

**THE MODERATING EFFECT OF TRANSFORMATIONAL LEADERSHIP  
ON ORGANIZATIONAL CULTURE AND FIRM PERFORMANCE IN  
DEPOSIT TAKING SACCO'S IN NAIROBI COUNTY**

**BY**

**CHRISTINE MOCHECHE ATUNGA**

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## DECLARATION

### Declaration by Candidate

I declare that this research project is my own original work and that to the best of my knowledge has not been presented for a degree award or any other award in any institution. No part of this project can be reproduced without the consent of the author and/or Moi University.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**CHRISTINE MOCHECHE ATUNGA**

**SBE/MBA/2010/15**

### Declaration by the Supervisors

This research project has been submitted with our approval as the University Supervisors

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**DR. ROBERT ODUNGA (PhD),**

Department of Accounting and Finance,  
School of Business and Economics.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**DR. JANE SANG (PhD),**

Department of Management Science and Entrepreneurship,  
School of Business and Economics.

## **DEDICATION**

This project is dedicated to my mum, who has always inspired me and encouraged me to pursue education to its highest form. To my husband for being my biggest cheer leader and supporting me in all endeavors. To my family who has been my support system for good and bad times, may God find a special blessing for each one of you.

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## ABSTRACT

A firm's performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as cycle time, productivity, waste reduction and compliance. Successful performance of an organization does not only depend on employees and processes but also focusing on organization strategy, culture, processes and innovation. The financial performance of a SACCO is the first thing that potential members evaluate. They use indicators such as dividend rate payout rate, loan book and total deposits held by the SACCO. It is therefore important for SACCO leadership to actively seek to improve firm performance through new processes, technology adoption and culture change. As in other organizations, good performance is an indicator of financial wellness. According to SASRA report 2021, SACCO'S need to reinforce quality financial disclosure in financial statements. Good performance is an affirmation of effective management, it offers significant information that allows monitoring of performance. The report highlights a number of DTS that are on the verge of losing their licences because of mismanagement and poor performance. It indicates that the SACCO's have not adequately met the minimum set conditions such as core capital ratios, institutional capital among other indicators. The main objective of this study is to determine the moderating effect of transformational leadership on organizational culture and firm performance in deposit taking SACCOs in Nairobi. To establish the effect of involvement culture on the firm performance of Deposit Taking Sacco's in Nairobi County. Specifically, the study sought to establish how organizational culture (consistency culture, adaptability culture, mission culture) effect firm performance of Deposit Taking Sacco's in Nairobi County and assess the moderating effect of transformational leadership on the relationship between organizational culture and firm performance of Deposit Taking Sacco's in Nairobi County. The study utilized explanatory research design. The considered population was 1810 employees of SACCOs from which a sample of 133 was acquired. However, the study managed to acquire data for 106 respondents of SACCOs. The study used primary data which was collected through questionnaires. Descriptive statistics in the form of frequency tables and the mean and standard deviation was used, while inferential data inform of regression and correlational analysis was used to ascertain the relationship between variables under study. The study established that transformational leadership plays a positive and significant moderating effect on organizational cultures and the performance of the performance of D.T SACCOs in Nairobi. It can also be concluded that organizational cultures (involvement culture, consistency culture, adaptability culture and mission culture) influences the performance of the performance of D.T SACCOs in Nairobi positively and significantly. From the findings that nurturing and cultures such as involvement, consistency, adaptability and mission influences the performance of D.T SACCOs, the researcher suggests that SACCOs should nurture a culture of involving their employees in decision making since that will enhance the performance of SACCOs.

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## OPERATIONAL DEFINITION OF TERMS

**Firm Performance:** It is a term that relates to the measurement of standard or predetermined measures of success, efficiency, and environmental responsibility. Some examples of these indicators are cycle time, productivity, waste reduction, regulatory and compliance standards.

**Idealized Influence:** The capacity of leaders to behave in charismatic ways that induce followers to become acquainted with them.

**Individualized Consideration:** It specifically refers to the ability of the leader to act as a coach and mentor in addition to listening to their concerns and offering solutions.

**Inspirational Motivation:** It is the ability of leaders to impart a feeling of vision by establishing high standards of working and expectations.

