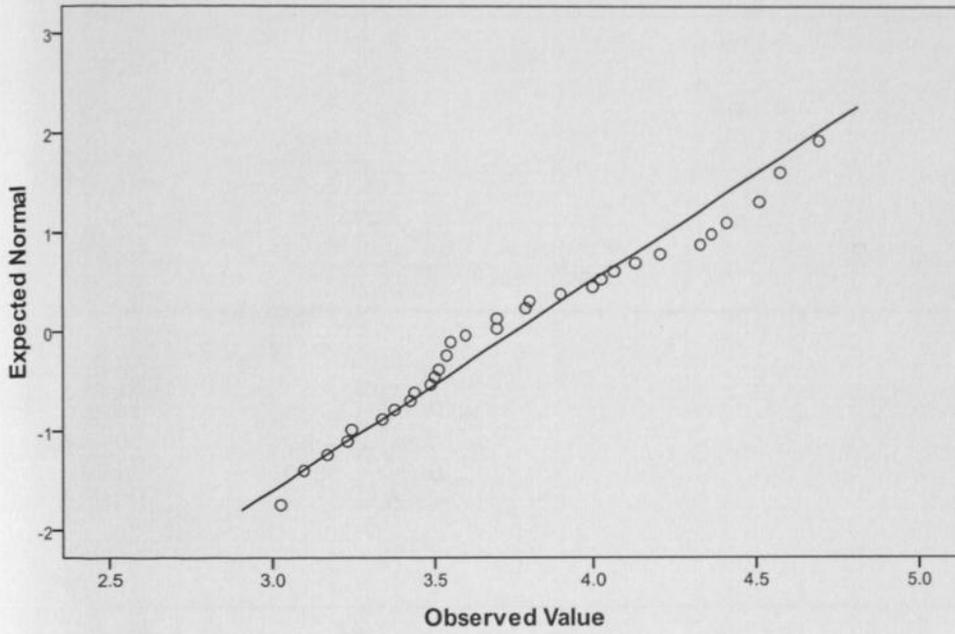
Source: Research Data, 2014

Histogram



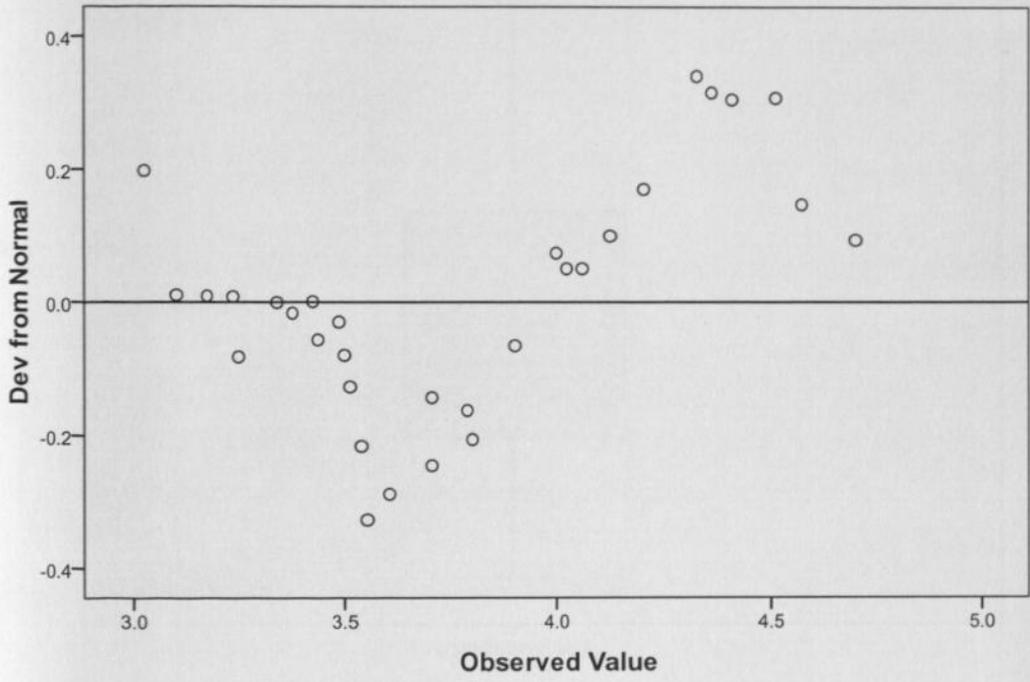
Source: Research Data, 2014

Normal Q-Q Plot of organization culture



