EFFECT OF ORGANIZATIONAL CULTURE ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

I declare that this project is my original work and has not been presented for examination in any other College or University

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BEATRICE ADHIAMBO

I declare that this work has been submitted for examination with my authority as the University supervisor

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DR. MUYA NDAMBUKI

DEDICATION

This Research Project is dedicated to my family. Thanks for always encouraging me and believing in me.

To mom, for always reminding me that I can do it no matter what.

To my dad, for trusting in me even when I doubted myself.

To my children Janelle and Jasiri who were my biggest source of inspiration throughout my post graduate studies.

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First and foremost, my gratitude goes to God, the most-high, for seeing me through this grueling task. I also wish to thank my workmates for watching my back during the period of this study. To my supervisor Dr. Muya Ndambuki, thank you for your tireless effort

CONTENTS

ABBREVIATIONS/ACRONYMS

AKI	Association of Kenya Insurers
AIBK	Association of Insurance Brokers of Kenya
CBK	Central Bank of Kenya
CVF	Competing Values Framework
GoK	Government of Kenya
SACCO	Savings and Credit Cooperatives
SASRA	SACCO Societies Regulatory Authority (SASRA)

ABSTRACT

The objective of this study was to investigate effect of organizational culture on the performance of Commercial Banks of Kenya. The study population comprised all the Commercial Banks in Kenya as at 31st July 2019, which stood at 41. Descriptive and inferential statistics was used to analyze data collected. The study findings show that 28.6 % of the banks had been in operation for 10 years. Over 71 % of the institutions had been in operation for greater than 10 years in Kenya. Measurements on organizational culture indicate serious employees concern for one another and individual risk taking (Means= 4.675 and 4. 656 respectively). The presence of mentoring was the heavies supported statement (Mean= 4.765). The high support provided to both mentoring and employee concern for one another are consistent with literature. The descriptive statistics on performance show that there was a strong agreement on all statements on performance except for enhancement of the bank's performance (Mean = 3.567). The regression ANOVA indicate presence of statistically significant relationship between organizational culture and performance. The findings are consistent with the assumptions of the resource-based view in which resources give rise to greater competitiveness. Conclusions were made based on the findings and recommendation both for practice and further studies also proposed.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizational culture is among the factors affecting corporate organizations, which has drawn a lot of attention in recent times. Culture of an organization is regarded a significant factor influencing success or failure of an organization. Organizational culture is often held responsible for many of the organizational ills and at the same time commended for generating beneficial characteristics (Cameron & Quinn, 2011). Other elements, such as organizational performance is also determined by the organization's culture. Organization's founders are, in the first place, the driving force behind the organizational culture of an institution. The organizational change taking place, forceful or incremental or through new leadership, can turn an organization into adaptive and innovatively dynamic position with high performance outcomes. Firms that have a strong culture out-perform those that lack values and norms (Kotter et al., 1992).

The success and endurance of an organization determine the level of performance of a firm. In both the services and manufacturing organizations organizational performance consists of productivity of the organization as well as outcomes that are measured in terms of the expectations that had been forecasted. The most important factor that influence organizational performance is organizational culture (Ahmed and Shafiq, 2014).

According to Geert Hofstede, cultural differences commonly identified with nations manifests in terms of values and norms that characterize practices of a state. The cultural practices exhibited by a nation, values and norms, in terms of collective programming of the members thinking and actions differentiates one organization to another (Hofstede, 1980). This study, in particular, rely on the Competing Values Framework (CVF) by Cameron and Quinn (2006). The CVF is an approach that makes the study of organizational culture have more clarity on measures (Kwan & Walker, 2004; Igo & Skitmore, 2006; Cameron & Quinn, 2006).

In Kenya, the commercial banking sector is an important contributor in economic growth programs in Kenya. These commercial banks operate under a number of regulations, which include the Central Bank of Kenya Act 491, the companies Act 487 and the banking act 488, all of which the Central Bank of Kenya use to regulate the operations of not only the Commercial Banks, but other banks as well. The Central Bank of Kenya also issues guidelines to ensure that individual banks adhere to allowable risks in terms of capital adequacy, liquidity management, asset quality, licensing requirements and all products must be sanctioned by the CBK.

1.1.1 Organizational Culture

The concept of organizational culture refers to the shared values that are practiced by members of an organization, which are distinguishable for those of other organizations. It includes a set of norms that reflect the way people in the organization do things (Guiso, Sapienza, Zingales, 2015). The study of organizational culture has followed to directions: One of the directions taken in the study of the concept is the cultural framework trajectory, which is made of six dimensions that include attention to detail, outcome orientation, team work, respect for people, stability and aggressiveness and innovation. The other trajectory in the study of organizational culture is based on work practices such as external orientation, inter-department cooperation, human resource orientation, empowerment and improvement orientation. The most common applied cultural frameworks are the Hofstede and Globe frameworks.

There are other scholars apart from Hofstede and Globe who have also come up with their own definition of organizational culture, Guiso et al. (2015) see organizational culture as a set of values and norms shared and widely held by members of an organization, and are actionable, verbally expressed and religiously practiced. Hence the measures of organizational culture reflect both aspects of marketing and operations of an organization. This particular study uses organizational culture framework that stem from years of research in the field in order to understand the relationship between organizational culture and firm performance.