**Intellectual Simulation:** It is a measure of the extent to which leaders encourage and facilitate the development of novel and imaginative approaches to addressing existing challenges.

**Organizational culture:** This is a refers to the essential values, beliefs, and concepts that serve as the basis for the management system of an organization, as well as the set of management practices and behaviors that both demonstrate and strengthen those fundamental principles.

**Transformational leadership:** It is a style of leadership in which interaction among interested parties are arranged around a collective goal in such a manner as to change, motivate, and strengthen the ethical ambitions of followers. This style of leadership is referred to as transformational leadership. It seeks positive transformation for followers to achieve the desired changes.

**ABBREVIATIONS**

BSC:	Balanced Score Card
CVF:	Competing Values Framework
DTS:	Deposit Taking Sacco
GDP:	Gross Domestic Product
RBV:	Resource Based View
SACCO:	Saving and Credit Co-operative
SASRA:	Sacco Society's Regulatory Authority
SME:	Small and Medium Enterprises
VRIN:	Valuable Rare Inimitable Non- substitutable

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter incorporates the background to the study, statement of the problem, objectives of the study, research hypothesis and significance of the study and scope of the study.

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

Culture is an abstraction, yet the forces that it creates in social and organizational situations are far reaching and closely tied to the organization strategy. Organisation culture is a collection based on basic assumptions that a team has constructed, discovered, or developed to cope with external adaptation and integration difficulties and that have been found to be successful enough to be accepted and taught to new members as the right way to perceive, think, and feel about those problems. (Schein, 2004). It is largely accepted that when an organization creates a culture, it will be passed on to new employees especially through orientation.

A good organizational culture provides a platform to implement strategy and flexibility for organizations to implement change and create an environment that remains open to innovation and creativity (Kaplain and Norton 2012). This provides a foundation to enhance cultural diversity and facilitate strategy implementation. SACCO'S are concerned with the Economical and societal empowerment of community members. They are at the center of sustainable development by helping achieve financial inclusion by providing affordable credit facilities to people that ordinarily could not access the services (Branch, 2007).

Every organization has a unique culture which is mainly influenced by the management style and designed to create and sustain competitive advantage. A good culture has many benefits such as cooperation, control, communication and commitment. The significance of an organization's culture continues to increase over the course of time, and cultural indicators are routinely used in the process of evaluating an organization's culture. The performance of an organization is increasing becoming the most important aspect to be evaluated by stakeholders and investors. It therefore becomes important for managers to proactively look for new ways to increase efficiency, processes and procedures with the goal to accomplish the objectives of the company.

Company performance is evaluated based on a set of standard or predetermined measures of how effectively, efficiently, and environmentally responsibly it operates. These indicators include cycle time, productivity, waste reduction, and compliance (Nyariki, 2013). Successful performance of an organization does not only depend on employees and processes but also focusing on organization strategy, culture, processes and innovation.

According to the Vision 2030, Savings and Credit Organizations play a crucial role in ensuring an all-inclusive society that is a backbone to sustainable development. SACCO'S do not only act as a platform to access credit to members but also provide investment opportunities that are important in stimulating the economy.

Initially, SACCO's were created to offer lending facilities to members but have expanded and diversify their products and services to offer many investment opportunities that in turn aids socio economic development. According to the SASRA report 2020, DTS-SACCO's had a cumulative asset base of 342 billion, the loan book stood at 251 billion while the total deposits held by DTS stood at 237 billion.

In Kenya, the Co-operative movement was largely opened up in the late 1960 with government initiative to promote poverty eradication in the country. According to SASRA, there are 175 registered DTS SACCO's in Kenya. The SACCO societies in Kenya are primarily supervised and regulated by SASRA, which is the primary government organization in charge of this function.

There are many challenges facing the SACCO movement, they include a history characterized by inefficiencies, mismanagement, poor customer service and poor service delivery. According to (Branch, 2007), there are many challenges affecting Sacco's which include poor member participation, misuse of capital, poor administrative skills, irresponsible lending and inadequate exploitation of human capital.

