EFFECT OF ORGANIZATIONAL CULTURE ON STRATEGIC REACTIONS OF COMMERCIAL BANKS IN KENYA

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UNIVERSITY OF NAIROBI

DECLARATION

This is my original work and has not been presented for a degree award or published in this or any other institution of higher learning

Signature……………………………. Date………………………. 6/12/2021

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This research project is submitted for the award of degree of Master of Business Administration in Strategic management with my approval as the University Supervisor

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DEDICATION

This research project is dedicated to dad, mom and my siblings, who have always believed in me and supporting me throughout my life, as well as throughout the duration of my studies and successful completion of this course.

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ABSTRACT

Every organization develops and keeps a completely unique culture which influences the whole organization. Thus, strategic reactions in an organization depict sudden major changes and results in multiple uncertainties. When organizational culture is changed within the Kenyan commercial banks, most activities in the bank are affected. The objective of this study was to establish the effects of organizational culture on strategic reactions of commercial banks in Kenya. This study was anchored on two theories namely; Deal Kennedy Theory and Miles and Snow Typology. The research hired descriptive cross-sectional survey design. The study population consisted of all commercial banks licensed by the Central Bank of Kenya to carry out business in Kenya and also that participate directly in the clearing house. A census on the 46 registered banks was carried out. Primary data was collected through close-ended questionnaires. The questionnaire was made of two sections, that is, organization culture and strategic reactions. The questionnaires was issued via the drop and pick method. The researcher employed descriptive statistics. Regression model was also be used to predict the effects of organizations culture on strategic reactions of commercial banks in Kenya. The results further revealed that organizational culture of commercial banks in Kenya positively correlate with the strategic reactions. Also, the results reveal that the organizational culture positively affect the strategic reactions of commercial banks in Kenya. The study recommended that the management of commercial banks in Kenya should work towards a better culture that includes its employees in decision making and that encouraged its employees to take risks for the betterment of the banks. The study also recommended that the Kenya Bankers Association as the authority that oversees the operations of commercial banks in Kenya should support the commercial banks in Kenya in implementation of organizational cultures that will positively impact of the strategic reactions.

CHAPTER ONE:

INTRODUCTON

1.1 Background of the study

For an organization to be successful, it must employ a culture that conforms to that specific business, and abide by its business strategy (Tichy, 2014). Cultural fit or congruence is a theme espoused by Nadler and Tushman (2017) who suggest that different multiple cultural attributes must be employed to guarantee effectiveness. They further argue that with all other aspects held constant, an increase in the degree of congruence of fit results in an increase in the overall effectiveness of organizational behavior at various levels. The current competitive organizational context is characterized by rapid and profound strategic reactions. These strategic reactions end up making organizations adopt agile and flexible strategic postures to gain competitive advantage that guarantees a superior position in the market (Hung et. al. 2018).

Over recent years, there has been an alarmingly high increase in economic, political, technological, and socio-cultural environment. Therefore, organizations are finding it important to establish how to manage and evolve to the perpetual strategic reactions by engaging in innovation, new products, new goals, and genuine new ways of ensuring running things within the organizations, as well as introducing new values and assumptions. In his argument, Deal and Kennedy (1982) stated that any organization that employs a culture that supports their strategies yields high performance. In fact, one of the major reasons for the continuous increase in organizational culture interest is the idea that effective organizational culture promotes high financial performance in an organization. Similarly, many scholars' and researchers argue that the success of an organization is significantly dependent on the extent to which the organizational cultural values are widely shared. Many academics and practitioners affirm that argue that the performance of an organization is dependent on the degree to which values of the culture are widely shared. The argument further states that unique and high quality organizational culture increases an organization's competitive advantage.

This study anchored on two theories; the Miles and Snow typology, and the Deal and Kennedy theory. Smith (1989) writes that the Miles and Snow typology suggests that any competition necessitates for a strategy to succeed. Furthermore, the typology deliberates on the existence of multiple and complex environmental and organizational processes and attributes. These range from: market attitude, organizational structure, technology, product or market entry behavior, and characteristics of management. On the other hand, Deal and Kennedy theory suggests that no type or culture is superior to the other since the different cultural types emerge to match the various arising circumstances (Ghinea, 2012). Rather, the value of each culture is dependent on how well it is understood and implemented to incorporate evolutions and the various elements that influence the evolution.

According to CBK (2019), many banks have applied different forms of change in their distinct operations over the past decade. The Finance Minister amended the second schedule of the banking Act raising the minimum core capital of starting a bank from Kes 250 million to Kes 1 billion (2012) in an attempt to strengthen the Kenyan banking industry which is quite saturated with 44 banks. Various changes have occurred across the banking sector over the past decade ranging from a number of banks merging and acquiring small firms, adoption of new technology especially adoption of the mobile technology to create a seamless banking system, establishing new organizational structure as well as continuous culture evaluation. Similarly, the banking sector has experienced shifts in the regulatory context necessitating continued change and adaptation of the banks to the new law. This has resulted in serious strategizing among commercial banks in an attempt to comply with the law while simultaneously upholding the stability of their operations and eventually affecting organizational culture in banks.

1.1.1 Organizational culture

Organizational culture is the concept which defines all the patterns and basic assumptions which are considered the proper way by the members of an organization as they engage in the main activities within the organization such as internal integration and issues with external adaptation. Thus, members of the organization perceive these patterns to be the best for the organization, and thus teach them to new members (Schein, 2018). Fowler (2015) points that, organizational culture is a crucial and prospective factor as far as organizational success or failure is concerned. Pearce and Robinson (2017) states that organizational culture constitutes of various significant assumptions, norms, beliefs and shared values which leaders establish and share them with their employees and they are embraced. Schein (2015) argued that organizational culture constituted of a collective behavior shared and upheld by people working in the same organization. Every organization's culture is different and conforms to their system, beliefs, working language, and most importantly their values and visions. Additionally, these patterns of behavior, defined by the organizational culture, are the ones taught to new employees so that they can learn how the organization works, and also be able to interact with fellow employees, customers, and stakeholders.

Organizational culture can either be a strength or weakness to an organization. It becomes strength when it is perfectly employed in an organization such that it eases communication, and helps in critical decision making. Also, it improves employer employee relationships and thus promoting the overall cooperation and commitment if employees which ultimately improves the overall performance of the organization. On the contrary, it becomes a weakness when the main shared beliefs and values upheld by the organizational culture of a company do not conform to their preferred business strategy and the needs of the employees. It is a major weakness because while it does not favor the success of an organization, culture is hard to change (Pearce 2003). While most organizations have cultures, others have much stronger and healthier cultures. Initially, strong organizational cultures were perceived to constitute of various consistent logical values, beliefs, assumptions, and practices which were all observed by the majority members of an organization.

1.1.2 Strategic Reactions

Strategic reactions are the responses from an organization due to the measures put in place for an organization to achieve the desired goals (Peirce & Robinson, 2015). Reactions strategies are ways an organization ensures a fit into the changing environment. Strategic management literature suggests that a successful firm's strategy must be favorably aligned with the external environment. Jauch (2018) argued that decisions and actions taken will lead to the development of an effective strategy which will help to achieve organizational objectives. Changing business environments alter the way organizations fundamentally conduct business. Such adaptations made to suit the firm may be referred to as strategic reactions.