1.1.2 Firm performance

Firm performance includes aspects of financial performance as well as general business performance, efficiency and effectiveness of an organization. The financial performance concerns indicators that reflect monetary value based on the operations of the organizations over a period of time. General business performance on the other hand reflect indicators that are non-financial in nature (Venkatraman and Ramanujam, 1986). Some of the measures used to measure performance include the balanced scorecard, internal process effectiveness, customer perception, growth and learning that the organization realize from strategies deployed, customers delighted and capabilities deployed by the employees (Venkatraman et al., 1986).

Parameters that are mostly used in measuring organizational growth include sales, Return on Assets (ROA), profit margin, market share, employee and customer satisfaction, while social performance and environmental performance are additional variables that are linked to an organization's relationship with the community under which it is plying its trade or providing its services. There is, however, no standard measure of performance, as such organizations choose either financial or operational measures or even both parameters to report performance.

Dornier and Selmi (2012) view firm performance as a consequence of environmental factors, organizational and human factors. Environmental factors refer to characteristics of the industry wherein a firm operates and as factors such as the the capital intensity, the concentration degree of the industry, the advertisement intensity, industry annual growth level, the technological change and the average profit of the industry (Dornier et al., 2012). The organizational factors include organizational structure, company structure and size of the company, which explains about 30% of the company's performance. Human factors in this case cover the firm's chairman and the management and explain from 9% to 40% of firm performance (Dornier et al., 2012). Other studies suggest subjective measures of performance, but in the present research, performance is characterized as a firm's ability to generate acceptable outcomes.

1.1.3 Banking Industry in Kenya

In Kenya, the financial services sector is served by Banks, Insurance providers, Pensions industries, SACCOs and the capital markets. In terms of assets and capitalization, the banking sector is by far the biggest. The Capital markets Authority regulates capital markets under the framework provided by laws and subsidiary regulations. The main laws associated with the sector are the Capital Markets and the central depositories Acts (The Central Bank of Kenya, 20150.

All market intermediaries and products such as the stock exchange are comprised of capital markets, Bonds and Unit Trusts, the central depository and settlement system, all publicly traded equity and investments such as Shares. The Nairobi Stock Exchange is where the activities identified above take place. On the other hand, microfinance Institutions are also regulated by the Central Bank of Kenya with the Microfinance Act as the main applicable law, which is referred to as Deposit Taking Microfinance Institutions. This research is restricted to the operations of commercial banks in Kenya (Central Bank of Kenya, 2015).

1.1.4 Commercial Banks of Kenya

The Commercial Banks in Kenya are supervised by the Central Bank of Kenya through a number of banking acts, the Central Bank of Kenya Act and cap 286 companies Act. The role of Central Bank of Kenya is mainly oversight on the operations of the Commercial Banks and formulation of relevant policies to control monetary activities with a view to ensuring that banks maintain adequate liquidity and to prevent insolvency.

The Kenya Bankers Association represents the interests of banking institutions in Kenya. Currently, there are 42 Commercial Banks of which 14 are foreign controlled while 28 are locally owned. Operations of Commercial Banks are identified by the Central Bank of Kenya (CBK) in terms of net assets weighted composite index, customer deposits, capital reserves and number of deposits as well as loan accounts held by the banks. The market is highly competitive, as such, banks offer a wide range of products and services through different channels (Kamau & Were, 2013).

Foreign Banks are required to observe compliance with the home country laws over and above the regulations formulated by CBK which are considered as laws formulated by the host country. Some of the well-known foreign banks include Standard Chartered Bank, Citi Bank, Barclays Bank, Bank of Africa, Bank of India Habib Zurich just to name a few.

1.2 Research Problem

In an organization, performance is an important in determining whether an organization will continue as an ongoing concern or fold. The impact of organizational culture on organizational performance is not yet well known, although a number of researches has been done by different scholars on various aspects of organizational culture to date. Idris et al., 2015) argue that poor cultural awareness within organizations affects organizational performance and has the protentional to reduce Return on Assets over time. According to Eaton and Kelly (2015), out of every 100 corporate leaders in an interview, 25 were able to identify their organizations organizational culture while 75 stated that organizational culture is an important factor that affected organizational performance. Eaton and Kilby (2015) and Viegas-Pires (2013) contend that most organizations lack an effective organizational culture. The challenges businesses encounter emanates from poor organizational culture (Hirsch, 2015).

The competitiveness of the banking industry in Kenya has resulted in banks such as Imperial and Chase Bank going under receivership, probably due to ineffective organizational culture practices. Organizational culture affects businesses in different ways and plays a significant part in determining whether a system will thrive or collapse (Mutiga, 2003). Organizational culture has been identified by scholars as one of the key factors that can improve efficiency, enhance coordination and control in a firm (Sørensen, 2002; Jacobs et al., 2013). Kotter and Heskett (1992) assert that firms that have a history strong organizational culture have a competitive advantage over those that don't or have a weak organizational culture.

