

**ORGANIZATIONAL CULTURE, TRANSFORMATIONAL LEADERSHIP  
AND FIRM PERFORMANCE OF MICRO FINANCE INSTITUTIONS IN  
KENYA.**

**BY**

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## DECLARATION

### Declaration by the Student

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**DEDICATION**

*I dedicate this project to my family and friends.*

## **ACKNOWLEDGEMENT**

First and foremost I thank Almighty God for the gift of life and the far He has brought me. Second, I recognize the immense input and assistance put in from my supervisors Dr. Philip Bii and Dr. Rotich Stephen for their tireless effort in reading this proposal. Their invaluable effort is appreciated. Lastly, my family thanks for your support and understanding during this study period.

## ABSTRACT

Organizations are constantly facing an increasingly dynamic environments characterized by considerable and often unpredictable economic, technological and political change. The main objective of this study is to assess the effect of leadership on the relationship between organizational culture and performance. The specific objective are; to determine the effect of involvement, consistency, adaptability and mission on organizational performance of micro finance institutions in Kenya. The study adopted descriptive research design. The target population consist of 43 micro finance institutions in Nairobi town with 236 cadre of employees in total. The study will use random sampling technique. The sample size consisted of 108 employees. The type of data used was primary collected using self-administered questionnaires. Data was analyzed using both descriptive statistics and inferential statistics. The research findings indicated that organizational culture significantly relates to organizational performance. The study established that transformational leadership significantly affects the relationship between organizational culture and firm performance of the micro finance institutions in Nairobi. The study informs management on how culture influences organizational performance by providing empirically tested evidence and the role leadership play. The study recommends that organizations should instill a culture in its employees as this enhances the performance. The findings provided some guidance for future direction to all of stakeholders for their business sustainability in the competitive business environment. It is also recommended that transformational leadership should be practiced in the firms as it was found to affect the relationship between organizational culture and performance.

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## OPERATIONAL DEFINITION OF TERMS

**Organizational Performance:** organizational performance as the degree of accomplishment of work or mission as measured in terms of work effectively. Cascio (2014)

**Organizational Culture:** a pattern of basic assumptions that a group has invented discovered or developed in learning to cope with its problems of external adaptation and internal integration (Schein, 1990).

**Consistency:** Consistency is the organization's core values and the internal systems that support problem solving, efficiency, and effectiveness at every level and across organizational boundaries.

**Adaptability:** is the ability of the company to scan the external environment and respond to the ever-changing needs of its customers and other stakeholders

**Mission:** is the degree to which the organization and its members know where they are going, how they intend to get there, and how each individual can contribute to the organization's success.

**LIST OF ABBREVIATIONS AND ACRONYMS**

|       |   |                              |
|-------|---|------------------------------|
| ANOVA | : | Anaylsis of Variance         |
| CBK   | : | Central Bank of Kenya        |
| EPS   | : | Earnings per Share           |
| MAR   | : | Missing At Random            |
| MCAR  | : | Missing Completely At Random |
| MNAR  | : | Missing Not At Random        |
| MVA   | : | Missing Value Analysis       |

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Overview**

This chapter introduces the study by providing the background to the study, statement of the problem, research objectives, hypotheses and significance of the study. It concludes with the scope of the study.

#### **1.1 Background of the Study**

Organizations are constantly facing an increasingly dynamic environments characterized by considerable and often unpredictable economic, technological and political change. The manner in which organizations respond rapidly to such changes will ultimately have an influence on organizational performance. Organizational performance is defined as firm performance the outcome of adapting useful management process (Mandy, 2009). According to Davood and Morteza (2012) sees firm performance as the ability of a firm to generate acceptable result and actions. Hence, firm performance is an essential issue in business activities which needs tolerable planning and dedication.

According to Mandy (2009) firm performance is considered to be the outcome of adapting useful management process. He posits that organizational performance can be measured using a number of criteria's; which includes effectiveness, efficiency, growth and productivity. Oliyo (2014) organizational effectiveness may be measured in terms of financial, operational and behavioral measures respectively. First, financial measures may include profitability and growth, which in turn can be used in assessing the financial performance of an organization. Secondly, the operational measures include productivity, resource acquisition, and efficiency and employee reaction on workflow

as well as work support in organizations. Third, behavioral effective measures are made up of adaptability, satisfaction and good communication can be used to assess individual performance. This therefore study will adopt the use of effectiveness in terms of efficiency as a measure of organizational performance.

Research on organizational performance has attracted a lot of attention in academic literature. Tannenbaum and Kahn (2000) postulated that a firm's effectiveness is the capacity of the organization to successfully cope with the resources for the accomplishment of the specified goals. Consequently a shared purpose of the organisation could start with matching its resources with its goals and objectives and its achievement will depend in part on the fit between individuals and the culture of the organisation. The study therefore is study the relationship between organizational culture, leadership and firm performance.

Schein (1990) defined organizational culture as a pattern of basic assumptions that a group has invented discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive or think and feel in relation to those problems. Given that today's organisations are characterized by fast moving environment and internal workforce diversity, the management of culture in increasing organization's effectiveness cannot be underrated as supported. Chow (2001), stated that organisational culture influences a range of organizationally and individually desired outcomes such as commitment, loyalty, turnover intent and satisfaction leading to firm's effectiveness.

The relationship between organizational culture and firm performance has a relatively long tradition in organization studies. In the early days, organisational culture was

believed to become the explanatory factor behind the excellent companies in the US. However, there is considerable debate relating to whatever the choice of performance approach in any organisational research. Deter et al. (2000) asserted that organisational performance can be well explained by intangible organisational elements. In this regards, Wilderom and Van den Berg (1998), and Wilderom and Van den Berg (2000), employing five dimensions, namely empowerment/autonomy, intergroup orientation/interdepartmental cooperation, improvement orientation, external orientation, and human-resource orientation lent support to the relationship of organisational culture and organisational performance.

Research done by Oparanma (2010) in Nigeria establish that organisational culture is an important variable to be deliberated when organizational performance in consideration. According to the results of Duke II & Edet (2012), there is positive association between organisational culture and performance. Zheng et al., (2010) reported that the positive effect of organisational culture on organisational effectiveness. Some studies found that there is strong link between organizational culture and performance (Muhammad & Muhammad, 2011) and his makes it relevant to study organizational culture and performance. Thus, organizational performance is dependent upon the culture of the organization, since it is a clear indicator of the survival of the business (Racelis, 2010).

Study done in Kenya by Kamau (2013) noted the existence of a significant relationship between organization culture and efficiency of service delivery. However, Lagat (2013) reported a weak association between organization culture and performance of SACCOs in Kericho County. Wambugu (2014) studied the effect of organizational culture on

worker performance in a Power Plant and found that organizational values had a more significant effect on organizational performance than other variables.

Despite of many studies done few if any empirical studies have established the role of leadership on the relationship between organizational culture and firm performance. Empirical studies and a number of meta-analyses have provided evidence of a positive relationship between transformational leadership and a range of employee outcome tested in different organizational settings (Judge and Piccoli, 2004; Dum Dum, Lowe and Avolio, 2002; Lowe, Kroeck, and Sivasubramaniam, 1996; Fuller, Patterson, Hester and Stringer, 1996). In addition, a meta-analyses by Piccoli et al., (2012) compared the relative importance of five leadership styles, namely; transformational, contingent reward, laissez faire, and initiating structure, and consideration in explaining job satisfaction and leaders effectiveness. The results showed that consideration and transformational leadership styles are the most important predictors of two employee outcomes. Barling, Weber and Kelloway (1996) agrees that training managers on transformational leadership behaviors resulted in significant increase in their subordinates' organizational commitment.

Even though prior research indicate relationship between organizational structure and firm performance. Most of the studies are done developed countries and less on developing countries. Moreover, no empirical study has involved leadership role as the moderator in the relationship between organizational culture and firm performance. Hence, this study seeks to establish the role of leadership on the relationship between organizational culture and firm performance in banks in Kenya.

The study will be guided by the theory of organizational culture of Denison is used. The theory focuses on four cultural traits: mission, adaptability, consistency and



involvement. In addition, the theory explains the cultural traits of organizational performance, while the practices of performance management sustain the view that the members of the organization benefit from the culture seen as a contextual factor.

## **1.2 Statement of the Problem**

The environment in which organizations operate in is dynamic characterized by considerable and often unpredictable economic, technological and political change. The Organizational culture is important therefore to enhance in enhancing organizational performance in this very in consistent environs. Therefore, there is need to promote a culture aligning organizational aspirations with the corporate objectives (Byrne & Hochwarter, 2012).