For effective strategic reactions, continuous scanning of both internal and external environment is a prerequisite so as it keeps abreast of all environmental variables underpinning current and future business operations of the firm (Thompson & Strickland, 2013). What is more, firms have adapted to being a 'learning organization' in order to cope effectively with the environment turbulence as failure to do so may jeopardize future success of these organizations (Aosa, 2012). Reactions strategies may include: reactions which are beneficial for reasons other than environmental change and justifiable in their own right; economically efficient and cost effective, in particular those that use market -based mechanisms; able to serve multiple social, economic and environmental proposes; flexible and phased, so that they can be easily modified to react to increased understanding of business, technological and economic aspects of business environmental change, compatible with economic growth and the concept of sustainable development, administratively practical and effective in terms of application, monitoring and enforcement and reflecting obligations of the areas of financing and technology (Schendel and Hoffer, 2017).

Strategic reactions require organizations to change their strategy to match the environment and to redesign their internal capability to match this strategy (Grant, 2021). If an organization's strategy is not matched to its environment, then a strategy gap arises. The degrees to which reactions are viable will also vary considerably depending on the region or country involved. The implications of specific reactions will depend on its social, environmental and economic (Grant, 2021).

1.1.3 Commercial Banks in Kenya

CBK (2013), states that the Kenyan banking industry is governed by the banking Act, the companies Act Cap 486, the Central Bank of Kenya Act together with other prudential guidelines, also issued by the CBK. Currently, the Kenyan banking industry constitutes of 46 licensed banks: 33 are local banks, while 13 are foreign owned. Examples of the foreign owned banks include Absa, Citibank, and Habib Bank. Three of the locally owned banks mainly belong to the government as it has substantial stakes in the three banks. The other local banks are majorly owned by families. Kenyan Commercial banks receive deposits from their customers' for storage, which they then use to offer loans to businesses and make high profits.

Over the past decade the Kenyan banking industry has had multiple regulatory and financial reforms. These reforms have significantly changed the structure of the sector, positively, which thus has attracted many foreign banks into the country (Kamau, 2019). In fact, Oloo (2019) considers the Kenyan banking industry to be the bond that keeps the country's economy intact. Furthermore, the recently released KBA report indicates that the assets of the banking industry continue to steadily grow while the private sector also observes a credit growth. The results of this study are credible considering actual observations and data collected over the last 16 years ending

2019. In accordance to the findings of the study, by the end of 2019, the Industry had total assets of sh 4.8 trillion, out of which loans and advance were accounted at sh 2.7 trillion. Despite the continuous increase in the industry's assets, its expansion was slowed (9.2%) partly on account of the persistent rise in non- performing loans. However, the state of the banking industry's 2020 outlook indicates that the industry has had tremendous change and is perfectly positioned with vital opportunities for banks to improve efficiency.

1.2 Research Problem

Every organization develops and maintains a unique culture which influences the whole organization. Thus, strategic reactions in an organization depict sudden major changes and results in multiple uncertainties (Dary, 2018). The manner in which change is embraced in an organization is dependent on the fact that cultures are based on various shared values and assumptions patterns (Schein, 2010). Thus, Sathe and Danson (2016) state that for organizations to employ change, they must first succeed in changing their employees' culture, which is how they think, and behave. Organizations to be able to stay ahead of competition, it's imperative for the organizations to continually scan the environment so that the organizations adjust their strategic reactions to accommodate the demands of the environment. The appropriate reaction strategies guarantee a competitive edge that ensures the organizations remain relevant (Consolata & Ndungu, 2014).

Organizational culture determines how the management of an organization acquires and analyzes information regarding both environmental and company resources. Janicijevic (2014) states that organizational culture causes the selective perception of events in the immediate environment. Also, it influences people's perception during strategic decision making since it impacts on their mental or interpretative scheme. Organizational culture influences how all events and occurrences in the organization and its environment are to be implemented, and not just how the decision makers perceive some events. For organizational culture to have absolute influence on the formulation of company strategies, then all the events and occurrences must be interpreted such that they result in specific effect (Janicijevic, 2014). Organization culture determines the strategic method employed. It is while considering the perception of both the company resources and its environment that strategic directions of actions emerge. Hence, by influencing the perception and interpretation of the company resources and its external environment, culture indirectly directs strategic selection. However, the shared organizational values, norms, and assumptions within the organization culture directly influence the selection of possible strategic alternatives, and ultimately the best one for implementation. Strategic alternatives generated by the top management are based on strategic analysis and must conform to the set framework by cultural values and assumptions (Janicijevic, 2014).

Culture in commercial banks in Kenya is driven most of the time by the strategies which are put in place to run the bank. Though some organizations might find it hard to change their culture, some forces usually push banks to change their way of doing things and adapt new ones so as they can meet the expectations of their clients and also, they can be in a position to compete with other banks in the same market. When organizational culture is changed within the Kenyan commercial banks, most activities in the bank are affected. Strategies put in place in Kenyan commercial banks react differently to the culture which has been in existent. Organization size reduces when there is reduction of cost. Reduction of cost can be by staff retrenchment, where some positions can be removed from the company completely and the duties get combined to other roles which are so essential in a way that they cannot be removed. As commercial Banks in Kenya progressively embark on operating through both a multinational and multicultural context, it is becoming increasingly important to understand how the composition of commercial banks influences outcomes such as creativity, customer satisfaction, and turnover and job performance.

Different studies in Kenya and global level have aimed at assessing how organizational culture effects on strategy reactions. Mbogo (2013) studied the process of managing the change in Kenya Commercial Bank Ltd and established that culture has an effect on the strategic reactions of the bank. Wambui (2014) revealed a positive connection between practices of managing change and the performance of Kenya commercial bank which had increased following change implementation. Mushtag (2008) alluded that there was ample evidence proving that culture traits influenced organizational effectiveness. According to Schein (2019), organizational culture comprises of certain critical forces that should be considered in choosing strategy reactions. Moreover, past studies on organizational culture link it to both high performance and organizational effectiveness (Fay & Denison, 2013). Ahmadi et al (2012) confirmed that indeed organizational culture had a positive link to strategy reactions. Ahmadi et al (2014) also agrees with other researchers who argue that well established and implemented culture helps organizations to easily achieve their goals. Melta and knshnan (2014) established that leaders in companies with strong cultures are more charismatic and influential. Alvesson (2021) discovered that culture can be molded into a tool of attaining performance. Organization culture is able to change the degree of change acceptance within an organization as well as the overall efficiency of doing things based on the knowledge and skills of the different managers. Desson and Clouthier (2010) further confirms that organizational culture influenced decision making and other activities at different levels within an organization. Goromonzi (2016) found out that organizational culture affects the performance of banks in terms of perception and experience of the customer and services provided by employees.

The studies were carried out in different industries, while those carried out in the banking industry have been on specific institutions and may be insufficient to represent the general industry. Research conducted on the impacts of organizational culture among commercial banks in Kenya in conjunction to strategic reactions has been limited and as a result of the gap, this study pursued to answer the subsequent research question; what is the effect of organizational culture on strategic reactions of commercial banks in Kenya?

1.3 Research Objective

The objective of the study was to establish the effects of organizational culture on strategic reactions of commercial banks in Kenya.

1.4 Value of the study

The results of this study would be highly valued by the management practice. By discovering the different organizational culture available, this study would be of value to commercial banks and other organizations in as far as strategy reactions are concerned. This study would be a source of information that is useful to strategy managers on various cultural practices that have been successful.

This study will reveal information to researchers and academicians who would then use it for reference as it will contribute to the existing literature on strategic management. The study would also aid to the field of strategic management by suggesting areas for further research where future scholars and academicians could study to further the knowledge in this area.

The findings of this study would be important and beneficial to other strategy managers who might want to borrow or improve their strategy reactions by providing recommendations as well as reference on how these strategy reactions ought to be managed and addressed so that the organizational culture is impacted positively, since strategy reactions occurs in almost every organizations. Also, it would enable strategy managers appreciate culture and understand the role it plays when it comes to strategy implementations in their organizations. This would further enable leverage on their strong organizational culture when formulating a strategy to attain competitive advantage.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the relevant literature on the impacts of organizational culture on strategic reactions of commercial banks in Kenya. It covers the following headings; theoretical foundations, and empirical review.