The banking industry face challenges associated with technological innovations and competitiveness. Thus, integration of electronic systems and compliance with rules and regulations of the Central Bank of Kenya are some of the approaches through which banks sustain their operations. Scholars (Mahmood, Iqbal & Sahu, 2014; Kotter & Heskett, 1992; Guest, 2011) have found that proactive organizations in the face of competitive environment, demands of professional knowledge management and entrepreneurial value shifts have a better chance of exceptional performance achievement. This requires adoption of organizational culture that can shape internal operations to ensure compliance with the right attitudes from employees, loyalty, high levels of commitment and satisfaction. The role of organizational culture in Kenyan commercial banking sector and its effect on organizational performance in terms of the competing values framework of Cameron and Quinn's (2006) has not been fully explored enough in Kenya, more so, in recent times. The rationale for the current research is to find answers regarding the effect of organizational culture on organizational performance with reference to Commercial Banks of Kenya.

1.3 Objective of the study

The objective of the study is to investigate the effect of organizational culture on the performance of Commercial Banks in Kenya.

1.4 Value of the study

The results of the study help understanding of the role of organizational culture in a way that can improve outcomes for company managers. The findings can have a positive impact on business managers by presenting methods to improve the performance of their companies. The economy will benefit from the presence of a successful banking sector as a prosperous banking sector can provide the public with employment opportunities.

The work provides reference material of future researchers interested in gaining more insight from the relationship between organizational culture and organizational performance and promotes academic scholarship in the field. Findings of this study illuminates relevant industry concerns that can help governments build effective policies that promotes national culture dimensions that spur economic growth.

On the basis of this empirical research, government and regulators are likely to support organizational structures for financial institutions. The study is expected to influence policy formulation and procedures that support commercial bank development in Kenya in this regard. Government and regulatory authorities are likely to develop institutional frameworks for financial institutions based on this empirical research. In this regard, the study is expected to influence formulation of policies and procedures that support development of commercial banks in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section includes a review of organizational performance literature and effects on organizational performance, including synthesis of articles and theoris that are relevant to the study. The theoretical scope of the study includes conceptual analysis of conflicting values theory and the fit perspective. Subsequently, the chapter discusses the merits and demerits of organizational culture as well as organizational performance in terms identifying relevant gap in knowledge. Finally, the chapter provides a conceptual framework and model for describing and illustrating the variables and their relationships.

2.2 Theoretical Framework

The theoretical frameworks discussed include the Competing Values Framework and The Fit Perspective. The choice of the competing values framework is to enable diagnosis of the organizational culture in as much as culture represents collective assumptions and expectations as well as values that indicate rules in the organization. The theoretical fit perspective is presented and discussed in terms of the fit between organizational culture and corporate strategy.

2.2.1 Competing Values Framework

Quinn and Rohrbaugh (1981) developed the Competing Values Framework (CVF) out of the need to understand the influence of culture in organizations, especially in terms of performance related parameters. The theory has been used for empirical research on what makes organizations successful and has been continually expanded as a framework for social science and organizational studies. However, this framework is also considered an extremely useful method in the analysis of organizational phenomena in different aspects (Cameron and Quinn, 2006). The clan culture represents a mix of employee commitment, teamwork, high trust, employee involvement and empowerment. Both morality and unity participate in the creation of employees, in which it is considered a key variable in this type of culture, as aims and goals are likely to be accomplished by consensus (Zammuto and Krakower, 1991). Employee satisfaction is derived mainly from high trust between a firm and its members, including tradition. In clan culture, the task of the leader is to provide guidance and encouragement to the employees.

The culture adhocracy focuses on innovation, development, the acquisition of resources and external support. Adhocracy reflects a culture that is adaptive in nature, and organizations following this type of culture tend to adapt quickly to norms and typically in such organizations rewards and promotions are offered on the basis of individual initiatives. The necessity of the leader in the culture of adhocracy is to play a role of risk-taker and innovator (Zammuto & Krakower, 1991).

The culture of hierarchy on the other end focus on internal control and is also characterized by bureaucratic culture. The main emphasis by the culture of hierarchy is communications and data control. The leader's role is to control and promote compliance and obedience of the laws by members. This type of culture is dominant in public sector organizations where formal rules and procedures play a major role in ensuring compliance (Zammuto et al., 1999). Business culture is squarely in line with the mixture of command and external emphasis and is characterized by efficiency and achievement.

There is a strong emphasis on increasing employee productivity to enhance profitability in this form of culture. It was derived from the advent of the concept of rational goals, where this paradigm became popular in the late 1960s when its demand started to rise (Cameron and Quinn, 2006). Therefore, the task of the leader in market culture is to manage and motivate employees in order to achieve the defined objectives and targets, after which bonuses are granted based on the results achieved.

2.2.2 The fit Perspective

The fit perspective suggests that the alignment of organizational culture with the corporate strategy offers better prospects for the success of an organization (Kotter & Heskett, 1992). Better results are likely obtained when organizational culture and quality are also related and the social elements implemented must also be matched with the HR policy, corporate strategy and management approach. Kotter and Heskett (1992) contend that when organizational culture is strongly reflected in the corporate strategy, such an organization is more likely to realize better outcomes than those that do not have such an alignment.