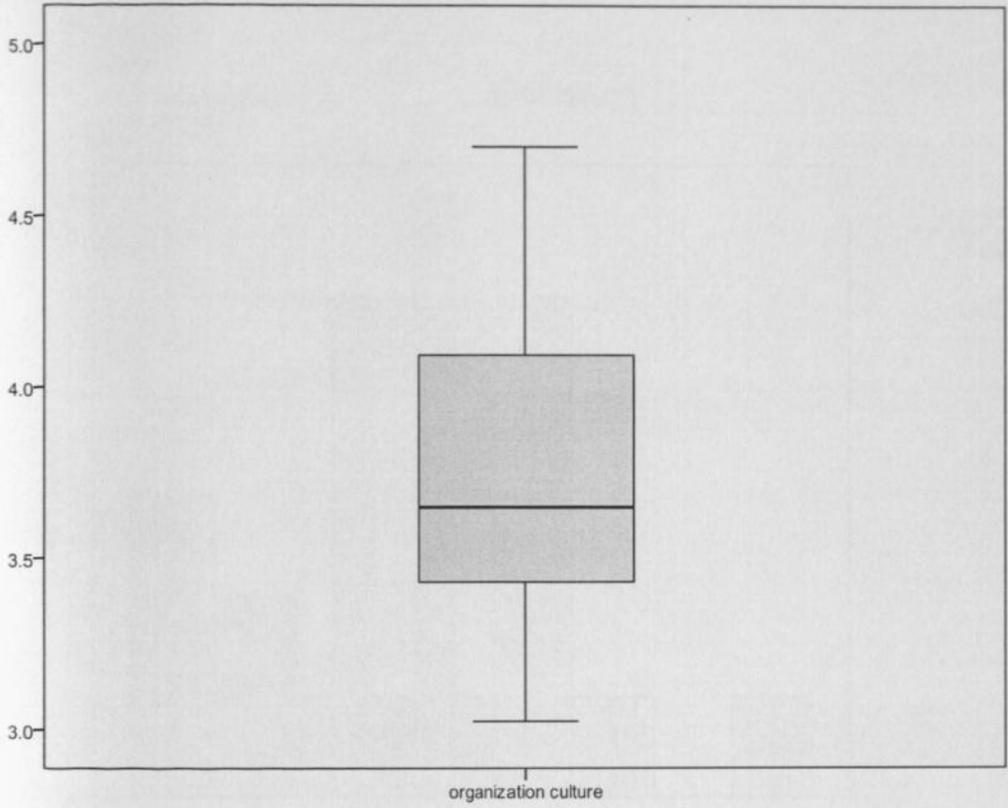
Source: Research Data, 2014

Detrended Normal Q-Q Plot of organization culture

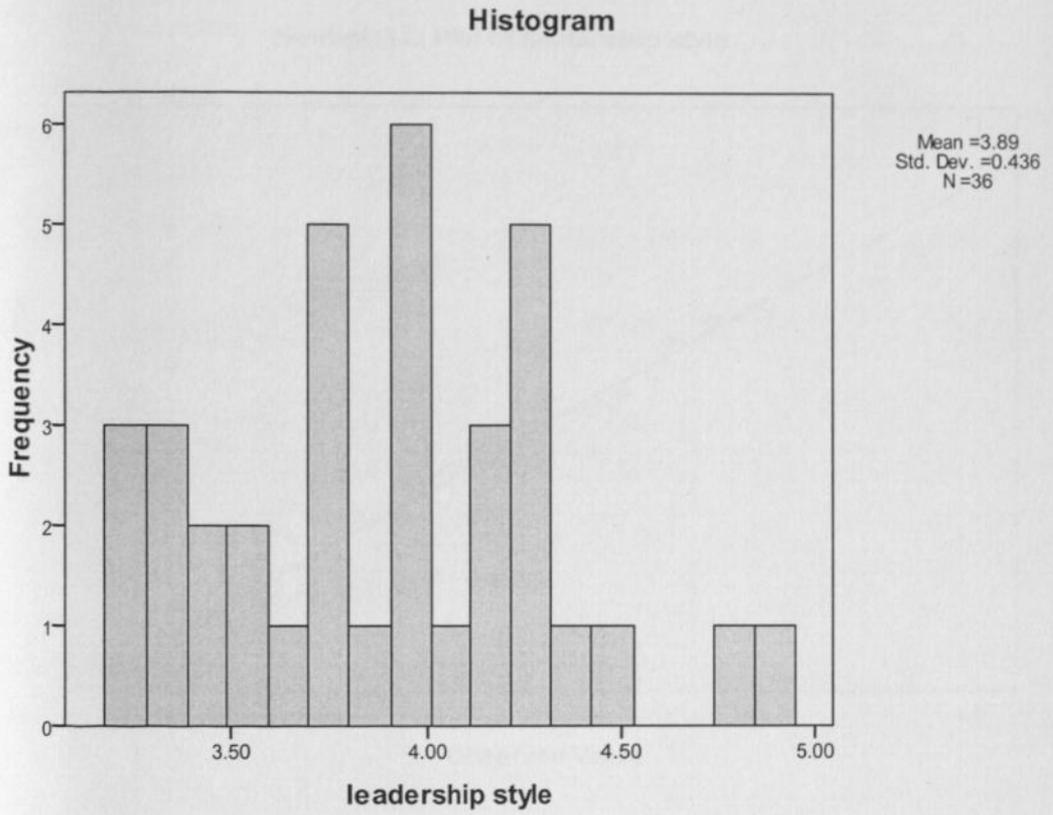


Source: Research Data, 2014

Appendix III contd