2.2 Theoretical foundation

This study was anchored on two theories namely; Deal Kennedy Theory and Miles and Snow Typology

2.2.1 Deal Kennedy Theory

In 1982, Deal and Kennedy established a model which attempts to describe corporate culture aiming at two dimensions, after carefully examining cultural elements across various organizations. The first dimension addresses seriousness of the risks in place while the second takes note of the shortest time that passes before the organization receives feedback with this framework by examining hundreds of organizations (Deal & Kennedy, 1982). Deal Kennedy theory defines organizational culture as a system that imposes a certain general conduct. This theory suggests that the purpose of corporate culture was interlocking a set of six cultural elements. These elements are history, values and beliefs, ritual and ceremonies, stories, heroic figures and the cultural network (Johnson, 2017).

Deal and Kennedy identified four generic cultures, namely; Tough Guy Macho, Work hard/Play hard, Process and Bet Your Company culture (Cacciattolo, 2014). The first culture, the Tough Guy Macho culture, involves extremely high risks, but has fast feedback. Thus, this culture is applicable in police departments, the entertainment industry and consulting companies. In all these sectors, there is a high risk on the financial investments, while the feedbacks are fast. The extreme risk levels for these investments explain why the sectors have high pressure levels. A single decision made poses a huge impact on either the success or failure of the organization and even the future of the person making the decision. Therefore, noticeably, this culture constitutes of tough and individualistic persons who can impose their will. In this case, this culture type mostly constitutes of individualists and tough guys who forcefully implement their wishes. Thus, the culture stands out with a major advantage of having many highly motivated individualists. They have high self-confidence which enables them to enact change and promote developments. However, the culture has one huge disadvantage because most decisions are solely made by the individualists based only on their opinions. Organizations which observe this culture do not hold any meetings to calculate or discuss their best decisions, rather, the individualists implement their own decisions. This culture type perfectly describes the relationship between market conditions within the company moves and the corporate culture. However, few other markets sectors eventually embraced this culture type due to their risk levels and the efficiency of their feedback (Deal & Kennedy, 1982).

The second culture type, the work hard/Play hard culture, involves low risk levels and fast feedback. Thus, it is rarely found in typical sales organizations, and necessitates for active and strong leaders for it to succeed. In this culture, reports and action plans reduce the risk levels and guarantee employee success. Fast feedback enables employees to monitor and control such that they succeed. Typical rites are focused on contest meetings, after work parties, and promotion. One of the greatest tasks by the management is to ensure employees are motivated. One major benefit from the nature of this type of culture is that it constitutes of strong and fast culture members. However, a major disadvantage of this culture type is that it can result in poor quality products and services of everything done too fast. Moreover, fast decision making can result in poor decisions and ultimately the downfall of an organization which means that quantity of activity does not always guarantee success (Deal & Kennedy, 1982).

The third culture, the process culture involves minimal risk levels and slow unreliable feedback. This culture is mostly found in banks where there are strong work regulations and a rigid work flow system. Employees are given work for almost every issue and thus are not really involved in any risks of decision making. The major disadvantage with this culture type is that emergency problems and challenges cannot be handled fast as it involves formulating a new work flow system to address the issue. A major advantage of this culture is that if employees adhered to all given map fit the work flow, the have very little responsibility in their decision making which means there are no regular decisions which can impose risk on the company (Deal & Kennedy, 1982).

Last but not least is the Bet Your Company culture, which describes companies which have high decision making risk levels and very slow feedback on their investment. This culture is most prevalent in the industry sector. The perfect examples are big oil companies which build off shore oil rigs to explore a new source, when there is no certainty that the source is efficient or even if the investment is profitable. This example portrays the major risks in the project and the expected slow feedback. Thus, for such organizations, making the right decisions is detrimental. Typical rites of this culture involve highly qualified employees and many project meetings. Such companies take a lot of time before they make decisions and employee techniques to solve their questions as they analyze and evaluate their options before making the final decision (Deal & Kennedy, 1982).

2.2.2 Miles and Snow Typology

In their study of 1978, Miles and snow, alluded that distinct company strategies emerge based on the method the company chooses to adopt to address three vital problems; administrative, entrepreneurial and engineering (or operational) problems, Bruce Walters (2021). Administrative problems address how a company should formulate its structure such that it can manage to implement all strategies that help solve their problems. Entrepreneurial problems deal with the manner in which a company should manage its market share. Finally, engineering problems deal with the manner in which a company should implement its solutions to address their entrepreneurial problems. This typology postulates that in any competition, organization requires a strategy (Miles & Snow 1978). Furthermore, Miles and Snow postulated that there are four general strategies employed by different types of organizations; Prospector, defender, analyzer and reactor (Miles & Snow, 1978).

First, when an organization belongs in the prospector strategy category, they are expected to consistently innovate and develop new amazing products, as opposed to producing products which have been previously developed and sold in the market. Companies with a prospect strategy are innovative and are developers. Secondly, we have defender strategy companies. Like the name suggests, organizations that follow this strategy are satisfied with their products and current position in the market. Therefore, their biggest goal is to defend this position without any intention of producing new products or invest any more time or money to improve their market position. The members of this organization simply sit back and reap the rewards of their previous productions. Thirdly, are the analyzer strategy companies, most of which tend to be a blend of the first two categories. These companies have the capacity to develop and innovate new products, as well as defend their current products and their position in the market. Thus, tend to be some of the biggest companies in the market. The final category, the reactor category, constitutes of organizations with no specific business approach. These organizations simply react to the market changes and try to catch up with other organizations. Thus, no organization wants to belong to this category (Miles & Snow, 1978).

As miles and Snow envisioned, prospector companies are aggressive and highly innovative. Similarly, they are mostly led by younger driven and flexible managers with a solid engineering background. Surprisingly, these companies do not have a broad market definition, flexible production systems, have an unstable customer base as Miles and Snow predicted. Thus, this might be an industry effect since all firms in this category recorded similarly low dimensions on the same. Most analyzers with a few exceptions fit in this model. Since analyzers practice both activities of the prospect and defend strategies, their managers have the longest tenures of 12 years, and background knowledge in production, marketing, and engineering. Despite the fact that it is encouraging for analyzers and prospectors to have practices that closely resemble the model, there exist multiple internal inconsistencies between the findings of the defender and the defender predictions of Miles and Snow. Seven of the entrepreneurial and engineering dimensions went contrary to the theory's predictions. These are: market definition, environmental monitoring, specificity of production, employee's skills, philosophy forward production, the number of variety of products, the number of products with multiple varieties, and the budget of both research and development (Miles & Snow, 1978).

2.3 Empirical Review

This section explores on related works publications that have scrutinized the subject of impacts of organization culture on strategic reactions of commercial banks in Kenya.

Gichori (2019), conducted a study analyzing the influence of employing management strategic changes and its impact the performance of commercial Banks. Findings of the study, demonstrated that without incorporating strategic change management practices performance of organizations will drop. This actually indicates that strategic change management practices positively affect how Kenya Commercial banks perform. The elements of strategic change management considered in this research comprised of change in practices in organizational culture, technological transformation, organizational structure and organizational leadership. Based on a structure of a business, the research revealed a positive relationship with performance that the company's structure is flexible to change.