According to the fit perspective, an organizational culture that is too dependent on bureaucratic way of doing things is a poor enabler of organizational performance. There is need for organizations to focus on ensuring that the human resource strategy is compatible with organizational structure and there is fit with organizational culture. The factors that can influence the organizational culture include the consumer needs, competitive environment and the standards of society. The relationship between culture and organizational performance is influenced by a number of factors, which are either internal or external in nature. Better outcomes for organizations in terms of overall organizational performance can only be realized when there is significant fit between organizational culture with external and internal environmental factors (Gordon, 1991).

2.3 Types of Organizational Culture

Wiewiora et al. (2014) identified a number of organizational culture dimensions among which include culture of adherence, clan culture, culture of hierarchy and culture of the market. Employees are the focus of clan culture where emphasis is laid on teamwork, employee engagement and cohesion. Entrepreneurship is the main focus of adhocracy and includes factors such as adaptability, creativity and innovation. Hierarchy culture concerns rules and regulations that control the activities of an organization (Pinho et al., 2014).

Clan culture means adherence to certain principles among which include confidence, connection, confidence, partnership and human relations and associations (Fiordelisi, 2014). Managers need to behave collectively natured employees into the clan culture and to encourage and empower workers to sustain an organization culture of excellence (Miguel, 2015). In order to have a successful organizational culture, a strong interpersonal relationship must be involved and a strong sense of commitment and faith in the organization as a whole. Pinho et al. (2014) argue that clan culture involves collaboration, engagement, involvement of workers and open communication.

The main aim of a clan culture is enhanced performance of employees through enhanced commitment, high accountability and ultimately a sense of ownership inculcated among the employees. On the other hand, adhocracy requires that employees have the ability to execute their assignments as a result of acquired knowledge and specialist skills (Veisch et al., 2014). Both assumption and value cultures reflect autonomy, diversity, adaptability and innovation on the part of the employees. Thus, managers in an environment in which both assumptions and value culture are practices exhibit tendencies that promote allocation of more resources to encouraging employee involvement, innovativeness and creativity as well as research activities (Sok et al., 2014).

Engelen et al. (2014) argue that adhocracy type of culture leads to innovation and organizational effectiveness and efficiency. Entrepreneurship and adhocracy nexus when cultivated leads to better outcomes for organizations. In hierarchy culture the emphasis is on establishing effective control, at the same time regulations and rules is given more prominence in organizational resource investments (Hartnell et al., 2011). The hierarchical culture is based on the promotion of a more stable environment and communication channels and inclination towards maintenance of continuity (Han, 2012; Cao et al., 2015)

2.4 Measures of Firm Performance

Quality is a subjective term associated with the studied phenomenon. Performance is generally measured in terms of the change in financial state of an organization when viewed in the context of an organization’s financial performance. It is also seen as the outcomes of decisions managers make as well as the extent to which those decisions are actionable, although a lot of it lacks objectivity, but broadly, the way financial outcomes is measured depends on the characteristics and the status of an organizations and some research on management focus on quality measures as determinants of organizational performance (Kapllan, 2001)..

Many organizations largely interpret organizational performance in different ways, therefore each of these organizations view exceptional success in of dissimilar parameters under the influence of contextual circumstances (Kaplan, 2001). Organizational success theory postulates that the nature of organizations is that they are a collection of productive assets used to accomplish common goals, and encompass human, physical and capital resources (Kaplan, 2001).

Kaplan (2012) created the Balanced Scorecard method, which incorporates both historical accounting viewpoints and functional metrics, gathering data on expected future success of the company. Drucker (1954) suggest that survival is the primary indicator of organizational success. Drucker identified a number of performance dimensions, which according to him were essential to the prosperity and survival of an organization, these include profitability that can offset risks of business operations, managerial capacity, worker commitment, the level of organizational public responsibility, present market position and potential, the innovative nature of the organization, physical and financial resources of the organization.

Ansof (1965) suggested that return on investment is the most appropriate measurement instrument for organizational performance, however, this can be restricted by individual stakeholder goals, as such, an organization also needs to take into account non-financial measures to ensure that organizational performance is optimized. Venkatraman and Ramanujam (1986) argue that organizational efficiency entails operational performance, financial performance and stakeholder influence dimensions. There are several lower-level dimensions in each of these three main dimensions. Empirically, Venkatraman et al. (1986) have shown that development and profitability are distinctly different performance measures. There is no consensus, however, on what are the different measures of overall organizational efficiency, or how they should be calculated.

2.5 Empirical Review

Sorensen (2002) asserts that organizational culture becomes a success as a result of three channels: Improved mission communication between the company and its employees, enhanced commitment of employees, group organization and control. Jacobs et al. (2013) argue that organizational culture has the capacity to enhance efficiency and effectiveness of an organizations and improve the company's coordination and control.

Organizational culture also helps staff to interact and engage with each other thereby enhancing information sharing efficiency. Organizational culture matters because by complementing conventional reward programs it makes employees more motivated and thereby able to contribute more effectively to the common goals of the organization (Guiso et al., 2015). O'Reilly (1989) aver that organizational culture and corporate strategy fit improves organizational performance, and it will also lead to improved loyalty of employees.