Although organizational culture has been correlated with performance, it has received relatively inadequate empirical investigation especially in commercial banks (Mckinono, 2003). Zain (2013) examined the effect of teamwork and communication on performance of organizations in Malaysia and found that these aspects of organization culture were significant determinants of general organizational performance. Shakil (2012) studied organizational culture in Pakistan in order to ascertain association between organizational culture and the practices adopted by the management. Using regression and correlation analysis, the study found out that organizational consistency and adaptability had significantly positive influence on performance management practices.

Lorraine, Dorai and Zubair (2011) investigated the influence of organizational culture on performance management in insurance industry. The results established some link between organizational culture and performance management. In Nigeria, Aluko (2004) studied the perceived effect of culture on performance of textile companies.

Using both qualitative and quantitative methodologies, the study reported that despite the kind of cultural backgrounds, workers appeared to have affirmative beliefs about work, organizational principles and personal attitudes.

Azhar (2003) asserted that the phenomenon which often distinguishes good organizations from bad ones could be summed up as “corporate culture.” He says that the well- managed organizations apparently have distinctive cultures that are, in some way, responsible for their ability to successfully implement strategies. He further observes that every organization has a culture (which often includes several sub-cultures) that exerts powerful influences on the behavior of employees and managers. Organizational Culture can be one of the most important means of improving organizational performance.

Research done by Njugi & Agusioma (2014) in Kenya established that different types of organizational cultures had different levels of acceptance of performance management. In a study in a government parastatal in Kenya, Musioka (2015) found a positive effect of organization culture on organizational performance. Kamau (2013) noted the existence of a significant relationship between organization culture and efficiency of service delivery. However, Lagat (2013) reported a weak association between organization culture and performance of SACCOs in Kericho County. Wambugu (2014) studied the effect of organizational culture on worker performance in a Power Plant and found that organizational values had a more significant effect on organizational performance than other variables.

It is this inconsistencies in the relationship between organizational culture on organizational performance that this study sought fill. Yusoffi (2011) agrees that despite the attention paid to organizational culture, most studies have not provided the

promised solutions. This is partially due to its complexity and the difficulties with defaming and measuring organizational culture. Hence, the study is seeking to establish whether there is leadership moderates the relationship between culture and organization performance of non-financial institutions in Kenya.

### **1.3 Research Objectives**

#### **1.3.1 General objective**

General objective is to moderate effect of transformational leadership style on the relationship between organizational culture and firm performance of Micro finance Institutions in Kenya.

#### **1.3.2 Specific objectives**

1. To establish the effect of organization culture on organizational performance of micro finance institutions in Nairobi County Kenya.
2. To assess the effect of transformational leadership on organizational performance of micro finance institutions in Nairobi County Kenya.
3. To determine the moderating role of transformational leadership and involvement on organizational performance of micro finance institutions in Nairobi County Kenya.

### **1.4 Research Hypotheses**

**H<sub>01</sub>** There is no significant effect of organizational culture on organizational performance of micro finance institutions in Nairobi County Kenya.

**H<sub>02</sub>** There is no significant effect of transformational leadership on organizational culture and organizational performance of micro finance institutions in Nairobi County Kenya.

**H<sub>03</sub>** Leadership has no moderating role on the relationship between organizational culture and organizational performance of micro finance institutions in Nairobi County Kenya.

### **1.5 Significance of the Study**

This study provides a number of benefits to a number of parties. Of great importance is the value of information content of this research finding to the development of policy and practice in management. It will help policy makers in the framework of making policies on organizational performance. Rich policy implications will be derived from this research. Practically, the study will be beneficial to management practitioners in making their managerial decisions regarding corporate culture and performance.

To the body of knowledge, the study contributes by providing empirical literature on corporate culture and performance. This can spur the generation and development of knowledge especially in emerging and African markets since as pointed most literature on corporate culture in western economies. The students also gain new knowledge and insight on the importance of leadership in particular in moderating culture and performance.

### **1.6 Scope of the Study**

The study will be conducted in Kenya, micro finance institutions. The study will focus on leadership in particular transformational leadership and its role on the relationship between culture and organizational performance. The organizational culture variables are involvement, consistency, adaptability and mission. The study will employ exploratory research design and data will be analyzed using regression analysis.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents theories that inform the study, a review of related literature on the concept of organizational performance, organizational culture variables, and the link between organizational culture and organizational performance. It will also review literature on variables of the study and finally present the conceptual framework.

#### **2.1 Theoretical Foundation of the Study**

##### **2.1.1 Schein's Theory of Organizational Culture**

The theory consists of three domains: basic underlying assumptions, espoused values, and artefacts. Artifacts are the surface level of an organizational culture, tangible, easily seen and felt manifestations such products, physical environment, language, technology, clothing, myths and stories, published values, rituals and ceremonies (James & Jones, 2005). Espoused beliefs and values include strategies, goals, shared perceptions, shared assumptions, norms, beliefs and values instilled by founders and leaders.

According to James and Jones (2005) basic underlying assumptions are the base level of organizational culture, and are the deeply-embedded, unconscious, taken for granted assumptions that are shared with others Any challenge of these assumptions will result in anxiety and defensiveness. This theory has been chosen to guide this study because it postulates that the basic underlying assumptions, espoused values and artefacts should be reflected in an organizational culture so as to promote organizational performance.

### **2.1.2 Trait and Factor Theory**

Parsons (1909) put forth a three-step schema forming the basis of the first conceptual framework of career decision making (Brown & Brooks, 1990a) and the foundation of the vocational guidance movement (Srebalus, Marinelli, & Messing, 1982; Super, 1983). Parsons' three-part model advocated personality analysis, where individuals gain an understanding of both their strengths and weaknesses of attributes or traits; job analysis, for instance given these traits, their conditions for success in occupations; and matching through scientific advising, make career choices based on the aforementioned information to provide the basis for career decision-making (Brown & Brooks, 1990a; Herr & Cramer, 1988; McDaniels & Gysbers, 1992). Parsons' formulations are often referred to as the basis of trait and factor theory (Brown, 1990b; Brown & Brooks, 1990b), but the work of Holland (1966, 1973, 1985) brought trait and factor theory to centre stage where it remains today. The trait theory will be used in this study to explain the moderating variable of leadership's role in moderating the relationship between organizational culture and performance.

### **2.2 Concept of Organizational Performance.**

Performance is defined as the ability (both physical & psychological) to execute a specific task in a specific manner that can be measured as high, medium or low in scale (Uddin et al., 2013). The word 'performance' can be used to describe different aspects such as societal performance, organizational performance, employee performance, and individual performance etc. Researchers (Roe, 1999) tend to identify two dimensions of performance: an action dimension (that is behavioral aspect) and an outcome dimension (i.e. performance aspect).

Cascio (2014) defined organizational performance as the degree of accomplishment of work or mission as measured in terms of work outcome, intangible assets, customer link, and quality services. While Kaplan and Norton (2001) concurs that organizational performance is the organization's capacity to accomplish its goals effectively and efficiently using available human and physical resources. This definition provides the justification for organizations to be guided by objective performance criteria when evaluating employees' work based performance. This is also helpful in evaluating the achievement of the organizational goals as well as when developing strategic plans for the organizations' future performance (Ittner & Larcker, 2012).

Although there is a range of behaviors that could be used for measuring performance, Borman and Schmit (2012) stress it is judgmental and evaluative processes that take a great deal of action when defining performance. Ittner and Larcker (2012) confers that organization performance is a broader concept whose indicators include productivity, quality, consistency, efficiency as well as relative measures such as management development and leadership training for building necessary skills and attitudes among the workers (Richard, 2002). Organizational performance can also be conceptualized in terms of net income, revenue, number of employees, physical expansion, increased market share and financial sustainability (Kotter, 2012).

Uddin et al., (2013) demonstrated that numerous attributes of organizational culture have significant positive influence over the performance of organization. The qualitative research facilitated the paper with its robust and in-depth observations. Through robust and in-depth observations, the paper explained how employees' beliefs, norms, gestures and all relevant aspects of organizational culture impacted on firm's performance. The findings of the paper significantly demonstrate both positive and

negative mannerism of culture which has significant consequences on employees as well as firms performance.

The degree of an achievement to which an employee's fulfill the organizational mission at workplace is called performance (Cascio, 2006). Performance has been perceived differently by various researchers, but most of the scholars relate performance with measurement of transactional efficiency and effectiveness towards organizational goals (Stannack, 1996; Barne, 1991).

### **2.2.1 Relationship between Involvement and Organizational Performance**

Involvement is the degree to which individuals at all levels of the organization are engaged in search of the mission and work in a collaborative manner to fulfil organizational objectives. This trait consists of building human capability, ownership and responsibility. Moreover, high performing organizations encourage new ideas and different solutions for solving problems. In addition, employees seek new and better ways to meet customer expectations on a continuous basis. Controlled risk taking is encouraged as the organizations learn from both successes and failures.