In his view paper on organizational culture and organizational performance, Abu-Jarad (2015), discovered that involvement culture significantly influences employee performance. Basically, employees develop a sense of belonging in the organization especially because they know that their opinions are considered in decision making within the organization. Moreover, apart from being involved in decision making, the authority is delegated to ensure that employees work comfortable and have access to all the information they require, which results in improved employee performance. Similarly, consistency within an organization promotes employee performance. It is characterized by an ethical code that monitors behavior and distinguishes right from wrong while simultaneously giving clear and consistent values which govern how the business functions. This implies that whenever there is a conflict, it is resolved since core values are highly observed. The results depict that distinguished types of bank ownership dictates how banks set their distinguished strategies and also it gives both direction and meaning to the work of the employees, and ultimately improves their job performance. The review paper also concluded that, involved culture improves employee performance. Therefore, any organizations that wish to improve employee performance should ensure that their opinions are considered when making decisions that affect not only their work, but the entire organization. Additionally, information should be vastly shared to ensure that every employee gets the information they need to make the right decisions.

Muthoni (2014), conducted a study investigating the effects of organizational culture on the execution of strategies in commercial banks in Kenya. Her study established that majority of these banks claimed that their organizational culture is flexible enough to allow the bank to adopt changes. Bank culture is anchored on values, behavior, practices and norms, all which are strategies that contribute to the banks' power and effectiveness.

Gordon (2021), studied on industry determinants of organizational culture. He found that nature of the banking significantly influences corporate culture. Furthermore, his study indicated that while other theorists stated that there were some performance problems led to cultural change, it actually arises as a result of a changes in industry environment, which contribute to a dysfunction between the culture and the demands of the industry.

Maina (2016), conducted a study in regard to the influence organizational culture has on the general performance of commercial banks in Kenya. Based on the findings, employees believed their organization had a culture that controlled all operations. These employees had shared norms, beliefs and values, while their organizations were anchored on the important values of consistency, adaptability and effective communication system. Moreover, these employees felt they belonged and even identified with themselves, which promoted their general job performance while biding by the stipulated work ethics. The results depicted that most commercial banks had developed a culture which impacted on the behavior of their employees. Also, employees uphold personal habits while working, and are monitored by the full strategic plan of the organization. Similarly, they complete the various tasks assigned to them while maintaining the desired standards, and still ensuring they put in their maximum efforts. Additionally, there stood a bigger accountability for the final results of the organization, employees always worked proactively to any organizational threats linked with the various policies and code of conducts that must be adhered to for organizations to achieve their set objectives. Thus, the findings of the research proved that there was a direct relationship between organizational culture and organizational performance.

A study by Francis and Thomas (2014) on moderating effect of organizational culture on the performance strategy, organizational culture has an effect on decision making and on the other activities at all levels within the organizational. Also, it is the ability to shape the capacity of an organization such that it is flexible to change, and also affect the speed and efficiency of its functions (Desson & Clouthier, 2010). Furthermore, it is a fact that for an organization's culture to be strong enough to change and improve its general effectiveness and efficiency, it must have the ability to provide an organization with strategic competitive advantage, and simultaneously have beliefs and values that are widely shared and observed within the organization (SHRM, 2012). Furthermore, literature review suggests that culture imposes a huge impact on the success of organizational projects because affects governance, project orientation, responsibilities and training roles, Mochal (2003), all aspects which greatly contribute to a complete turnaround of strategy implementation. Henceforth, organizational culture has a moderating effect on the implementation of the turnaround strategy of business re-engineering.

Mwenga (2018), study on strategic response to change in business environment by commercial banks revealed that, administrative delays paper work; redundancy and management challenges affect commercial banks in Kenya at a moderate extent while customer expectations and change resistance by employees affect commercial banks to a large extent. This study indicates that, the major internal environment factors that influence culture in commercial banks are customer expectations and change resistance. This finding indicates that the major external environment factors that affect culture in commercial banks in Kenya are changes in information technology, taxation by county and central government's, unfair competition and prudential regulations, legal changes, corruption, economic performance and inflation respectively. The results on response strategies established that retrenchment, agency banking, technology transfer, closing of branches, use of corporate governance principles, adherence to rules and regulations, expansion into new markets, research promotion and insurance and transfer of risk. Strategies were used to moderate extent by banks. The findings also revealed that staff training, consultancy, innovation and ICT deployment, effective capacity utilization, customer relationships management diversification to other sectors like bank assurance, strategic partners' management and aggressive marketing strategies were used to a large extent in affecting culture in commercial banks.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was employed to investigate the effect of organizational culture on strategic reactions of Kenyan commercial banks. It elaborates on the research design, study population and processes for information gathering and analysis.

3.2 Research Design

The study used a descriptive cross-sectional survey design. The design is used to collect information on a population at a particular point in time. This study was about identifying effect of organizational culture on strategic reactions of commercial banks of Kenya. Therefore, a cross sectional survey was the best suited to carry out this study as these types of surveys are based on a single examination of a cross section of population at a particular point in time. In addition, a high reliability was easy to achieve by giving standardized stimuli to all subjects, this greatly eliminates subjectivity (Mugenda & Mugenda, 1999). In this type of research study, the entire population was used to provide the data which is then used to answer research questions on interest (Robson, 2002).

3.3 Population of the Study

A population is defined as an aggregate observation of subjects grouped together by a common feature (Sutanapong, 2015). In this case, the research population consisted of all commercial banks licensed by the Central Bank of Kenya to carry out business in Kenya and also that participate directly in the clearing house. There are 46 registered banks according to the Central Bank of Kenya website update dated 16th March, 2021. Given that their number is not high, a census study was conducted. The population of interest was not considered large. Therefore, a census on the 46 registered banks was carried out.

3.4 Data Collection

Data was collected from a target population of all the 46 commercial banks based in Nairobi County (See appendix II). Primary data was collected through close-ended questionnaires. The questionnaire was made of two sections, that is, organization culture and strategic reactions. The target respondents was business development managers and operation managers or business development officers who are charged with the responsibility of strategy reactions. The researcher took the respondents through the questionnaire since the questions were not many. The questionnaires was issued through the drop and pick method. Afterwards, researcher reasoned with the respondents such that they only get a day to fill the questionnaires such that they are collected the following day. This is a variation to the usual questionnaires which are issued to the respondents' who then fell them and post or mail them back to the researcher.

3.5 Data Analysis

Data analysis centers on the process of inspecting, cleaning, transforming and modeling data with the objective of attaining useful information, making conclusions and contributing in the decision making process. There are multiple facets and approaches with distinguished techniques used to analyze data. Data analysis is generally divided into descriptive statistics, exploratory data analysis and confirmatory data analysis (Gonick, 1993). The researcher employed descriptive statistics. Descriptive statistics is the statistical description of the data set. The most commonly used descriptions are: mode, mean, median, standard deviation, and variance. Regression model was also be used to predict the effects of organizations culture on strategic reactions of commercial banks in Kenya (Lauret, 2015).

The simple linear regression equation would take the form of below equation;

$$y=a+bx+u$$

Where:

Y – Strategic reactions

X – Organizational culture

a- Intercept

b- Slope

u- Regression residual.

CHAPTER FOUR:

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The purpose of this study was to determine effects of organizational culture on strategic reactions of commercial banks in Kenya. The findings are discussed in three sections; Respondent background information, strategic reactions in commercial banks in Kenya and effects of organizational culture on strategic reactions. It also explains the results of the study.

4.2 Response Rate

This section introduces the questionnaire issued and the ones that were returned to the researcher for analysis. The return rate from the study as per the questionnaire received is presented in Table 4.1.

Table 4.1 Response Rate

Questionnaire	Frequency	Percent (%)
Distributed	46	100
Returned	40	87
Unreturned	6	13

Source: Research Data (2021)

As shown in Table 4.1 46 questionnaire were distributed to the respondents. Of the total number of questionnaire distributed, 40 were duly filled out and returned. This response rate was considered valid and consistent with Mugenda and Mugenda (2003), who suggests that any response rate above 50% is generally representative for descriptive study. Therefore, the 87% response rate reflected in the study was sufficient to enable the researcher to draw a conclusion and generalize the study results.