It is against this backdrop that the government created the Sacco Society Regulatory Authority to regulate Sacco's, to ensure they observe compliance to the law and generally ensure improvement in the performance of Sacco's. This has led Sacco's seeking strategic alternatives such as rebranding, improved management, organization culture change initiatives with the goal of enhancing efficiency as well as the quality services provided and financial performance.

This rapid changes as well as demand for quality services has necessitated SACCO's to respond through various strategic initiatives which include hiring new top management team, culture change and embracing innovation in order to remain competitive in the sector.

The financial performance of a SACCO is the first thing that potential members evaluate. They use indicators such as dividend rate payout rate, loan book and total deposits held by the SACCO. It is therefore important for SACCO leadership to actively

seek to improve firm performance through new processes, technology adoption and culture change. As in other organizations, good performance is an indicator of financial wellness.

According to the SASRA report 2021, SACCO'S need to reinforce quality financial disclosure in financial statements. Good performance is an affirmation of effective management, it offers significant information that allows monitoring of performance. The report highlights a number of DTS that are on the verge of losing their licences because of mismanagement and poor performance. It indicates that the SACCO's have not adequately met the minimum set conditions such as core capital ratios, institutional capital among other indicators.

It is against this backdrop that I undertake the study to investigate if SACCO's can attain good performance by improving organizational capabilities of individuals and teams and to understand if transformational leadership can moderate the relationship between organizational culture and firm performance.

## **1.2 Statement of the Problem**

Organizations that record good firm performance are known to promote creativity, innovation and training of employees to ensure that they are aligned to a strategy path that will assist the organization to achieve its goal and meet customer demands. According to (Kotter 2012) Firm performance greatly improves when leaders create awareness about problem solving. (Ernst 2021) notes that if the organization culture does not fit well with ever changing demands of the internal and external stakeholders the organizational success may not be achieved.

Currently the performance of SACCO's is not at optimum because there are many challenges facing the SACCO movement, they include a history characterized by

inefficiencies, mismanagement, poor customer service and poor service delivery. According to (Branch, 2007), there are many challenges affecting Sacco's which include poor member participation, misuse of capital, poor administrative skills, irresponsible lending and inadequate exploitation of human capital.

(Denison, 2017) states that organizations that perform well are able to easily coordinate functions remain open to innovation, creativity and therefore easily adapt to change. The most significant factor that contributes to variations in performance management approaches is the organization's culture (Daniels et al., 2004); Piercy et al., 2004), Many academics, like Denison and Mishra (2005) and Goelzer and Yilma (2008), have argued for the need of doing research on the phenomenon of organizational culture in a wide range of cultural contexts.

The SASRA report 2019 opined that SACCO's are acting as a financial cushion to many Kenyans. They remain a leading source of credit for socio-economic development in Nairobi County; directly or indirectly accounting for 45% of Kenya's GDP and 30% of the national savings and deposits. Sacco's have been referred to as a suitable investment vehicle because of the guaranteed returns.

The cooperative movement has an important role in the economy. This is because It is one of the industries that is expanding at most rapidly rate. because it is considered one of the most effective ways to mobilize resources. This has brought about challenges such as difficulty in product diversification, diversified membership and ever-changing customer needs. Despite numerous changes, most SACCO's are not operating at optimum, and this can be attributed to not managing important aspects of Organizational culture (Martin, 2021).

Ideally, SACCO's should be among the best performing in the financial sector, with clear leadership, promoting creativity and easily adopting to change. Research on the relationship between organization culture and firm performance has been examined by many researchers. (Ogbonna & Harris, 2010; Rousseau 2017; Kotter & Heskett 2012; Marcolides & Heck, 2013). It should be emphasized that not an extensive study has been carried out to explore the moderating influence of transformational leadership on the link that exists between the two variables.

Bulach, Lunenburg & Potter (2012) argue that there is a causal link between a successful organizational culture and high levels of performance in a company. He makes the observation that this interaction is founded on three tenets: first and foremost, understanding the history and functioning of the organization is made possible for workers by having knowledge of the business's culture. Second, it guarantees that workers are clear on the firm's philosophy and values, which provides a shared sense of attaining similar objectives and makes the employees feel like they are contributing to the organization. Thirdly, it serves as a control mechanism to drive behavior towards actions that are desirable thanks to the norms and values that it upholds. Typically, this is accomplished through choosing and hiring staff members whose values are congruent with those of the business.