Olughor (2014) conducted a study in Nigeria on influence of culture in firm effectiveness in banking industry. The study adopted a survey design by administering 200 questionnaires. The study findings indicated that involvement has a positive and significant relationship with firm effectiveness in Nigerian banking industry. The study findings concurred with the literature with the U.S. results correlates most highly with five of eight effectiveness dimension (Olughor, 2014).

A study done by Salmani et al., (2013) in Iran investigated effect of organizational culture on knowledge management implementation. The study distributed questionnaires 370 managers and employees of GOLDIRAN, an official agent of



Korean firm named LG in Iran. The results of this study show that there were positive and meaningful relationships adaptability in this firm. This findings are supported by Saeidipour et al., (2013) which conducted a study on effects of organizational culture on job satisfaction (Kermanshah Province Office) Iran. The study found positive relationship between involvement and job satisfaction.

Ahmad 2012 made an evaluative study on the impact of organizational culture on performance management practices in Pakistan. The study adopted exploratory research to explore the impact. Primary data was collected through questionnaires from 60 employees in COMSATS Institute of Information Technology. The sample consists of both male and female faculty members. Regression and Correlation analysis was used for statistical analysis. Involvement was found to be having a significantly and positive relationship with the performance management practices.

A study in Malaysia by Yusoff (2011) on examine the relationship between organizational culture and financial performance of top Malaysian companies. The study used structured questionnaire which consisted of four parts of Hofstede' culture dimensions power distance, uncertainty avoidance, individualism and masculinity were employed. The study measured performance by Return of Assets and Earning per Share obtained from 2009 annual reports of top 100 Malaysian Public Listed Companies. The samples of the survey were selected through random stratified sampling and generated 145 usable responses. The study established that there is a significant difference of the background of the respondent as well as the nature of the companies. All four culture dimensions used in this study had influenced the firm performance, but only one component (uncertainty avoidance) positively influenced the ROA and EPS of these companies.

Besides, Bhaskaran and Sukumaran, (2008) found that, culture or values of the owners, founders, leaders and senior managers do not significantly influence the management practices and the performance of Malaysian companies despite that ethnic/nationality issues dominate the cultural, social, economic and political environment in Malaysia. This study implies that the impact of the four dimensions of culture as revealed in early studies may or may not be existed in today business environment in Malaysia.

Marcoulides and Heck (1993) analyzed the relationship between organizational culture and performance using data collected from 26 organizations. The researchers proposed a model in which organizational culture was measured using several latent variables (organizational structure, organizational values, task organization, climate, and individual values and beliefs) and organizational performance was measured using capital, market and financial indicators. The results of this study showed that all of the latent variables used to measure organizational culture had some effect on performance with workers attitudes and task organization activities being the most significant variables.

### **2.2.2 Relationship between Consistence and Organizational Performance**

Consistency is the organization's core values and the internal systems that support problem solving, efficiency, and effectiveness at every level and across organizational boundaries. Organizations also tend to be effective because they have “strong” cultures that are highly consistent, well-coordinated, and well integrated (Saffold, 1988).

Consistency represents the main source of integration, coordination and control. In addition, it helps organizations develop a set of procedures that create an internal system of governance which is based on support that is consensual. Successful companies have a clear set of values that support employees and managers in making

consistent decisions. When facing difficult issues and misunderstandings, the members discuss them openly and try to reach an agreement.

### **2.2.3 Relationship between Adaptability and Organizational Performance**

Adaptability is the ability of the company to scan the external environment and respond to the ever-changing needs of its customers and other stakeholders. Organizations hold a system of norms and beliefs that support the organization's capacity to receive, interpret and translate signals from its environment into internal behaviours changes that increase its chances for survival and growth (Denison, 1990). Ironically, organizations that are well integrated are often the most difficult ones to change (Kanter, 1983). Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experience at creating change (Nadler 1998, Senge 1990, Stalk, 1988).

High performing organizations distinguish from low performing organizations by their ability to understand and react to the competitive environment and customers. In addition, they restructure behaviors and processes that help them to adapt. Moreover, high performing organizations encourage new ideas and different solutions for solving problems.

### **2.2.4 Relationship between Mission and Organizational Performance**

Mission is the degree to which the organization and its members know where they are going, how they intend to get there, and how each individual can contribute to the organization's success. Successful organizations have a clear sense of purpose and direction that defines organizational goals and strategic objectives. They express the vision of how the organizations will look in the future (Mintzberg, 1987; Hamel & Prahalad, 1994). When an organization's underlying mission changes, changes also

occur in other aspects of the organization's culture. When strategic direction, intent and vision are higher than goals and objectives, this indicates that the organisation may have a difficult time executing or operationalizing its mission.

Olughor (2014) conducted a research on the influence of organisational culture on firms' effectiveness. The study adopted a survey design whereby questionnaire was administered to 200 respondents from the banking sector. The study used items drawn from the Denison organisational culture survey to measure culture and effectiveness. The findings from the study showed that the response rate is 90% and that mission has the strongest contribution to culture.

Successful organizations have a clear mission that shows employees why they are doing their tasks and how the work they do help the organizational performance. Strategic direction and intent are about multi-year strategies and high priorities are established. In successful organizations the goals and objectives are short term.

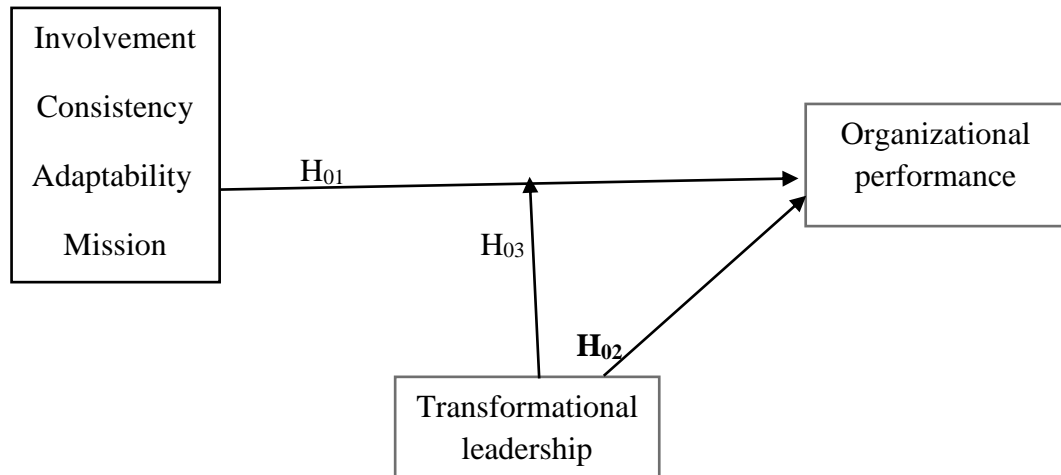
### **2.2.5 Moderating role of Leadership on the Relationship between Organizational Culture and Organizational Performance.**

Ogbonna and Harris (2000) analysed the relationship between organizational culture and performance by including the leadership style as a third variable in the model. To measure performance they used variables such as: customer satisfaction, sales growth, market share, competitive advantage and sales volume. For organizational culture they used measures such as: competitive culture, innovative culture, bureaucratic culture and community culture. The results showed that all four measures of organizational culture were associated in some way with corporate performance.

### 2.3 Conceptual Framework

**Independent Variables      Moderating Variable      Dependent Variables**

Organizational culture



**Fig 2.1: Conceptual Framework**

The conceptual frame work consists of independent variables that are involvement, consistency, adaptability and mission. The organizational performance will look at effectiveness as a measure of performance while transformational leadership will measure moderating variable.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter contains the research design, target population, sample size, data collection tools, validity and reliability, ethical considerations and data analysis.

#### **3.1 Research Design**

A research design is a statement of the essential elements of a study and constitutes the blue print for the collection, measurement and analysis of data (Cooper & Schindler, 2008) hence a logical and systematic plan prepared for directing a research study (Shajahan, 2005). The descriptive survey design aims at obtaining information that can be analyzed for the purpose of establishing a basis for making decisions. The descriptive survey design enables the researcher to explore and describe the relationship between variables in their natural setting. This design is suitable because it enables the researcher to formulate important principle of knowledge.