4.3 Objective of the study

The objective of the study was to establish effects of organizational culture on strategic reactions of commercial banks in Kenya. The research results are presented in accordance with the study purpose.

4.4 Demographic characteristics

This section shows the results on the descriptive analysis. The results presented are related to the the nature of the bank ownership, duration the bank has operated, the population the bank has and the department the interviewer is operating in. Demographic characteristics were considered important in providing relevant background for respondent's data. They were also important because affected the respondents' understanding of the relationship between the study variables.

4.4.1 Distribution of Respondents by the Nature of the Bank Ownership

The classification of the respondents according to the nature of the bank ownership is presented in Table 4.2

Table 4.2: Classification of the Respondents According to the Nature of the Bank Ownership

Nature of Bank ownership	Frequency	Percent (%)
Locally Owned	31	77.5
Both foreign and locally owned	8	20.0
Foreign	1	2.5
Total	**40**	**100**

Source: Research Data (2021)

It is evident from Table 4.2 that out of 40 respondents who participated in the study, 31 (77.5%) were locally owned, 8 (20%) were both locally owned and foreign owned and finally 1 (2.5%) was a foreign owned. Locally owned banks take the highest number, followed by both locally and foreign owned and last but not least foreign owned banks. The nature of bank ownership has different perceptions on organizational culture.

4.4.2 Distribution of Respondents by Staff Head Count in the Bank

The distribution of the respondents according to the population of the bank is presented in table 4.3.

Table 4.3 Distribution of the Respondents by Population of the Bank

Staff head count	Frequency	Percent (%)
Less than 200	13	32.5
200 – 300	9	12.5
300 – 400	9	12.5
400 - 500	5	12.5
Over 500	4	10
Total	**40**	**100**

Source: Research data (2021)

From the finding as shown in Table 4.3, revealed that those banks that had less than 200 staff represented 32.5%, followed by those who had between 200 and 300 staff with 27.5%. Those that had between 300 and 400 staff represented 20%, those that had 400 and 500 staff represented 12.5% and only 7.5% had over 500 staff. This implied that not many banks have attained the level of over 200 staff.

4.4.3 Distribution of Respondents by How Long the Bank Has Operated

Table 4.4 Distribution of Respondents by how long the Bank has been in operation

Duration the bank has operated	Frequency	Percent (%)
Less than 10 Years	1	2.5
10 – 20 Years	5	12.5
20 – 30 Years	10	25

30 – 40 Years	11	27.5
Over 40 Years	13	32.5
Total	**40**	**100**

Source: Research Data (2021)

As shown in the Table 4.4, 32.5% of the respondents were banks who have operated for over 40 years, followed by 30 – 40 years 27.5%, then 20 – 30 years 25%, and 10 – 20 years 12.5% and finally less than 10 years 2.5%. This means that the respondents for banks who have been in operation for long were adequately able to provide sufficient reliable information about study variables. Further interpretation pertaining to the duration the bank has operated of the respondents is that the higher the duration the bank has operated the higher the chances of experiencing effects on organizational culture thus presenting an opportunity to embrace the effects of organizational culture on strategic reactions of commercial banks of Kenya.

4.4.4 Distribution of Respondents According To Department

The findings in regard to department were obtained and the results were presented in Table 4.5.

Table 4.5 Distribution of Respondents According To Department

Department	**Frequency**	**Percent (%)**
Business Development	16	40
Customer Experience	12	30
Operations	8	20
Strategic Planning	3	7.5
Human Resource	1	2.5
Total	**40**	**100**

Source: Research Data (2021)

From the findings in Table 4.5, it is evident that 40% of the respondents were the ones serving in business development, followed by those who are in customer experience at 30%, then those in operations at 20%. Those who were serving in strategic planning represented 7.5% and finally those in human resource represented 2.5%. This can further be interpreted to imply that employees in business development are highly impacted by the effects of organizational culture on strategic reactions of commercial banks in Kenya, this is because they highly interact with the strategies put in place which either reacts to the organizational culture positively or negatively.

4.5 Organizational Culture and Organizational Commitment

The researcher pursued to investigate the level of commitment by the employees to the organization culture. The study set out to establish the respondents' level of agreement with selected indicators of organizational culture. The measurements were statements in which the respondents were to rate them on a Likert scale of 1 – 5 in which 1 symbolized strongly disagree while 5 symbolized strongly agree. The scores that was greater than 3 represented respondents' agreement with the statements on organizational culture and commitment while those that were less than 3 represented low agreement with the statements. A standard deviation that was greater than 1 represented a high respondent's variation with the statement. The discussion of this practice follows.

Table 4.6 present the results.

Table 4.6 Summary Statistics Regarding Organizational Culture and Organizational Commitment

Statements	**N**	**Mean**	**Std. Dev.**
Employees are encouraged to try new ideas and take risks to improve the bank business	40	3.23	0.97
Am satisfied that the organization's work is positively affecting the employees in the organization	40	3.43	1.26
When there is decision making, manager or supervisor share decision making power with you.	40	3.35	0.66

Communication from management is clear, transparent and frequent in regards to any culture amendment	40	3.08	0.94
Average		**3.27**	**0.96**

Source: Research Data (2021)

As per results in Table 4.6 the research established that employees are encouraged to try new ideas and take risks to improve the bank business (M=3.23) when decision making, manager or supervisor share decision making power with the employees. The low standard deviations imply that most respondents agreed with specific statements. Also, results revealed that communication from management is clear, transparent and frequent in regards to any culture amendment (M=3.08). The study found out that organization's work was positively affecting the employees in the organization (M=3.43, SD 1.26) from these the standard deviation is high (greater than 1) shows that there was a high deviation among the respondents. A mean of 3.27 from a 5 point scale indicated that majority of the respondents agreed to most of these statements.

4.6 Organizational Strategies

4.6.1 Rate on Prospector's Strategy

The study set out to establish the respondents' level of agreement with indicators of prospector's strategy. The responses were based on a 5 point scale of Strongly Disagree =1, Disagree =2, neither agree nor Disagree =3, Agree =4 and strongly agree = 5.

Table 4.7 Summary Statistics Regarding Prospector's Strategy

Statements	N	Mean	Std. Dev
New market opportunities are created in the Bank.	40	2.70	1.11

There is expanding of new line products and services in the Bank	40	3.20	0.82
The technology in the Bank is diverse, flexible and standardized	40	2.74	0.85
The business problems get a solution	40	3.18	0.75
Average		**2.96**	**0.88**

Source: Research Data (2021)

As per results in Table 4.7 it was shown that banks rarely create new market opportunities (M=2.7) but emphasize on expanding new line products and services in the bank (M=3.20). Also, the results revealed that the technology in the bank is not diverse, neither flexible nor standardized (M=2.74). Finally, the results revealed that in banks, the business problems get a solution but sometimes these problems do not get a solution. A mean of 2.96 from a 5 point scale and a standard deviation of 0. 88 indicated that majority of respondents were disagreeing to most of these statements.

4.6.2 Defender's Strategy

The study set out to establish the respondents' level of agreement with indicators of defender's strategy. The responses were based on a 5 point scale of Strongly Disagree =1, Disagree =2, neither agree nor Disagree =3, Agree =4 and strongly agree =5. Table 4. 8 presents the results.