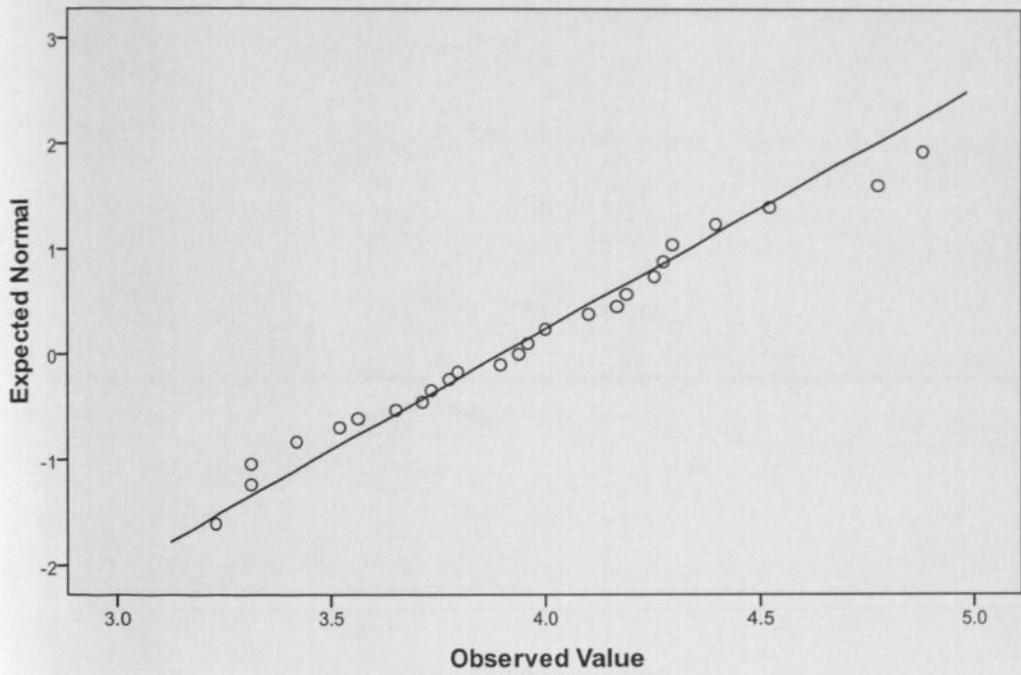


Source: Research Data, 2014



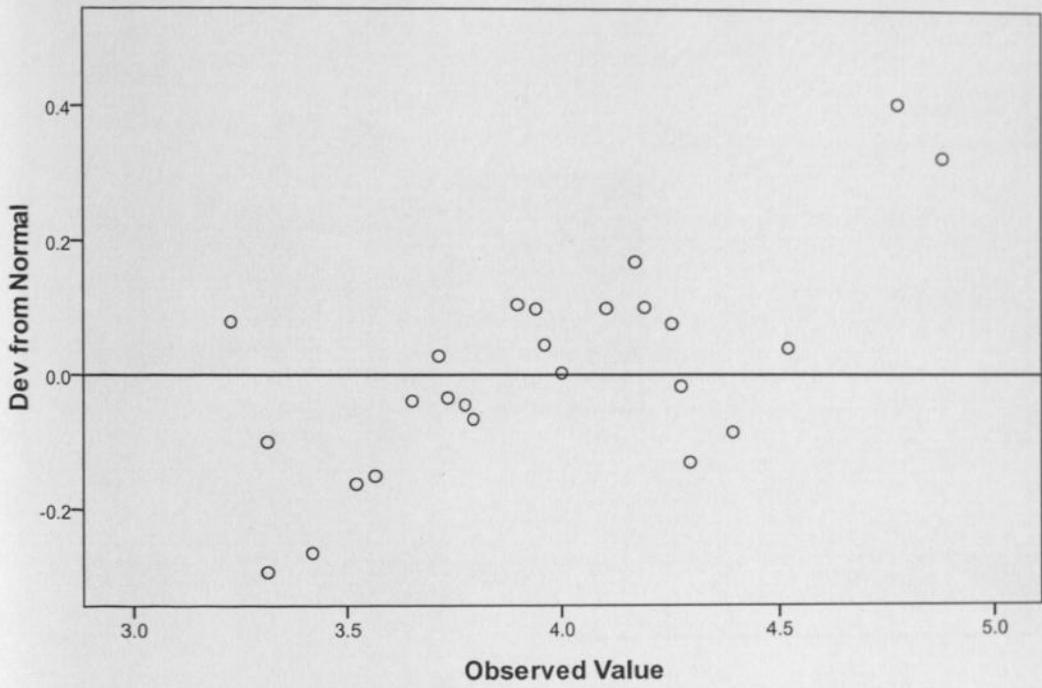
Source: Research Data, 2014

Normal Q-Q Plot of leadership style



Source: Research Data, 2014