Jacobs et al. (2013) contend that organizational culture can affect employees state of thoughts and actions on the line of duty. Heskett (1992) argues that all primary stakeholders, including investors, employees and customers value organizations with a good organizational culture. Previous studies found a positive association between organizational culture and company performance, Denison and Spreitzer (1991) found association between what he categorized as culture and ROI. Collectively, promoted organizational culture empowers employees in the sense that they become more attuned to the corporate goals. O'Reilly et al. (2014) asserts that investors are averse to organizational culture, seeing it as an avoidable cost that may result in aa decrease in firm value.

Zhao, Teng and Wu (2018) examined the relationship between organizational culture and organizational performance in China by analyzing whether organizational culture has an impact on organizational performance, in terms of production innovation, market value and financial performance. Zhao et al. (2018) found that organizational culture has a negative impact on an organizations market value, but has a positive impact on innovation. The further found that the negative effect on market value was as a result of size and location of the organization.

Tedla (2016) examined the influence of organizational culture on organizational performance using exploratory case study in Ethiopia. The study objectives were to investigate strategies used by a group of organizations that lead to successful outcomes in the organizational culture and improved performance nexus. Through the Denison model of organizational culture, and analysis of data collected from senior managers, the study found that the group of organizations lacked effective organizational culture. The study found that poor integration of organizational culture negatively affects the return on investments and affects overall performance of the organization.

Wahjudi, Singgih, Suwignjo and Baihaqi (2013) analyzed the relationship between organizational culture and organizational performance in a group of manufacturing organizations in Indonesia using structural equation modelling (SEM). The study found that organizational culture positively and significantly influences organizational performance. Individualism had a stronger impact on firm performance among the five cultural factors, while avoidance of uncertainty had only a small impact on firm performance.

Atiku (2014) examined the impact of organizational culture on organizational performance in Nigerian banking sector using ex post-facto non-experimental research model and correlation method with advanced explanatory structure, and found that the relationship between organizational culture and organizational performance was statistically significant. Thus, literature reviewed show that organizational culture is an important factor that affects organizations in different ways and in different contexts, and it also has an impact on employees modus operandi.

2.6 Summary

In this analysis, the concept of conflicting values was the study's basic theory and it was discussed in detail. There is an acute shortage of earlier studies, which discuss the relationship between organizational culture and firm performance, based on the literature reviewed. Previous studies focus mostly on the national culture and hardly on the organizational culture and the effect on performance of firms, especially in the banking sector in Kenya. It is apparent from the review of previous studies that there is deficiency of studies focusing on this particular area, whether internationally, regionally or in the local context. The chapter has presented a detailed literature review including the theory anchoring this study. The objective of the review of literature was to provide clarity and understanding of organizational culture based on historical perceptions of the construct and the relationship between the concept and organizational performance. A summary of previous empirical studies and the related research gaps was presented. In conclusion, the literature reviewed show that a lot of research has been undertaken in the domain of organizational culture and its influence on organizational performance, but very little research has so far been done in Kenya, especially in the context of commercial banks in the country, and more so using clan factors, adhocracy, competition factors and hierarchy factors as measures of organizational culture.

CHAPTER THREE RESEACH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that the study used in sampling, data collection and analysis. The chapter includes sections that discuss the research design, the population and sample determination, survey method used and calculations, test accuracy and validity, study variables operationalization, and data analysis techniques. The chapter ends with a description of key indicators used to calculate the variables of the sample and the method of research.

3.2 Research Design

The study adopted a descriptive cross section survey. A cross-section survey provides data collection at only one time, but can also be used to obtain data covering different time periods, meaning that the range of the data collected is not limited to the duration of a cross-sectional analysis. (Parasuraman, Grewal & Krishnan, 2006). The descriptive research method proposed aims to characterize a population, situation or phenomenon accurately and systematically and is considered suitable for this analysis as it allows the collection of data from the sample and the explanation of the phenomenon being studied (Mugenda & Mugenda, 2003).

The data collected will be subjected to statistical analysis while using simple statistical descriptions, correlation and regression measures, at the same time, descriptive research design will allow objective conclusions to be drawn. The descriptive cross-sectional model is considered robust for the assessment of the relationship studies and appropriate for studies aimed at evaluating a trend, condition or problem behaviour by considering, at one point, cross-section of the population (Mugenda & Mugenda, 2003).

3.3 Population of the Study

A population represents the whole group of specific elements that a study uses for analysis (Mugenda & and Mugenda, 2003). In this study, the target sample was every member of the population of the study, which amounted to 42 members based on licensing characteristics of the elements. Thus, all the 42 Commercial Banks in Kenya had a license as provided for by the Central Bank of Kenya (2019). Thus, sampling was not necessarily due to the small population involved.

3.4 Data Collection

The study used both primary and secondary data. A semi-structured questionnaire developed in previous market practice studies was used for primary data collection. The variables were assessed using the key-informant approach to address specific research goals (Mugenda, 2003). The research tool was self-administered, delivered and later pick-up. The relevant university authorities gave a letter of introduction. The information privacy of the respondent was maintained as the data collection process was conducted. There was follow-up phone calls and emails. In addition, secondary information from written sources such as annual reports, databases and other publicly accessible sources was collected.