Table 4.8 Summary Statistics Regarding Defender's Strategy

Statements	**N**	**Mean**	**Std. Dev.**
The Bank is stable and not bothering to seek new opportunities in the environment	40	3.28	1.09

The Bank is maintaining a line of products or services with a very narrow focus, protecting its domain with competitive prices or quality product and service.	40	3.13	0.88
Technology is directed to its restricted focus	40	3.30	0.97
The Bank usually reach the solution of engineering with the use of a core technology resulting in low-cost production	40	3.03	0.77
Average		**3.19**	**0.93**

Source: Research Data (2021)

Results in Table 4.8 showed that the bank is stable and not bothering to seek new opportunities in the environment (M = 3.28) but ensure they are maintaining a line of products or services with a very narrow focus, protecting its domain with competitive prices or quality product and service (M= 3.13). Also, the results revealed that banks technology is directed to its restricted focus (M=3.30). Finally results indicated that the bank reach the solution of engineering with the use of a core technology resulting in can either low-cost production or high-cost production (M = 3.03). A mean of 3.19 from a 5 point scale indicated that majority of respondents agreed to most of these statements with a slight deviation of 0.93.

4.6.3 Analyzer's strategy

The study set out to establish the respondents' level of agreement with indicators of analyzer's strategy. The responses were based on a 5 point scale of Strongly Disagree =1, Disagree =2, neither agree nor Disagree =3, Agree =4 and strongly agree =5. Table 4. 9 presents the results.

Table 4.9 Summary Statistics Regarding Analyzer's Strategy

Statements	N	Mean	Std. Dev.
The Bank is looking to add new products or services that are already established.	40	3.56	1.16

The Bank guarantees the viability of products before releasing them, avoiding high investments in Research & Development	40	3.37	1.04
Technology in the Bank is stable, flexible and standardized	40	3.31	0.93
The Bank maintains a constant monitoring of successes and failures of other competing banks	40	3.31	1.09
Average		**3.39**	**1.06**

Source: Research Data (2021)

Results in Table 4.9 showed that the bank is looking to add new products or services that are already established (M = 3.56), though it guarantees the viability of products before releasing them, avoiding high investments in Research & Development (M=3.37). More so, the results revealed that technology in the bank is stable, flexible and standardized (M = 3.31). Finally, results revealed that the bank maintains a constant monitoring of successes and failures of other competing banks (M = 3.31). A mean of 3.39 from a 5 point scale indicated that majority of respondents agreed to most of these statements with a slight deviation of 1.06.

4.6.4 Reactor strategy

The study set out to establish the respondents' level of agreement with indicators of reactor's strategy. The responses were based on a 5 point scale of Strongly Disagree =1, Disagree =2, neither agree nor Disagree =3, Agree =4 and strongly agree =5. Table 4. 10presents the results.

Table 4.10: Summary Statistics Regarding Reactor Strategy

Statements	**N**	**Mean**	**Std. Dev.**

Bank have a coherent plan to compete in the industry or mechanisms and processes to adapt to the market	40	3.72	0.89
Bank respond only when forced by competitive pressures to prevent loss of important customer and or maintain profitability	40	2.63	1.10
Leadership in the Bank is centralized	40	2.69	1.67
Average		**3.01**	**1.22**

Source: Research Data (2021)

According to the results in Table 4.10 showed that banks have a coherent plan to compete in the industry or mechanisms and processes to adapt to the market (M = 3.72), though this happens to bank when are forced by competitive pressures to prevent loss of important customer and or maintain profitability (M = 2.63). Finally results also indicated that Leadership in the Bank is centralized (M = 2.69). A mean of 3.01 from a 5 point scale indicated that majority of respondents were neutral to most of these statements with a slight deviation of 1.22

4.7 Correlation Analysis

Table 4.11: Correlation Matrix

		Organization Culture	**Strategic Reactions**
Organization Culture	Pearson Correlation	1	.855**
	Sig. (2-tailed)		0.000
	N	40	40
Strategic Reactions	Pearson Correlation	.855**	1
	Sig. (2-tailed)	0.000	
	N	**40**	**40**

Source: Research Data (2021)

The correlation results revealed that the independent variable organizational culture has a positive correlation with the dependent variable strategic reactions (r=0. 855, p=0.000). This implied that a positive change in the variable organizational culture would result in a positive change in strategic reactions.

4.8 Regression Analysis

Regression analysis was conducted to determine the influence of organizational culture on strategic reactions.

Table 4.12: Model of Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855a	0.731	0.724	0.26428

Source: Research Data (2021)

The results revealed an R^2 of 0.731 implying that the independent variable organizational culture explain 73.1% of the variation in the dependent variable strategic reactions. The remaining 26.9% could be explained by other variables not discussed in this study.

Table 4.13: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.226	1	7.226	103.459	0.000
	Residual	2.654	38	0.07		
	Total	9.88	39			

Source: Research Data (2021)

ANOVA results revealed that the whole model used in explaining the study phenomena was statistically significant (p=0.000).

Table 4.14: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.348	0.269		1.293	0.204

Organization Culture	0.828	0.081	0.855	10.171	0.000

Source: Research Data (2021)

The regression coefficients revealed that the relationship between the variable organizational culture and strategic reactions was positive and significant (β=0. 828, p=0.000). This indicated that a unit change in the variable organizational culture would result in 0.828 increase in strategic reactions. The findings agreed with the findings by Grant (2011), who found that strategic reactions require organizations to change their strategy to match the environment and to redesign their internal capability to match this strategy. This was also in line with Gichori (2019), who revealed a positive relationship with performance that the company's structure is flexible to change. Findings also concurred with Muthoni (2011), who asserted that organizational culture contribute to the banks' power and effectiveness. Francis and Thomas (2014), also found that organizational culture has an effect on decision making and on the other activities at all levels within the organizational.

The linear regression model was therefore confirmed as:

Strategic Reactions = 0. 348+0. 828 organizational culture

4.9 Discussion of Findings

The key purpose of the research was to find out the effects of organizational culture on strategic reactions of commercial banks in Kenya. The research used primary data and descriptive statistics shows that 72% of commercial banks are owned locally while 28% are owned by foreign investors. This implies that Kenyan entrepreneurs have dominated the market while also allowing for international entrepreneurs who may bring about new dimensions of organizational culture. In addition, 60% of commercial banks can be categorized as small in size based on the number of staffs they have, indicating that the banks are still growing. These commercial banks have less than 300 employees. Furthermore, the study established that 60% of commercial banks which is more than half of the entire population have operated for more than 30 years. This imply that majority of commercial banks have experienced a number of effects of organizational culture on strategic reactions since they have operated for a long time. Based on the departments, the study discovered that 70% the respondents where from business developments and customer experience. This is because, the employees in these departments were client facing thus directly feeling the effects of organizational culture on the strategic reactions.

Organizational culture has a strong influence on both the strategy development process as well as strategy implementation process. In strategy formulation phase, culture has a great influence on strategy choices while in the phase of its implementation, culture may be both be an inspiring culture factor as well as an insurmountable barrier. Organizational culture represents the framework of standards in which strategic decisions makers operate. Cultural assumptions, values and norms shared by everyone in the bank provide a framework that covers the perception, interpretation and conclusions of all the people in the bank including the execution of strategic analysis and the generation and selection of strategic options. The effect strategy on commercial banks culture depends on the compatibility on cultural values and norms, on the one hand, and on the other hand the operational activities that result from implementation of a specific strategies. If the formulated bank strategy means carrying out activities that are in harmony with the existing cultural values the strategy will have a positive influence on the existing organizational culture, in a way that further enhances that value. Organizational culture determines how top management collects information, recognizes and interprets the environment and the bank resources, but it also influences how strategic decisions are made. The results of organizational culture showed that, not all banks have embraced the culture of risk taking decentralization of decision making and effective communication.