#### **3.2 Target Population**

A population is a group of objects, individuals or items from which samples are taken for measurement (Kombo and Tromp, 2006). Cooper and Schindler (2001) define population as the total collection of entities to whom the researcher seeks to make inferences. Thus, population is the collection of all entities that conform to a given study condition. The top management, middle management lower management of the 43 micro finance institutions in Nairobi city (CBK, 2016) constituted the subjects of the study. The study singled out Nairobi city since it is the headquarters of most micro finance institutions in Kenya. The target population consist of 43 micro finance

institutions in Nairobi town. There are 236 employees distributed in different cadres of management in institutions.

### 3.3 Sampling Design and Procedure

Kombo & Tromp, (2006), define sampling as the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire population. Sampling is the process of obtaining information about the entire population by examining only part of it (Kothari, 2008). To get appropriate information from these institutions, the researcher will use stratified random sampling technique. Stratified random sampling is a probability sampling procedure in which the population is divided into two or more relevant strata and a random sample is drawn from each stratum. Stratified random sampling techniques aim at a sample that is true representative to the accessible population.

### 3.4 Sampling Design Size

Stratified random sampling method will be applied to come up with the strata, since the population in manufacturing firms is heterogeneous.

The study will be guided by Cochran (1963) and Yamane (1967) to determine the sample size.

Therefore the formula as simplified by Yamane 1967 is:

$$n = \frac{N}{1 + N(e)^2} = n = \frac{236}{1 + 236(0.05)^2} = 148.42 = 148$$

Where: n is the sample size. N is the total population size and e is the error / level of precision which is 0.05.

**Table 3:1 Stratified Sampling**

| Category             | Population | Percentage   | Respondents |
|----------------------|------------|--------------|-------------|
| Top Management       | 86         | $86/236*148$ | 54          |
| Administrative staff | 58         | $58/236*148$ | 36          |
| Support staff        | 92         | $92/236*148$ | 58          |
| <b>Total</b>         | <b>236</b> |              | <b>148</b>  |

*Source:* Respective human Resource

### 3.5 Data Collection Tools

The type of data will be primary data collected using a structured questionnaire which will be issued to sample units of the micro finance institutions. Hence, Organisational culture will be measured using the Culture Traits as identified by Denison including Mission, Involvement, Adaptability and Consistency on a five-point Likert scale.

### 3.6 Data Collection Procedure

Primary data will be collected by the use of a questionnaire. The questionnaire will be suitable tool of data collection since it eliminates subjectivity which is common with other tools of data collection such as interviews. The questionnaire also accords the respondents adequate time to think or reflection before responding (Kothari, 2004). The questionnaires will contain structured items which enables the researcher to tabulate and analyse data with ease.



### **3.7 Data Collection Instruments**

The data will be collected using questionnaires. The items in the questionnaire will be measured on a 5-point Likert response scale ranging from “Strongly disagree” to “Strongly agree” as guided by prior studies.

### **3.8 Validity and Reliability**

#### **3.8.1 Validity**

Validity is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement. Content validity will be estimated by a thorough review of the relevant literature and consultation with subject matter experts, to determine whether the items in the measure have adequately sampled the domain. To enhance the concept validity of the survey measures, the researcher will conduct a pretest (Fowler, 1993) and a pilot study to assist us in the fine tuning of the questionnaire, and particularly in identifying potentially misleading items (Carpenter & Westphal, 2001).

#### **3.8.2 Reliability**

The researcher will employ Test–retest reliability which will indicate the extent to which a measure gives the same result on two (or more) repeated administrations (Tharenou *et. al.*, 2007). The questionnaires will be considered reliable for the study since they will be modeled upon instruments in research literature that have been pre-tested in previous studies and yielded desired results. Internal consistency of the items in the questionnaire will be tested by computing Cronbach’s alpha reliability as per (Sekeran, 2000). The researcher will calculate the scale reliability coefficients for each

of the scales used in board process. The Cronbach's reliability coefficient should confirm to the acceptable guideline of  $\alpha = .70$  Wan and Ong (2005).

### **3.9 Data Analysis and Presentation**

#### **3.9.1 Preparation of Data for Analysis**

After data collection, the data obtained from the field was filled-in and returned questionnaires were edited for completeness, coded and entries made into Statistical package for social sciences (SPSS version 21). Screening was then performed for the following; levels of measurements, sample size, assumptions of normality, linearity, independence of errors and homoscedasticity. Further screening covered outlier detection and establishing presence of multicollinearity. Testing for compliance with statistical assumptions of multivariate analysis provided a pillar for making statistical inferences and results. This ensured that the data are accurate, consistent with other information, uniformly entered, complete and arranged to simplify coding and tabulation. With data entry, the data collected was captured and stored. Descriptive and inferential analysis was conducted.

#### **3.9.2 Descriptive Analysis**

Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Mean and standard deviations were also used as measures of central tendencies and dispersion respectively. The purpose of conducting descriptive statistics was to reduce, summarize data and analyze items and constructs. This provided insights into the characteristics of the samples. Descriptive statistics provided a basis for inferential statistics using correlation and multiple regressions.

### **3.9.3 Inferential Analysis**

Inferential analysis was done to determine the effect of internal marketing strategy on employee performance and moderating role of employee commitment, thus, testing the hypotheses of the study. Linear Multiple Regression and correlation analysis were used to assess the strength of the relationships between the specified variables. The Linear Multiple Regression analysis was conducted, with the assumption that: variables are normally distributed to avoid distortion of associations and significance tests, which was achieved as outliers were not identified; a linear relationship between the independent and dependent variables for accuracy of estimation, which was achieved as the standardized coefficients were used in interpretation. Various statistics were extracted and interpreted with respect to the various models. The study employed a multiple regression model since to test for moderation, employee commitment was first treated as an independent variable.

### **3.10 Ethical Considerations**

The researcher will seek the consent from Garissa University College School of Business and Economics to be allowed to perform the study, there after seek the clearance from the National Council for Science and Technology so as to get full authority to conduct the research within Kenya. The respondents' identities will not be disclosed and the information to be collected will not be passed to any other party without the respondent's consent.

#### **Regression Assumptions to be met in the Study**

1. There is normality of the dependent variable
2. There is linear relationship between the independent and dependent variables,

3. There is Homoscedasticity (homogeneity of variance). This means the dependent variable scores have the same dispersion/variability around the regression line through them, meaning they have equal spread

### 3.11 Model Specification

There are two models to be constructed for this study. One will show the relationship between the variables and the second will indicate the mediating effects of board processes on the relationship between board diversity and firm environmental performance.

The following analytical multiple regression model was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 L + \beta_6 M + \beta_7 M + \beta_8 M + \epsilon \dots \dots \dots I$$

#### Where

Y is the dependent variable Organizational Performance

X<sub>1</sub> = Involvement

X<sub>2</sub> = Consistency

X<sub>3</sub> = Adaptability

X<sub>4</sub> = Mission

L = Leadership

$\beta_0$  is the “constant term” and  $\beta_1 + \beta_2 + \dots + \beta_8$  the “coefficient” of the variable X<sub>1</sub> and

$\epsilon$  = the “error” term

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.0 Introduction**

This chapter presents the data analysis, presentation and interpretation. The chapter builds the case for the main thesis in the thesis by analysis data as obtained from the field. The main analytical operations employed herein include the preliminary screening of data which included normality, skewness and kurtosis as well as multicollinearity tests. Descriptive and inferential statistics were also employed. The findings are further discussed with reference to previous study findings.

#### **4.1 Preliminary Screening of Data**

##### **4.1.1 Response Rate**

The study achieved a response rate of 73.1% with 108 respondents reached, out of the 148 targeted. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The data contains responses from both administrative and academic positions, all totaling the 319 respondents reached. Due to the number of variables that were considered, the sample size was deemed large enough.

The study performed the Missing Value Analysis (MVA) with a view to check for any missing data pattern as well as the respective magnitude of the missing values. The operation was modeled to underscore pattern of missing values and to replace them in the data set. The subsequent univariate statistics computation revealed that the percentage and count of missing values for all items were less than 5%.

In view of the fairly large sample size of the data set, the missing values percentage was deemed negligible and the missing values were thus replaced with the series mean of the items under study. This is in tandem with most studies with considerably large sample sizes attributable to the fact that most procedures for handling missing values would be expected to yield similar results. As for the nature of missing data, the data was analyzed to establish whether it was missing at random (MAR), missing completely at random (MCAR), and missing not at random (MNAR).

#### **4.1.2 Bivariate and Multivariate Normality, Skewness and Kurtosis**

Normality of variables in the data set was examined using a measure of skewness and kurtosis. Whereas the basis of whether data is normally distributed varies, as a rule of thumb, the values for asymmetry and kurtosis between -2 and +2 are considered acceptable in order to prove normal univariate distribution (George & Mallery, 2010). Skewness values range from 2.00-3.00 and kurtosis value ranging from 7.0-21.00 show that they are moderately non-normal while values above 3.00 for skewness and greater than 21.00 for kurtosis show extreme lack of normality (Bryne, 1998). Accordingly, the score of skewness and kurtosis on each item was analyzed and reported. Items found to lack normality were evaluated and accordingly, either transformed using log-transformation, removed from further analysis or retained. All items were found to be within the acceptable range.