3.7 Data Analysis

The study used descriptive statistics, which includes mean and dispersion as well as inferential statistics that include variance analysis, correlation and regression analysis. The analysis of correlation and regression was done to determine the predicted relationship between the independent variables (adhocracy, clan, rivalry and hierarchy) and dependent variable (firm performance). The general indicative model for predicting firm performance:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where α = regression constant or intercept

$\beta_{1,}$ $\beta_{2,}$ & $\beta_{3,}$ are the coefficients relating to the independent variables,

X_1 represents Clan

X_2 represents Adhocracy

X_3 represents Competition

X_4 represents Hierarchy

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSION

4.1 Introduction

This chapter presents data analysis, specifically focusing on evaluation of demographic information resulting from data processing in software (SPSS). The presentations also highlighted include outcomes of correlation and regression analyses on the relationship between organizational culture predictors and organizational performance predictors followed by discussion of the findings.

4.2 Response Rate

The study population comprised all Commercial Banks in Kenya as at 31st July 2019. As at this date, there were 41 banks in operation. All the 41 banks were given questionnaires and out of this number, a total of 35 banks responded by filling the instrument. This represented 85.3 % of the respondents. This response rate was considered high enough for further analysis.

4.3 Demographic Information

This section collected data on the demographics of respondent institutions.

4.3.1 Ownership of Bank

Table 4.1 Ownership

Type of Ownership	Number
Fully Locally Owned	10
Wholly Foreign owned	2
Mixed Ownership	23
Total	**35**

Source: Researcher, 2019

Table 4.1 indicate that 10 of 35 banks were fully locally owned, only 2 were wholly foreign owned and 23 were of mixed ownership i.e. partly locally owned and partly foreign owned.

4.3.2 Number of Years in Operation

In this section, the focus was on understanding the number of years that the commercial banks have been in operation. Literature argues that sometimes the performance of an organization is dependent on the number of years' experience it has in operation. The findings are as follows:

Table 4.2 Number of years in Operation

Number of Years	Number	Percentage
Below 5	3	8.6 %
5-10	7	20.0 %
10-15	3	8.6 %
15-20	2	5.7 %
Over 20	20	57.1 %
Total	**35**	**100%**

Data source: Researcher, 2019

Table 4.2 indicates the data for the number of years that the organizations have been in operation, 28.6 % of the banks included in this study had been in operation for up to 10 years. Over 71 % of the institutions had been in operation for greater than 10 years in Kenya.

4.4 Organizational Culture

This dimension of organizational culture was meant to identify variables related to closeness of the respondents to one another. The response4s are as follows:

Table 4.3 Organizational Culture

Organizational Culture	**Mean**	**Std. Deviation**
The work place is like an extended family	4.426	.987
There is a lot of mentoring	4.765	.546
There is a lot of Nurturing	3.689	.324
There is freedom to experiment with new ways of doing things	4.342	.675
There is informality when addressing one another	3.897	.453
Employees show serious concern for one another	4.123	.231
We encourage individual risk taking	4.675	.987
There is commitment to innovation and development	4.656	.675
The emphasis is on achievement and accomplishments	4.323	.896

Ours is a no-nonsense results-oriented bank	2.876	.674
There is little regard for formal rules and policies	3.897	.986
Smooth scheduling and low-cost production are considered critical	4.343	.231

Source: Research Data, 2019

Table 4.3 on organizational culture indicates that employees show serious concern for one another and encourage individual risk taking (Means= 4.675 and 4. 656 respectively). The presence of mentoring was the heavies supported statement (Mean= 4.765). The high support provided tp both mentoring and employee concern for one another are consistent with literature. The statement on the workplace being reminiscent of an extended family was heavily supported. These statements show a culture where cohesiveness and close-knit relationships is valued.

On dimensions of culture touching on productivity, smooth scheduling and low-cost production were considered critical (Mean= 4.343). It was also indicated that most banks give freedom to employees to become innovative in doing their tasks. However, the statement that the respondent banks were no no-nonsense institutions was not supported (Mean=2.786).

4.5 Bank Performance

This part of the questionnaire was designed to capture descriptive information regarding performance. The following table shows the dimensions of performance, means and standard deviations:

Table 4.5 Performance

Dimension of Performance	Mean	Std. Dev
Our customer base has increased	4. 786	.786
Our sales turnover has increased	4.234	.564
Our profits have gone up	4.567	.546
Our bank has improved processes greatly	4.987	.866
Our banks' innovativeness has been enhanced	3.567	.345

Source: Research Data, 2019

According to Table 4.5, nearly all performance indicators were favourably rated (Means in excess of 4.000). The only performance indicator that was not so well rated was innovativeness (Mean= 3.567). The performance indicators were drawn from both performance and non-performance indicators according to Kaplan and Norton (1992). Both financial and non-financial indicators were favourably rated.