Strategy influences organizational culture by institutionalizing or deinstitutionalizing it according to its compliance with cultural values and norms. If activities through which the selected strategy is operated and implemented corresponds to cultural values and norms, the strategy will institutionalizes and strengthens the existing culture. By aligning cultural values and norms with the selected strategy, employees and managers can reassure the properness of organizational culture. Thus, the implementation of strategy, which is compatible with the existing organizational culture, strengthens this culture. In this process, culture is institutionalized through strategy. If newly formulated strategy requires employees and managers to perform jobs and tasks in a way which does not correspond to the values and norms of the existing organizational culture, two situations may occur. One is related to the situation in which organizational culture becomes a barrier to new strategy implementation. However, if the pressure of top management to implement the selected strategy prevails, it may change the existing organizational culture. In this case, strategy deinstitutionalizes the culture and thus initiates the process of its change.

Strategy influences organizational culture by institutionalizing or deinstitutionalizing the culture depending on the conformity with cultural values and norms. If activities through which the selected strategy is operationalized and implemented are in conformity with cultural values and norms the strategy will institutionalize and strengthen the existing culture. Conformity of cultural values and norms with the selected strategy reassures the employees and managers in the properness of organizational culture. In this way, implementation of strategy, compatible with the existing organizational culture, will strengthen this culture. In this process, culture becomes institutionalized through strategy. If newly formulated strategy requires employees and managers to perform jobs and tasks in a way which is not conformity with values and norms of the existing organizational culture, two situations may develop. One, refers to the situation in which organizational culture becomes a barrier to new strategy implementation. However, if the pressure of top management to implement the selected strategy prevails, it may change the existing organizational culture. In this case, strategy deinstitutionalizes the culture and thereby initiates the process of its change.

By radical strategic shift, company management forces employees to act, during a certain time period, in a way incompatible with the common cultural assumptions, values and norms. Thereby, management leads employees in to the state of cognitive dissonance. It is an unpleasant state in which values important to an individual are inconsistent with the behavior he / she is forced to do. People feel that they need to be consistent and act on their beliefs, so try to get out of cognitive dissonance as soon as possible. They may do so in two ways. First, they may strictly adhere to their values, which are determined by the existing culture, and therefore return to the previous actions, in response to their values. This situation was already described as a situation in which organizational culture impedes the implementation of strategy or leads to strategic changes and cultural adaptations. However, the new members of organization may also leave the state of cognitive dissonance by abandoning their existing values and norms and accepting new ones, which justify the new actions forced on them by the new strategy. Massive handling with the state of cognitive dissonance of the members of organization in this way will lead changes in organizational culture. Therefore, if management continues to implement the new strategy the employees will have no other choice but to change their values and norms to accommodate the new strategy. Eventually, the result would again be harmony between culture and strategy, but a new culture will emerge that justifies the new strategy. In this way strategy shapes a new organizational culture.

The results revealed that, there were varying responses regarding the aspects of prospector's strategy, defender's strategy, analyzer's strategy and the reactor's strategy. Regarding the prospector's strategy it was revealed that the majority of the banks have not been able to create new market opportunities or even expand to new line products and services. More so the technology in the most of the bank is not diverse, flexible and standardized. On the defender's view it was revealed that the majority of the banks have failed to create new market opportunities since they are stable. More over failure to expand to new line products and services was defended as a way of protecting the banks domain with competitive prices or quality product and service. Moreover according to the defender's strategy the technology in the banks is directed to its restricted focus and the banks usually reach the solution of engineering with the use of a core technology resulting in low-cost production.

The responses on the analyzer's strategy indicated that the bank are looking to add new products or services that are already established and they guarantees the viability of products before releasing them, avoiding high investments in Research & Development. The bank also maintain a constant monitoring of successes and failures of other competing banks. The responses for the reactor's strategy revealed that majority of the banks have a coherent plan to compete in the industry or mechanisms and processes to adapt to the market. The results also revealed that the bank have are responsive and have also attained decentralization. The results further revealed that organizational culture of commercial banks in Kenya positively correlate with the prospector's strategy, defenders strategy, analyzers strategy and the reactors strategy. Moreover, the organizational culture positively affect the prospector's strategy, defenders strategy, analyzers strategy and the reactors strategy. This implied that a positive change in organizational culture would also lead to a positive change in the prospector's strategy, defenders strategy, analyzers strategy and the reactors strategy. More so according to the defenders strategy the technology focused and is used to solve business problems resulting in low-cost production.

The findings agreed with the findings by Grant (2011), who found that strategic reactions require organizations to modify their strategy to match the environment and to redesign their internal capability to comply with that strategy. This was also in line with Gichori (2019), who revealed a positive relationship with performance that the company's structure is flexible to change. Findings also concurred with Muthoni (2011), who asserted that organizational culture contribute to the banks' power and effectiveness. Francis and Thomas (2014), also found that organizational culture has an effect on decision making and on the other activities at all levels within the organizational.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to determine the effects of organizational culture on strategic reactions of commercial banks in Kenya. The data was collected from banks representatives using questionnaires. This chapter provides a summary of the results, conclusions and recommendations. The summary of the findings together with the conclusions and the recommendations thereof was provided in this chapter. The chapter also describes the limitations of the study and also the suggestions for further research.

5.2 Summary

The results of the study showed that there was a different reaction to the organizational culture of commercial banks in Kenya. The responses showed that not all commercial banks in Kenya have achieved decentralization of decision making and majority did not embrace their culture. Moreover it was clear that not so many of the commercial banks in Kenya have achieved effective communication of culture changes hence the culture has no positive impact on employees.

The results on the effect of organizational culture on prospector's strategy and has a positive effect on it. It was also revealed that according to the prospector's strategy the majority banks have not been able to create new market opportunities or to expand of new line products and services. More over for most of the banks technology is not diverse and also lacks flexibility and standardization hence the banks fail to get solution to most business problems which could have been solved through diversity flexibility and standardization of technology.

The findings on the effect of organizational culture on defenders strategy also showed a positive correlation between organizational culture and defenders strategy. The results also showed that organizational culture has a positive effect on the defenders strategy. The view from the defender strategy showed that the banks have failed to create new market since they are stable. The banks also avoid expanding the product and services line in order to protect their competiveness in terms of process and quality of products and services.

The results further showed that organizational culture and analyzers strategy have a positive correlation. Organizational culture was also found to have a positive effect on the analyzers strategy. The results revealed that on the view of the analyzers strategy the bank are looking to add new products or services that are already established and they guarantees the viability of products before releasing them, avoiding high investments in Research & Development. The analyzers strategy also revealed that the banks maintain a constant monitoring of successes and failures of other competing banks.

Finally it was revealed that there's a positive correlation between organizational culture and the reactors strategy. Organizational culture also has a positive effect on the reactors strategy. The responses for the reactors strategy revealed that majority of the banks have a coherent plan to compete in the industry or mechanisms and processes to adapt to the market. The results also revealed that the bank have are responsive and have also attained decentralization.

5.3 Conclusion

The outline of the empirical study and its theoretical elaboration show that strategies and organizational cultures are interdependent and that their mutual conformity and harmony bring advantage to the bank. Based on the findings above, the study came to a conclusion that commercial banks in Kenya have not adopted a culture that is aimed at decentralized form of leadership. The commercial banks in Kenya are also reluctant to take risks. The study also concludes that commercial banks.

On the effects of organizational culture on strategic reactions of commercial banks in Kenya the study concludes that organizational culture positively affects the defenders strategic reactions prospectors strategic reactions the analyzers strategic reactions and also the reactors strategic reactions. The study concludes that improved organizational culture by commercial banks would result in improved strategic reactions by the prospector's defenders analyzers and the reactors.