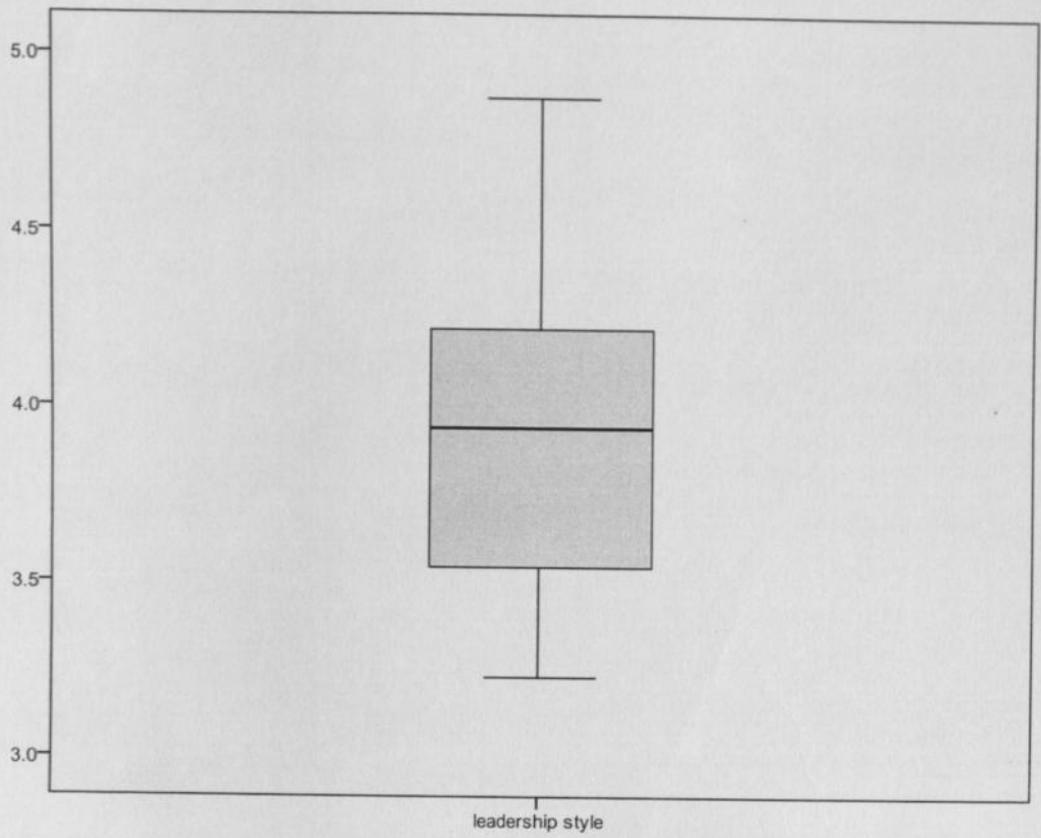
Detrended Normal Q-Q Plot of leadership style



Source: Research Data, 2014

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Appendix III contd



Source: Research Data, 2014