4.6 Inferential Statistics

The results of the regression of organizational culture on performance is presented in table 4.6 below:

Table 4.6: Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.776[a]	0.602	0.435	0.345

Predictors: (Constant), Organizational Culture

Table 4.7: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	**3.523**	**1**	**3.675**	**14.783**	**0.01[b]**
	Residual	**3.321**	**34**	**0.876**		
	Total	**6.975**	**35**			

a. Dependent Variable: Performance of Commercial Banks
b. Predictors: (Constant), Organizational Culture

Table 4.8 Coefficients

		Unstandardized Coefficient		Standardized Coefficient		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	Constant	3.523	0.675		9.789	0.001
	Organizational Culture	0.678	0.156	0.602	10.897	0.000

Source: Researcher, 2019

Table 4.6 shows the regression model whereby the independent variable i.e. organizational culture predicts 60.2 % of the dependent variable i.e. bank performance (R^2 = 0.602). The remaining 39.8 % indicates the effects of variables that have not been considered in the study. Table 4.7 shows the ANOVA output data, which indicates that the relationship between organizational culture and performance is statistically significant (Sig.= 0.001). Table 4.8, the coefficients Table, indicates the coefficients of regression. The regression model that explains the relationship between the variables is therefore;

$Y = 2.848 + 0.678X$

Where;

Y= Performance

X= Organizational Culture

e = Error Term

4.7 Discussion

This study set out to investigate whether there was any influence of organizational culture on organizational performance. The organizational culture statistics indicate that banks encourage employees to take individual risk in the performance of their duties (Mean=4.675). This is viewed as one of the routes to innovativeness. This finding is in concurrence with (Mativo, 2011) who argues that organizations that give latitude to their employees are likely to report superior performance. This is reinforced with the similarly high mean scores reported by statements on mentoring and commitment to innovation. The culture that makes banks appear as insensitive to employees such being fiercely results oriented scored lowest (Mean = 2. 876). The descriptive statistics on performance show that there was a strong agreement on all statements on performance except for enhancement of the bank's performance (Mean = 3.567). The ANOVA table reports that there is significant relationship between organizational culture and organizational performance. The indication is that organizational culture significantly predicts performance of organizations. The findings are consistent with the Resource Based View's assumption that a firm's resources give rise to greater competitiveness (Dokubo, 2000). Organizational culture is organization specific and can be viewed as a resource.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five presents the study summary as well as conclusion of the findings and discussions and recommendations for practice and areas that further studies can focus on in the future.

5.2 Summary

The aim of the study was to determine the relationship between organizational culture and organizational performance. Organizational culture was operationalized using the McKinsey framework. Performance was explained guided by Kaplan and Norton's (1992) balanced score card. Descriptive statistics on organizational culture indicate that employees show serious concern for one another and encourage individual risk taking (Means= 4.675 and 4. 656 respectively). The presence of mentoring was the heavies supported statement (Mean= 4.765). The high support provided to both mentoring and employee concern for one another are consistent with literature. The statement on the workplace being reminiscent of an extended family was heavily supported. These statements show a culture where cohesiveness and close-knit relationships is valued.

Nearly all performance indicators were favourably rated (Means in excess of 4.000). The only performance indicator that was not so well rated was innovativeness (Mean= 3.567). The performance indicators were drawn from both performance and non-performance indicators according to Kaplan and Norton (1992). the independent variable i.e organizational culture predicts 60.2 % of the dependent variable i.e bank performance ($R^2 = 0.602$). The remaining 39.8 % is explained by variables not included in the study. The ANOVA Table shows that the relationship between organizational culture and performance is statistically significant (Sig.= 0.001). The Beta coefficients table indicates that the coefficient 0.602.

5.3 Conclusion

From the analysis in chapter four, the following conclusions can be made. Both descriptive and inferential statistics were computed. Computation and analysis of data show that support the individual employee as a person and those that promote innovativeness such as risk taking and creativity are the most prevalent. This is evidenced by the high mean scores of such statements as employees viewing the bank as one large extended family and mentoring. The inferential statistics have indicated statistically significant influence of organizational culture on organizational performance of commercial banks, which implies that when cultural elements are enhanced, performance is similarly increased.

5.4 Recommendations

The following recommendations can be made in view of the findings; bank managers should pay greater attention to dimensions of culture because they are directly correlated to performance. Strengthening organizational culture will therefore lead to enhanced performance. Further studies may be undertaken by focusing on different predictors of organizational culture and organizational performance need to be undertaken but in different settings. This will provide stability in literature on the relationship between the two variables. Further studies need to be taken but the design could be longitudinal so that data on especially performance is collected at multiple points. This will produce better results on the relationship because the changes in output overtime will be observed.