#### **4.1.3 Test of Multi-collinearity**

Multi-collinearity refers to the linear correlation among variables. It occurs when two or more predictors in the model are correlated and provide redundant information about a response. To check for correlated variables, multi-collinearity was tested using variance inflation factor (VIF). A VIF for all the independent and dependent variables

less than 3 ( $VIF \leq 3$ ) shows no multi-collinearity while a VIF of more than 10 ( $VIF \geq 10$ ) indicates a problem of multi-collinearity (Cohen *et al.*, 2003). Multi-collinearity creates a problem for multiple regression models given that as collinearity increases the standard error of coefficients also increases making them less reliable. In this regard, the present study performed a multi-collinearity test with a view to identify variables with a high correlation among themselves. All variables were found to be optimally correlated.

#### **4.2 Demographic Information**

This section captures both the respondent organizations' demographics including responses by gender of the respondent, managerial position, respondent age, number of years in service and highest education level attained presented and analyzed in table 4.1 below.

**Table 4.1 Response by Gender**

| <b>Gender</b> | <b>Frequency</b> | <b>Percent</b> |
|---------------|------------------|----------------|
| Male          | 84               | 78.0           |
| Female        | 24               | 22.0           |
| <b>Total</b>  | <b>108</b>       | <b>100.0</b>   |

| <b>Management level</b> | <b>Frequency</b> | <b>Percent</b> |
|-------------------------|------------------|----------------|
| Top management level    | 33               | 30.4           |
| Middle management level | 54               | 49.6           |
| Support Staff           | 21               | 20.0           |
| <b>Total</b>            | <b>108</b>       | <b>100.0</b>   |

| <b>Age Categories</b> | <b>Frequency</b> | <b>Percent</b> |
|-----------------------|------------------|----------------|
| Below 30 years        | 17               | 15.7           |
| 30-40 years           | 41               | 37.9           |
| 41-50 years           | 32               | 29.7           |
| 51-60 years           | 18               | 16.7           |
| <b>Total</b>          | <b>108</b>       | <b>100.0</b>   |

| <b>Length of Service</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------------------|------------------|----------------|
| 0-5                      | 30               | 27.8           |
| 6-10                     | 19               | 17.6           |
| 11-15                    | 22               | 20.4           |
| 16-20                    | 25               | 23.1           |
| Over 20 years            | 12               | 11.1           |
| <b>Total</b>             | <b>108</b>       | <b>100</b>     |

| <b>Highest Education level</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------------------------|------------------|----------------|
| Primary Certificate            | 2                | 1.9            |
| Diploma                        | 58               | 53.7           |
| Undergraduate                  | 36               | 33.3           |
| Postgraduate                   | 12               | 11.1           |
| <b>Total</b>                   | <b>108</b>       | <b>100.0</b>   |

*Source: Survey Data, 2017*



In order to show the gender distribution and parity across the institutions included in the survey, the study sought to determine the respondents' gender. Respondents were thus required to indicate by checking either male or female response categories provided. As presented in table 4.1, male respondents, 84 (78.0%), registered the most as compared to their female counterparts, 24 (22.0%).

It follows then from the findings, that the males make the dominant gender. This is a notable finding with the implication that the empowerment of the female gender has not made great strides in the country much to their numbers matching those of their male counterparts in key managerial positions.

Respondents were asked to indicate their management levels in order to further ascertain representation and diversity thereof in perspectives. To this end, three managerial cadres were targeted in the present study purposively owing to their expected possession of the information of interest with respect to the variables. The analysis revealed that a majority, 49.6 % of the respondents were in the middle management level while 20 % belonged to the senior management level and 30.6% belonged to support staff. This indicates the diverse perspectives as informed by tasks and duties characteristic of the respective management levels. All categories were deemed adequate for analysis as regards the response rates and representative of employees across the two levels of management among the institutions surveyed, and by extension, similar institution in the country.

The study deemed age an important demographic characteristic in the present study with a view to establish any pertinent trends in the variables under study as well as to have an overview of the age distribution thereof. Age was also considered a relative

indicator of respondents' length of experience hence reliability of responses. Results as illustrated in table 4.1 reveal that a majority of respondents, 37.9% fall within the 30 - 40 years age category. This is quite distantly followed by those within the 41 - 50 years age category as indicated by 29.7% of the respondents. Only 16.7% and 15.7% of respondents fall between 51 - 60 years and less than 30 years categories respectively. As such, it can be deduced that age, across the institutions surveyed is majorly youthful to middle age, distributed, between 30 and 50 years. A rich diversity in experience was thus established.

With some level of working experience necessary in establishing the study objectives, the study found it appropriate to establish the length of service of the respondents, in years, serving at their respective institutions. This would ascertain that responses were already informed by diverse experience owing to respondents' respective lengths of service. The study found that a majority of respondents, 27.8% have worked in the study area for less than 5 years. This was followed by those having worked for between 16 and 20, as indicated by 23.1 % of the respondents while 20.4% of the respondents have worked for 11 and 15 years. Only 11.1% of the respondents were found to have worked in their respective institutions for either between 16 and 20 years and over 20 years. The results present a rather fair skewed distribution across the years representing the length of experience. With a majority of respondents having worked for at least 5 years, responses can be deemed as informed by adequate experience in the study area.

Respondents were also asked to indicate their highest levels of education. This would serve to show the academic qualification among respondents in their respective positions, as well as a general overview of education levels among respondents in their respective study areas. From the findings, a majority of respondents, 53.7 % of

respondents indicated having attained a diploma level, followed by 33.3% having attained either an undergraduate degree. A further 11.1% indicated having attained a diploma or higher national diploma. Overall, the study area can be said to comprise staff from relatively high levels of education. This was expected as institutions of higher learning, which formed the study areas, are expected to sample professionals from relatively high levels of education. To attend to their task mandate of teaching, research, administration and community service effectively, universities need sufficient academic staff with rich academic backgrounds to work effectively.

### **4.3 Organizational Performance**

In this section, the study sought the respondents' perception regarding the various aspects defining organizational performance. The set of statements used in this regard was first pretested in a pilot study in order to determine its reliability, evaluated through Cronbach's Alpha which measures the internal consistency.

#### **4.3.1 Reliability Test Results**

The Alpha measures internal consistency by establishing if certain items measure the same construct. Nunnally (1978) established the Alpha value threshold at 0.7 which the study benchmarked against. Cronbach Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. Table 4.2 below presents the findings.

**Table 4.2: Reliability Coefficients**

| Composite scale      | Initial items | Final items | Grand mean (Standard deviation) | Initial Cronbach's Alpha | Final Cronbach's Alpha |
|----------------------|---------------|-------------|---------------------------------|--------------------------|------------------------|
| Involvement          | 6             | 6           | (M=25.818; SD=3.5018)           | .817                     | .817                   |
| Consistency          | 9             | 9           | (M=38.771; SD=4.4419)           | .796                     | .796                   |
| Adaptability         | 6             | 6           | (M=25.850; SD=3.4997)           | .821                     | .821                   |
| Mission              | 9             | 9           | (M=39.439; SD=4.4634)           | .891                     | .891                   |
| Employee Performance | 14            | 14          | (M=53.419; SD=6.4645)           | .810                     | .810                   |
| Leadership           | 6             | 6           | (M=25.350; SD=3.427)            | .781                     | .781                   |

*Source: Pilot Study, 2017*

The reliability coefficients table shows that all the sub-scales for organizational performance, culture and leadership variables were significant, having an alpha above the prescribed threshold of 0.7. The study thus found that the variables as measured in the questionnaire was reliable and could thus be used in the main study and therefore analysis.

### Correlation Test Results

To aid in both the bivariate analysis and inferential statistics, that is, both linear multiple regression analysis and Pearson correlation analysis, composite variables were computed with the aid of the Statistical Package for Social Sciences.