5.4 Recommendations

The basic recommendation to management regarding the relationship between strategy and organizational culture is that they must find a way for these two fundamental company management elements to be harmonized. This can be achieved in two basic ways. First, company management needs to take cultural assumptions, values and norms into account when developing strategy to ensure that new strategies comply with them in advance. To be able to do this management must, run and scan the organizational profile of commercial bank during the strategic analysis phase. In addition, the strategic selection phase requires management to be ready to adapt their strategy to the existing culture of commercial banks. On the other hand if management is forced to choose a strategy that contradicts the existing culture, it must be ready to close the cultural gap during the implementation of the strategy achieved by changing the existing culture. In order to do this management must have skills and knowledge of how to change the organizational culture in a planned manner.

The study also recommends that the Kenya Bankers Association as a regulator that oversees the operations of commercial banks in Kenya, should support the commercial banks in Kenya in implementation of organizational cultures that has positive impact of the strategic reactions. The association is encouraged to develop guidelines that promote leadership diversification and reject cultures that adversely affect banks. It also needs to support the banks with effective cultural training and guidance that the banks should adopt.

5.5 Limitations of the Study

The study faced the limitation of some of the respondents being reluctant in providing the desired information because of worry of intimidation form their seniors. However, the respondents were assured that the information they provide will not be disclosed to any third party and also the respondents were not required to indicate any identification in the questionnaires.

The study also faced a limitation of reaching out to the respondents due to COVID-19 restrictions. This was addressed by avoiding close contact and allowing respondents to fill in the questionnaires and send via email.

The scope of the study was restricted to the commercial banks in Kenya and it implies that the findings would not need to be generalized to other sector players. The regulatory environment of commercial banks is more stringent compared to other industries and this might influence the type and frequency of changes being undertaken by sector

5.6 Suggestions for Further Research

Since the study geared toward assessing the effect of organizational culture on strategic reactions of commercial banks in Kenya future studies may be performed among other financial institutions such as the microfinance institutions and the SACCOs. These will help in assessing the culture that such institutions have adopted and how this has affected their strategic reactions. Hence there will be comparisons and also the findings would act as a guide to these institutions.

The study also recommends that other variables be adopted by future researchers who wish to further this research. This will help to address the gap in literature regarding other aspects of strategic reactions that could be affected by organizational culture. Further the study variable did not explain 100% of the variation in various strategic reactions future studies could therefore look at other variables that could explain strategic reactions of commercial banks in Kenya.

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APPENDIX I

QUESTIONNAIRE

Kindly provide requested information in the questionnaire by putting a tick (✓) on one of the options

SECTION A: DEMOGRAPHIC INFORMATION

1. What is the nature of bank ownership

a) Locally owned ( )

b) Foreign ( )

c) Both foreign and locally owned ( )

2. What is the staff head count in your bank

a) Less than 200 ( ) b) 200 – 300 ( )

c) 300 – 400 ( ) d) 400 - 500 ( )

e) Over 500 ( )

3.How long has the bank operated

a) Less than 10 year ( ) b) 10 -20 ( )

c) 20 -30 ( ) d) 30 -40 ( )

e) Over 40 ( )

4. What department are you in

a) Business development ( )		b) Customer Experience ( )

c) Strategic planning ( )		d) Operations ( )

e) Human Resource ( )

SECTION B: RATES ON ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT

Kindly indicate number 1 to 5 as appropriate on below table. Strongly Disagree =1, Disagree =2, Neither agree or Disagree =3, Agree =4 and Strongly agree =5

	Strongly Disagree	Disagree	Neither agree or Disagree	Agree	Strongly Agree
Employees are encouraged to try new ideas and take risks to improve the bank business.					
Are you satisfied that the organization's work is positively affecting the employees in the organization?					
When there is decision making, manager or supervisor share decision making power with you.					
Communication from management is clear, transparent and frequent in regards to any culture amendment.					

SECTION C: Rate on Organizational Strategies

Section C1: Rate on Prospectors strategy

Kindy indicate the rate of agreement by indicating 1 to 5 as appropriate on below table. Strongly Disagree = 1, Disagree = 2, Neither Agree or Disagree = 3, Agree = 4 and Strongly Agree = 5

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
	1	2	3	4	5
New market opportunities are created in the Bank.					
There is expanding of new line products and services in the Bank.					
The technology in the Bank is diverse, flexible and standardized.					
The business problems get a solution.					

Section C 2: Rate on Defenders strategy

Kindy indicate the rate of agreement by indicating 1 to 5 as appropriate on below table. Strongly Disagree = 1, Disagree = 2, Neither Agree or Disagree = 3, Agree = 4 and Strongly Agree = 5

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
	1	2	3	4	5
The Bank is stable and not bothering to seek new opportunities in the environment.					
The Bank is maintaining a line of products or services with a very narrow focus, protecting its domain with competitive prices or quality product and service.					
Technology is directed to its restricted focus.					
The Bank usually reach the solution of engineering with the use of a core technology resulting in low-cost production.					

Section C 3: Rate on Analyzers strategy

Kindy indicate the rate of agreement by indicating 1 to 5 as appropriate on below table. Strongly Disagree = 1, Disagree = 2, Neither Agree or Disagree = 3, Agree = 4 and Strongly Agree = 5

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
	1	2	3	4	5
The Bank is looking to add new products or services that are already established.					
The Bank guarantees the viability of products before releasing them, avoiding high investments in Research & Development.					
Technology in the Bank is stable, flexible and standardized.					
The Bank maintains a constant monitoring of successes and failures of other competing banks.					

Section C 4: Rate on Organizations Reactor strategy

Kindy indicate the rate of agreement by indicating 1 to 5 as appropriate on below table. Strongly Disagree = 1, Disagree = 2, Neither Agree or Disagree = 3, Agree = 4 and Strongly Agree = 5

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
	1	2	3	4	5
Bank have a coherent plan to compete in the industry or mechanisms and processes to adapt to the market					
Bank respond only when forced by competitive pressures to prevent loss of important customer and or maintain profitability					
Leadership in the Bank is centralized					

APPENDIX II
LIST OF COMMERCIAL BANKS IN KENYA

Classification	Commercial banks
Tier I	1. Absa Bank Kenya PLC
	2. Equity Bank Kenya Limited
	3. KCB Bank Kenya
	4. Standard Chartered Bank
	5. Cooperative Bank of Kenya
	6. NCBA Bank Kenya PLC
	7. Diamond Trust Bank
Tier II	8. Bank of Africa Limited
	9. Eco Bank
	10. Family Bank
	11. CFC Stanbic
	12. I & M Bank
	13. National Bank
	14. Bank of Baroda (Kenya) Limited

	15. Bank of India
	16. HFC Limited
Tier III	17. Habib A.G Bank
	18. Sidian Bank
	19. Credit Bank
	20. Citibank N.A Kenya
	21. Spire bank
	22. Jamii Bora Bank
	23. Prime Bank
	24. Fidelity Bank
	25. Development Bank of Kenya
	26. Middle East Africa
	27. SBM
	28. Access Bank (Kenya) PLC
	29. Dubai Bank
	30. Africa Bank Corporation Limited
	31. City Finance Bank

32. Paramount Bank

33. Consolidated Bank

34. Guardian Bank

35. Habib Bank (K)

36. Gulf African Bank

37. First Community Bank

38. Giro Commercial Bank

39. United Bank of Africa

40. Victoria Commercial Bank

41. Charter house Bank Limited

42. DIB Bank Kenya Limited

43. Guaranty Trust Bank (K) Ltd

44. Kingdom Bank Limited

45. Mayfair CIB Bank Limited

46. M -Oriental Bank Limited