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QUESTIONNAIRE

PART I: RESPONDENT AND FIRM PROFILE

1. Please indicate the position you hold in the company___________________

2. How long have you been in this position?

Up to 5 years [ ] 6-10 years [ ] 11-15 years [ ]
16-20 years [ ] above 20 years [ ]

3. Please indicate with a **(√)** your highest level of education?

O level [ ] A level [ ] Certificate [ ]
Diploma [ ] Bachelor's Degree [ ] Master's Degree [ ]
Ph.D/Doctorate [ ]

4. What is the ownership status of your firm?

Fully Kenyan owned [ ] Fully foreign owned [ ]
Joint Kenyan and foreign owned [ ]

5. How many years has your business been in operation in Kenya?

Up to 5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ]

Over 20 years [ ]

6. How many employees are currently permanently employed in your firm?

Up to 10 employees [ ] 11-20 employees [ ] 21-30 employees [ ]

31-40 employees [ ] 41-50 employees [ ] Over 50 employees [ ]

PART II: CLAN FACTORS

Please indicate with a tick (√) the extent to which you agree with the following statements in relation to your firm. Using a scale of 1 – 5[where 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree]

N	Clan factor	1	2	3	4	5
1	Personal place. It is like an extended family. People seem to share a lot of themselves.					
2	Mentoring, facilitating or nurturing.					
3	Teamwork, consensus and participation.					
4	Loyalty and mutual trust. Commitment to this organization runs high.					
5	Human development. High trust, openness and participation persist					
6	The development of human resources, teamwork, employee commitment and concern for people					

PART III: ADHOCRACY FACTORS

Please indicate with a tick (√) the extent to which you agree with the following statements in relation to your firm. Using a scale of 1 – 5[where 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree]

	Adhocracy factors	**1**	**2**	**3**	**4**	**5**
1	dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.					
2	entrepreneurship, innovation and risk taking					
3	individual risk taking, innovation, freedom and uniqueness.					
4	commitment to innovation and development. There is an emphasis on being on the cutting edge					
5	acquiring new resources and creating new challenges. Trying new things and prospects for opportunities are valued					
6	having the most unique or newest products. It is a product leader or innovator					

PART III: COMPETITION FACTORS

Please indicate with a tick (√) the extent to which you agree with the following statements in relation to your firm. Using a scale of 1 – 5[where 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree]

N	Competition Factors	1	2	3	4	5
1	Results orientated place. A major concern is getting on with getting the job done.					
2	A no-nonsense, aggressive, results-orientated focus.					
3	Hard-driving competitiveness, high demands and achievement.					
4	The emphasis on achievement and goal accomplishments.					
5	Competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.					
6	Winning in the marketplace and outpacing competition. Competitive market leadership is key					

PART IV: HIERARCHY FACTORS

Please indicate with a tick (√) the extent to which you agree with the following statements in relation to your firm. Using a scale of 1 – 5[where 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree]

N	Hierarchy Factors	1	2	3	4	5
1	Controlled and structured place. Formal procedures generally govern what people do.					
2	Coordinating, organizing, or smooth-running efficiency					
3	Security of employment, conformity, predictability and stability in relationships					
4	Formal rules and policies. Maintaining a smooth-running organization is important					
5	Permanence and stability. Efficiency, control and smooth operations are important					
6	Efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical					

PART V: FIRM PERFORMANCE

Please indicate with a tick (√) the extent to which you agree with the following statements in relation to your firm. Using a scale of 1 – 5[where 1= Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree]

N	**Firm Performance**	**1**	**2**	**3**	**4**	**5**
1	Compared to previous year the bank has been able to increase the customer base					
2	Compared to previous year the bank has been able to increase sales turnover					
3	Compared to previous year the number of complaints about our services has reduced					
4	Compared to previous year the bank has been able to make a profit daily					
6	Compared to previous year the bank has been able to make profit monthly					
7	The bank has been able to make a profit compared to previous year					
8	The bank has been able provide innovative products or services to customers					
9	The bank has been able come out with modern technology to improve productivity and efficiency					
10	The bank been able to come out with innovative ideas to obtaining distinctive competencies than competitors					

APPENDIX I

CENTRAL BANK OF KENYA

DIRECTORY OF LICENSED COMMERCIAL BANKS

1. Chase bank (K) Limited
2. Bank of Africa Kenya Limited
3. African Banking Corporation Limited
4. Bank of India
5. Bank of Baroda
6. Charterhouse Bank Limited
7. Consolidated Bank of Africa Limited
8. Citi Bank Limited
9. Barclays Bank of Kenya Limited
10. Development Bank of Kenya Limited
11. Diamond Trust Bank Kenya Limited
12. Eco Bank Kenya Limited
13. Commercial Bank of Africa Limited
14. Spire Bank Limited
15. Fidelity Bank Limited
16. Equity Bank Limited
17. Family Bank Limited
18. Guaranty Trust Bank Limited
19. Habib Bank A.G. Zurich
20. Gulf African Bank Limited
21. First Community Bank Limited

22. Habib Bank Limited
23. I & M Bank Limited
24. Kenya Commercial Bank Limited
25. Imperial Bank Limited
26. Middle East Bank Limited
27. Gulf African Bank Limited
28. NIC Bank Limited
29. National Bank of Kenya Limited
30. Jamii Bora Bank Limited
31. M-Orient Bank Limited
32. Sidian Bank Kenya Limited
33. Standard Chartered Bank Limited
34. Prime Bank Limited
35. Paramount Bank Limited
36. UBA Kenya Bank limited
37. Stanbic Bank Limited
38. Victoria Commercial Bank Limited
39. Trans-National Bank Limited
40. Cooperative Bank of Kenya Limited
41. Imperial Bank Limited
42. DIB Bank Kenya Limited