**Table 4.3 Correlation Analysis**

|                            |                     | Involvement | Consistency | Adaptability | Mission | Organizational Performance | Leadership |
|----------------------------|---------------------|-------------|-------------|--------------|---------|----------------------------|------------|
| Involvement                | Pearson Correlation | 1           |             |              |         |                            |            |
| Consistency                | Pearson Correlation | .615**      | 1           |              |         |                            |            |
| Adaptability               | Pearson Correlation | .613**      | .413**      | 1            |         |                            |            |
| Mission                    | Pearson Correlation | .569**      | .388**      | .143**       | 1       |                            |            |
| Organizational Performance | Pearson Correlation | .713**      | .205**      | .028         | .612**  | 1                          |            |
| Leadership                 | Pearson Correlation | .726**      | .465**      | .678         | .612**  | .672**                     | 1          |

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

Table 4.3 below presents the Pearson correlations for the relationships between the various constructs of organizational culture, leadership and organizational performance among the selected micro finance institutions in Nairobi Kenya. From the findings, a positive and significant correlation is seen between each sub scale. The strongest correlation was obtained between leadership and organizational performance ( $r = .726$ ;  $p$  value = .000), and weakest was established between consistency and Organizational performance ( $r = .205$ ;  $p$  value = .005). The foregoing findings confirm the reliability results that the organizational performance scale is internally consistent as all the sub-

scales are directed at addressing the objective as measured by the organizational performance variable.

#### 4.4 Effect of Organizational Culture on Organizational Performance

The study sought to examine the effect of involvement on organizational performance among selected micro finance institutions in Kenya. This informed the first null hypothesis of the study ( $H_{01}$ ) that there is no significant relationship between involvement and organizational performance among selected micro finance institutions in Kenya. This hypothesis was tested through Pearson product moment correlation ( $r$ ) to show the extent of the relationship, guided by the model:  $Y = \alpha + \beta_1X + \beta_2M + \epsilon$  where  $\alpha$  is the constant (intercept),  $Y$  = organizational performance,  $\beta_1$  and  $\beta_2$  are the beta Coefficients while  $X$  and  $M$  represent organizational culture and leadership and  $\epsilon$  is the Error Term. The results of the correlation are presented in table 4.29 below.

**Table 4.4: Relationship between Organizational Culture on Employee Performance**

|                            |                     | Organizational Performance | Organizational Culture |
|----------------------------|---------------------|----------------------------|------------------------|
| Organizational performance | Pearson Correlation | 1                          |                        |
|                            | Sig. (2-tailed)     |                            |                        |
| Organizational Culture     | Pearson Correlation | .722**                     | 1                      |
|                            | Sig. (2-tailed)     | .000                       |                        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

N=108

*Source: Survey Data, 2017*

Table 4.4 above presents the Pearson correlations for the relationships between organizational culture and organizational performance among selected micro finance institutions in Kenya. From the findings, a very strong and positive correlation was

established ( $r = .722$ ;  $P \text{ value} = .000$ ) that was statistically significant at either 0.01 level or 0.05 level of confidence. The positive correlation is of the implication that as organizational culture is enhanced, organizational performance increases significantly.

The study thus fails to accept the first null hypothesis of the study states that there is no significant relationship between organizational culture and organizational performance among selected micro finance institutions in Kenya and accepts the alternative hypothesis that states that there is a significant effect between organizational culture and organizational performance between micro finance institutions in Kenya. Stigler (2002) offers that the Pearson product-moment correlation coefficient measure linear correlation (dependence) between two variables  $X$  and  $Y$ , giving a value between  $+1$  and  $-1$  inclusive, where  $1$  is total positive correlation,  $0$  is no correlation, and  $-1$  is total negative correlation. The findings thus imply that micro finance institutions in Kenya are guided by organizational culture hence increasing performance.

These findings concur with Ozigbo (2013) who did a study on the Impact of Organizational Culture and technology on Firm Performance in the Service Sector in Nigeria. The regression analysis results demonstrated that organizational culture practices have a strong significant relationship to overall improvement of firm performance. This is in agreement with Magee (2002) who established that in an organization with clearly established organizational culture, employees tended to share similar assumptions. Robbins (2012) concurs that with organizational culture employees tend to adopt a relatively uniform perception of organization with common characteristics distinguishing one organization from another. Consequently, the employees adopt the common values and norms which control their interaction among themselves and with the outsiders.

The findings supports Olughor (2014) who in Nigeria, established that mission is the strongest contribution toward effectiveness. This is supported in the literature with the U.S. results correlates most highly with five of eight effectiveness dimension. This findings also support the findings by Ahmad (2012) who established that in Pakistan adaptability and mission has significant positive values in correlation for performance management.

Results of this research also concur with Marcoulides and Heck (1993) who analyzed the relationship between organizational culture and performance using data collected from 26 organizations. The results of this study showed that all of the latent variables used to measure organizational culture had some effect on performance with workers attitudes and task organization activities being the most significant variables.

The results are in agreement with Momot and Litvinenko (2012) who studied on examines the effects of four major organizational culture traits, involvement, consistency, adaptability and mission on measures of company effectiveness, with the use of data collected from machine-building enterprises. The results indicate that the mission trait is the most prominent of the four traits in terms of fostering overall company performance, sales growth, market share growth and ROA.

#### **4.5 Transformational Leadership and Organizational Performance**

The study also sought to examine the effect of transformational leadership on organizational performance among micro finance institutions in Kenya. This informed the second hypothesis of the study ( $H_{02}$ ) that there is no significant relationship between transformational leadership on organizational performance among micro finance institutions in Kenya. This hypothesis was tested through Pearson product moment correlation ( $r$ ) to show the extent of the relationship, guided by the model:  $Y = \alpha + \beta_1 X$



+  $\beta_2M$  + where  $\alpha$  is the constant (intercept),  $Y$  = Organizational performance,  $\beta_1$  and  $\beta_4$  are the beta Coefficients while  $X$  and  $M$  represent organizational culture and Transformational leadership and  $\epsilon$  is the Error Term. The results of the correlation are presented in table 4.30 below.

**Table 4.5: Relationship between Transformational leadership and Organizational performance**

|                             |                     | Organizational Performance | Transformational Leadership |
|-----------------------------|---------------------|----------------------------|-----------------------------|
| Organizational performance  | Pearson Correlation | 1                          |                             |
|                             | Sig. (2-tailed)     |                            |                             |
| Transformational Leadership | Pearson Correlation | .198**                     | 1                           |
|                             | Sig. (2-tailed)     | .000                       |                             |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

N=108

*Source: Survey Data, 2017*

Table 4.30 above presents the Pearson correlations for the relationships between transformational leadership on organizational performance among micro finance institutions in Kenya. From the findings, a positive correlation was established, that was statistically significant ( $r = .198$ ;  $P$  value = .000) at either 0.01 level or 0.05 level of confidence. The positive significant correlation is of the implication that as transformational leadership is increased, organizational performance meaningfully increases as well.

The study thus fails to accept the second null hypothesis of the study that states that there is no significant relationship between transformational leadership and organizational performance among selected micro financial institutions in Kenya and accepts the alternative hypothesis that states that there is a significant relationship

between transformational leadership and organizational performance among selected micro financial institutions in Kenya.

#### **4.6 The Effect of Transformational Leadership and Organizational Performance**

To establish the the effect of transformational leadership and organizational culture on organizational performance among micro finance institutions in Kenya, a regression analysis was conducted, with the assumption that: variables are normally distributed to avoid distortion of associations and significance tests, which was achieved as outliers were not identified; a linear relationship between the independent and dependent variables for accuracy of estimation, which was achieved as the standardized coefficients were used in interpretation.

The regression model was as follows:

$$Y = \alpha + \beta_1 X + \beta_2 M + \varepsilon$$

Where

Y = organizational performance

$\alpha$  is the y-intercept or model coefficient;

$\beta_1 - \beta_4$  are the coefficients of the independent variables;

X = organizational culture

M = transformational leadership

$\varepsilon$  is the error term established from heteroscedasticity test;

**Table 4.6: The effect of transformational Leadership and organizational culture on Organizational Performance**

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .722 <sup>a</sup> | .522     | .519              | 6.56496                    |

a. Predictors: (Constant), Transformational Leadership, Organizational Culture

| ANOVA <sup>a</sup> |            |                |     |             |         |                   |
|--------------------|------------|----------------|-----|-------------|---------|-------------------|
| Model              |            | Sum of Squares | df  | Mean Square | F       | Sig.              |
| 1                  | Regression | 14859.380      | 2   | 7429.690    | 172.388 | .000 <sup>b</sup> |
|                    | Residual   | 13619.178      | 316 | 43.099      |         |                   |
|                    | Total      | 28478.558      | 318 |             |         |                   |

A. Dependent Variable: Organizational Performance  
B. Predictors: (Constant), Transformational Leadership, Organizational Culture

| Coefficients <sup>a</sup> |                             |                             |            |                           |        |      |
|---------------------------|-----------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |                             | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                           |                             | B                           | Std. Error | Beta                      |        |      |
| 1                         | (Constant)                  | -5.497                      | 6.798      |                           | -.809  | .419 |
|                           | Organizational Culture      | 1.505                       | .084       | .725                      | 17.859 | .000 |
|                           | Transformational Leadership | -.013                       | .055       | -.010                     | -.240  | .811 |

Dependent Variable: Employee Performance

*Source: Survey Data, 2015*

Regression analysis produced the coefficient of determination and analysis of variance (ANOVA). Analysis of variance was done to show whether there is a significant mean difference between dependent and independent variables. The ANOVA was conducted at 95% confidence level. According to Katz (2006) Regression analysis generates an

equation to describe the statistical relationship between one or more predictor variables and the response variable.

Regression analysis was used to establish the strengths of relationship between organizational performance (dependent variable) and the constituents, that is, organizational culture and transformational leadership (independent variables). The results showed a correlation value (R) of 0.722 which depicts that there is a good linear dependence between the independent and dependent variables. According to Chaplin (2007) R-squared is a statistical measure of how close the data are to the fitted regression line. It is also known as the coefficient of determination, or the coefficient of multiple determination for multiple regression.

With an adjusted R-squared of 0.519, the model shows that organizational culture and transformational leadership explain 51.9 percent of the variations in organizational performance while 48.1 percent is explained by other factors not included in the model. According to Howell (2002), measures of goodness of fit typically summarize the discrepancy between observed values and the values expected under the model in question.

The P-value of 0.000 implies that transformational leadership, has a significant joint relationship with organizational culture, which is significant at a confidence interval of 0.01 level to 0.05 level. This means that both organizational culture and transformational leadership collectively influence organizational performance. This also depicted the significance of the regression analysis done at 95% confidence level. This implies that the regression model is significant and can thus be used to assess the association between the dependent and independent variables. Gelman (2006) provides

that ANOVA statistics analyzes the differences between group means and their associated procedures (such as "variation" among and between groups).

The data in table 4.6 reveals that organizational culture has a positive effect on organizational Performance, while transformational leadership affects organizational Performance negatively. Taking the regression model:  $Y = \alpha + \beta_1 X + \beta_2 M + \varepsilon$ ; where, Y= performance of public universities;  $\alpha$  = Constant;  $\beta_1 - \beta_2$  = coefficients of the independent variables; X = organizational culture, M = transformational leadership and  $\varepsilon$  = being the error term established from heteroscedasticity test, the established regression equation was:

Organizational performance = 0.725 (organizational culture) -0.010 (transformational leadership)

A unit change in organizational culture would thus lead to a 0.725 change in Organizational performance *ceteris paribus* and a unit change in transformational leadership would thus lead to a -0.010 change in organizational performance *ceteris paribus*. This further implies that organizational culture significantly and positively determines organizational Performance in micro finance institutions. It can also be deduced that transformational leadership negatively affects organizational Performance among micro finance institutions, albeit not significantly.

#### **4.7 The Moderating Effect of Transformational Leadership on the Relationship between organizational culture on organizational Performance**

The study sought to determine the moderating effect of transformational leadership on the relationship between organizational culture and organizational performance among micro finance institutions in Kenya. This informed the third null hypothesis of the study

(H<sub>03</sub>) that there is no significant moderating effect of transformational leadership on the relationship between organizational culture and organizational performance among micro finance institutions in Kenya. This hypothesis was tested through the Baron and Kenny approach guided by the equation:

$$Y = \alpha + \beta_1 X + \beta_2 M + \beta_3 (X * M) + \varepsilon$$

Where

Y = Organizational performance

$\alpha$  is the y-intercept or model coefficient;

$\beta_1 - \beta_4$  are the coefficients of the independent variables;

X = Organizational Culture

M = Transformational leadership

$\varepsilon$  is the error term established from heteroscedasticity test;

There was a significant moderating effect of employee commitment on the relationship between organizational culture and organizational performance among selected micro finance institutions in Kenya (hence supporting the alternative hypothesis).

If the interaction between organizational culture, Transformational leadership and organizational performance is statistically significant.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter presents the summary of findings, conclusions, recommendations and policy implications, limitations of the study and suggestions for future research.

#### 5.1 Summary of Findings

The study set out to investigate the moderating effect of transformational leadership on the relationship between organizational culture and organizational performance of micro finance institutions in Nairobi County, Kenya. To this end, organizational culture was measured by involvement, consistency, adaptability and mission while organizational performance was measured by efficiency.

The first objective of the study was to examine the effect of organizational culture on organizational performance among micro finance institutions in Kenya. This informed the first null hypothesis of the study ( $H_{01}$ ) that there is no significant relationship between organizational cultures on organizational performance among micro finance institutions in Kenya. To this end, the study first sought the respondents' perception regarding the various aspects defining employee performance. A majority of respondents were found to highly agree with all the pertinent statements posed with respect to their organizational performance in their respective institutions.

The hypothesis was tested through Pearson product moment correlation ( $r$ ) to show the extent of the relationship, findings of which revealed a very strong and positive correlation was established ( $r = .722$ ;  $P$  value = .000) that was statistically significant at either 0.01 level or 0.05 level of confidence. The positive correlation is of the

implication that as organizational culture is enhanced, organizational performance increases significantly. The study thus rejected the first null hypothesis of the study that states that there is no significant relationship between organizational culture and organizational performance among micro finance institutions in Nairobi Kenya.

The second objective of the study was to examine the effect of transformational leadership on employee performance among micro finance institutions in Nairobi Kenya. This also informed the second hypothesis of the study ( $H_{02}$ ) that there is no significant relationship between transformational leadership on employee performance among micro finance institutions in Kenya. Pearson product moment correlation ( $r$ ) was further performed to test the hypothesis. From the findings, a positive correlation was established, that was statistically significant ( $r = .198$ ;  $P$  value =  $.000$ ) at either 0.01 level or 0.05 level of confidence. The positive significant correlation is of the implication that as transformational leadership is increased, organizational performance meaningfully increases as well. The study thus rejected the second null hypothesis of the study that states that there is no significant relationship between transformational leadership on employee performance among micro finance institutions in Nairobi Kenya.

The third objective of the study was to establish the moderating effect of transformational leadership on the relationship between organizational culture and organizational performance among micro finance institutions in Nairobi Kenya. This further informed the third null hypothesis of the study ( $H_{03}$ ) that there is no significant moderating effect of moderating effect of transformational leadership on the relationship between organizational culture and organizational performance among micro finance institutions in Kenya. Results revealed that there is no significant moderating effect of moderating effect of transformational leadership on the



relationship between organizational culture and organizational performance among micro finance institutions in Kenya ( $R^2 = .523$ ,  $F = 115.309$ ,  $p < 0.05$ ). The  $\beta$  depicting the coefficient for the interaction (XZ) was also significant ( $\beta = .042$ ,  $t = 1.036$ ,  $p = 0.301$ ). The null hypothesis that there is no significant moderating effect of moderating effect of transformational leadership on the relationship between organizational culture and organizational performance among micro finance institutions in Nairobi Kenya was therefore supported.

## **5.2 Conclusion of the Study**

Organizational culture significantly influences organizational performance. With comparably high levels of Organizational culture practiced across the institutions and the significantly high organizational performance levels thereof, it can be deduced that the Organizational culture elements can be enhanced to bring about increased levels of awareness in order to enhance employee commitment and therefore performance. Through the implementation of a formal organizational culture in which each of the organizational culture elements are understood and communicated to employees, its end is the same that the institution cares about their employees' needs.

Findings reveal that transformational leadership significantly determines organizational performance among micro finance institutions in Nairobi Kenya. It can be deduced therefore that transformational leadership is a crucial factor in achieving organizational success through improved employee performance. The lack of statistical significance in the MRA results of transformational leadership on employee performance can be attributed to a number of strategic human resource factors that go hand in hand with transformational leadership in order to realize superior employee performance. Among financial, economic and human resources, the latest are more essential and have the

capability to endow a company with competitive edge as compared to others (Rizwan et al, 2010). For transformational leadership to translate to superior employee performance, the organization ought to streamline other fundamental organizational factors including employee motivation, employee satisfaction, compensation, training and development, job security, organizational structure and others.

Transformational Leadership does not have a significant moderating effect on the relationship between organizational culture and organizational performance among micro finance institutions in Nairobi Kenya. This is of the implication that for transformational leadership to significantly determine whether or not organizational culture influences organizational performance, it is upon the organization in question to address other organizational factors that determine the level and productivity thereof, of employee commitment. This includes the motivation, especially towards employees' personal welfare. From the foregoing findings, it is the researcher's position that committed employees who are highly motivated to contribute their time and energy to the pursuit of organizational goals ought to be increasingly acknowledged as the primary asset available to an organization and be motivated to be productive in their commitment.

### **5.3 Recommendations and Policy Implications**

Based on the foregoing findings, their discussions and subsequent conclusions, the following recommendations can be made. The same are presented in terms of the study's implications to theory, policy and practice as well as future studies.

#### **5.3.1 Implications to theory**

The study was anchored on two theories, that is, the resource-based view of the firm and the Internal Fit Model. Whereas RBV proposes that effectively leveraging

organizational resources earns the organization competitive advantage, the Internal Fit Model proposes the integration of different HR policies and practices towards superior employee performance. Based on the study findings, it is apparent that employees across various public higher education institutions are the key resources thereof, tasked with the mandate to produce both competitive and marketable graduates. Therefore, to inspire enhanced employee performance, internal marketing strategy by viewing diversity organizations both in the administrative and academic positions as internal customers, is a key strategy towards the improvement of organizational performance. This is because individual performance has become an important issue to micro finance institutions in their preparations for the realization of the mission towards micro finance institutions.

Further, due to extensive changes in business environment, institutions of micro finance institutions need to increase the level of quality and quantity of their products and services. Thus, to achieve this, aligning internal organizational policies and practices towards organizations as internal customers who have a key role in the institution, is required. Therefore, practicing internal marketing strategies among employees and motivating them enhance spirits and keep employees happy causing them to become more productively committed and participate in work tasks. Consequently it helps institutions to provide services with higher quality. The chain eventually leads to increased satisfaction and loyalty of external customer of institutions. Therefore, in order to obtain satisfied and committed workers, who undertake non-mandatory tasks and who show explicit traits that result in a better performance, organizations must become more oriented towards the internal market, which implies an increase in the quality delivered to external costumers.

### **5.3.2 Implication to Policy and Practice**

The study offers great significance with regard to the value of information content of this research finding to the development of policy and practice in management. It will enable the policy makers in the framework of making policies on organizational performance. Rich policy implications will be derived from this research. Practically, the study will be beneficial to management practitioners in making their managerial decisions regarding corporate culture, leadership and performance.

To the body of knowledge, the study contributes by providing empirical literature on corporate culture and performance. This can spur the generation and development of knowledge especially in emerging and African markets since as pointed most literature on corporate culture in western economies. The students also gain new knowledge and insight on the importance of leadership in particular in moderating culture and performance.

### **5.3.3 Suggestions for further study**

The study put forth by the present study is that whereas organizational culture and transformational leadership independently have a significant effect on organizational performance among micro finance institutions in Nairobi Kenya, transformational leadership does not significantly determine the effect of organizational culture on organizational performance thereof. The results of this study suggest several avenues for future research. First, research can adopt more and different dimensions such as; employee commitment, human resources management, retention policy, and many more dimensions that might affect the employee performance. Again studies should be conducted more on transactional leadership style on the relationship between organizational culture and organizational performance.

Further, the study indicates the scope and necessity of further study on organizational culture in the micro finance institutions. Further studies on organizational culture in banking setting will aid in validating generalization of results of prior empirical studies on organizational culture in other service settings. More importantly, it will also help in identifying what elements of organizational culture micro finance institutions need to focus attention on and how employee satisfaction can be achieved through it.

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## APPENDIX

### Appendix I: Questionnaire to the Respondents

This questionnaire seeks information on the influence of organizational culture on employee performance in the Micro Finance Institutions in Kenya. You are kindly requested to complete this questionnaire by filling in the blanks with a tick [] against the most appropriate answer.

#### Section One: Demographic Data

1. Gender: Male [] Female []
2. Your age? Below 30 yrs [] 31-40 yrs [] 41-50 yrs [] Above 50 yrs []
3. Level of Education: O' level [] Diploma [] Bachelor's [] Master's [] Others []
4. Years worked? Below 1yr [] 1-5 yrs [] 6-10 yrs [] 11-15 yrs [] Above 15 yrs []

#### Section Two: Organizational Culture

5. To what extent do you agree with the following statements about organizational culture in your organization, ranging from strongly agree to strongly disagree? Where; 1= strongly disagree; 2= disagree; 3= not sure; 4= agree and 5= strongly agree

|   | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Statement   |   |   |   |   |   |
| My organization is guided by values of consistency adaptability and effective communication system                                  |   |   |   |   |   |
| My organization has a culture that determines how things are done   |   |   |   |   |   |
| All employees in my organization are valued   |   |   |   |   |   |
| My organization has asset of principles that defines who its employees, customers and suppliers and how to interact with each other |   |   |   |   |   |
| My organization has vision, mission and goals that guide all stakeholders   |   |   |   |   |   |
| Employees in my organization have a sense of identity which increases their commitment to work                                      |   |   |   |   |   |
| My organization stands for clearly stipulated work ethics   |   |   |   |   |   |



|  |   |  |  |  |  |  |
|--|---|--|--|--|--|--|
|  | Employees in my organization are guide by similar customs                   |  |  |  |  |  |
|  | Rules set out within the organization are practical and fair                |  |  |  |  |  |
|  | My organization enables workers to understand how the organization operates |  |  |  |  |  |
|  | I am encouraged to be innovative within my role                             |  |  |  |  |  |
|  | I am empowered to perform my role to the best of my ability                 |  |  |  |  |  |
|  | My supervisor trusts and does not micro managing me                         |  |  |  |  |  |
|  | I always think independently when carrying out my duties                    |  |  |  |  |  |

### Section Three: Organizational Performance

6. Please rank the following statements about the performance of your organization on a Likert Scale ranging from not at all to a very great extent: Where; 1= strongly disagree; 2= disagree; 3= not sure; 4= agree and 5= strongly agree

| SN | Statement   | 5 | 4 | 3 | 2 | 1 |
|----|---|---|---|---|---|---|
|    | The level of productivity of employees in my organization is high             |   |   |   |   |   |
|    | Employees commit maximum efforts to their work                                |   |   |   |   |   |
|    | My work is guided the organizations' overall strategic plan                   |   |   |   |   |   |
|    | I am highly involved in achieving the objectives of my organization           |   |   |   |   |   |
|    | Employees in my organization are guided by performance contracting            |   |   |   |   |   |
|    | Employees observe acceptable personal habits while at work                    |   |   |   |   |   |
|    | My organization has succeeded in creating value for money                     |   |   |   |   |   |
|    | My organization always meet the needs of customers on time                    |   |   |   |   |   |
|    | Employees complete work assigned to them as per the desired standards         |   |   |   |   |   |
|    | Every employee work towards the same goal                                     |   |   |   |   |   |
|    | In my organization every worker is accountable for organizational performance |   |   |   |   |   |
|    | Employees comply with the company's policies and professional code of conduct |   |   |   |   |   |
|    | Employees work proactively to any organizational threats                      |   |   |   |   |   |
|    | Employees in my organization often find better ways to do things              |   |   |   |   |   |

## Appendix II: Research Permit



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,  
2241349, 3310571, 2219420  
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When replying please quote

9<sup>th</sup> Floor, Utalii House  
Uhuru Highway  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref. No. **NACOSTI/P/17/35376/18783**

Date: **23<sup>rd</sup> August, 2017**

Abdirahman Adan Edow  
Garissa University College  
P.O. Box 1801-70100  
**GARISSA.**

#### **RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on ***“Organizational culture, transformational leadership and firm performance of Micro Finance institutions in Kenya,”*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **23<sup>rd</sup> August, 2018.**

You are advised to report to **the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

**GODFREY P. KALERWA MSc., MBA, MKIM  
FOR: DIRECTOR-GENERAL/CEO**


Copy to:

The County Commissioner  
Nairobi County.


The County Director of Education  
Nairobi County.

**CONDITIONS**

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.



**REPUBLIC OF KENYA**



**National Commission for Science, Technology and Innovation**

**RESEARCH CLEARANCE PERMIT**

**Serial No.A 15449**

**CONDITIONS: see back page**

**THIS IS TO CERTIFY THAT:**

**MR. ABDIRAHMAN ADAN EDOW**  
**of GARISSA UNIVERSITY COLLEGE,**  
**0-70100 Garissa, has been permitted to**  
**conduct research in Nairobi County**


**on the topic: ORGANIZATIONAL**  
**CULTURE, TRANSFORMATIONAL**  
**LEADERSHIP AND FIRM PERFORMANCE**  
**OF MICRO FINANCE INSTITUTIONS IN**  
**KENYA.**

**for the period ending:**  
**23rd August,2018**

**Permit No : NACOSTI/P/17/35376/18783**

**Date Of Issue : 23rd August,2017**

**Fee Received :Ksh 1000**



*Palenwa*

**Director General**  
**National Commission for Science,**  
**Technology & Innovation**