A beneficial connection between culture and performance has been shown by a number of empirical investigations. (Caroli & Sarnin 2021; Gordon & Ditomaso 2014; Kotter & Heskett 2017) and support that sustainable competitive advantage arises from the organization developing distinctive capabilities that are not easily imitated by competitors. However, no study has investigated the moderating effect of transformational leadership on organization culture and firm performance in SACCOs.

Bulach, Lunenburg & Potter (2012), used ethnographic research design to study culture, in this research we will use explanatory research design. (Ernst, 2021) used the Organizational Culture Survey to measure Organizational culture by Robert Quinn, in this research we will use Organizational culture Assessment tool by Denison.

Despite the fact that many studies have been carried out on organization culture on many variables at different times and contexts, no research has focused on the moderating effect of transformational leadership on the relationship between of Organizational Culture and Firm performance in Deposit taking Sacco's in Nairobi County.

### **1.3 Objectives of the Study**

This study explored the moderating effect of transformational leadership on the relationship between Organizational Culture and Firm performance in Deposit taking Sacco's in Nairobi County.

#### **1.3.1 General Objective**

The general objective of the study was to find out the moderating effect of transformational leadership on the relationship between of Organizational Culture and Firm performance in Deposit Taking Sacco's in Nairobi County.

#### **1.3.2 Specific Objectives**

The study was guided by the following objectives:

- i. To establish the effect of involvement culture on the firm performance of Deposit Taking Sacco's in Nairobi County.
- ii. To establish how consistency culture affects firm performance of Deposit Taking Sacco's in Nairobi County.

- iii. To assess how adaptability culture affects firm performance of Deposit Taking Sacco's in Nairobi County.
- iv. To establish the effect of mission culture on firm performance of Deposit Taking Sacco's in Nairobi County.
- v. To assess the moderating effect of transformational leadership on the relationship between organizational culture and firm performance of Deposit Taking Sacco's in Nairobi County.
  - a) To assess the moderating effect of transformational leadership on the relationship between involvement culture and firm performance of Deposit Taking Sacco's in Nairobi County.
  - b) To assess the moderating effect of transformational leadership on the relationship between consistency culture and firm performance of Deposit Taking Sacco's in Nairobi County.
  - c) To establish the moderating effect of transformational leadership on the relationship between adaptability culture and firm performance of Deposit Taking Sacco's in Nairobi County.
  - d) To assess the moderating effect of transformational leadership on the relationship between mission culture and firm performance of Deposit Taking Sacco's in Nairobi County.

#### **1.4 Research Hypothesis**

The following hypothesis was tested.

Ho1: Involvement culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.

Ho2: Consistency culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.

Ho3: Adaptability culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.

Ho4: Mission culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.

Ho5: Transformational leadership has no significant moderating effect on the relationship between Organizational Culture and firm performance of Deposit Taking Sacco's in Nairobi County.

Ho5a: Transformational leadership has no moderating effect on the relationship between involvement culture and firm performance of Deposit Taking Sacco's in Nairobi County.

Ho5b: Transformational leadership has no moderating effect on the relationship between consistency culture and firm performance of Deposit Taking Sacco's in Nairobi County.

Ho5c: Transformational leadership has no moderating effect on the relationship between adaptability culture and firm performance of Deposit Taking Sacco's in Nairobi County.

Ho5d: Transformational leadership has no moderating effect on the relationship between mission culture and firm performance of Deposit Taking Sacco's in Nairobi County.

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

The outcome of this study will add to knowledge of organizational culture and its effect on firm performance in business management. Additionally, conclusions made from results of the study will provide other academics with a benchmark for their own research in the field of organization culture and firm performance.

The research will be important to the Sacco's who are the subject of the study; it will help them understand how they can modify their organizational culture to achieve improved firm performance.

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

The study focused on the effect of Organizational culture on firm performance of Deposit Taking Sacco's in Nairobi County. The study specifically focused on the moderating effect of transformational leadership on the relationship between organizational culture and firm performance in Nairobi County. The will use explanatory research design, the study targeted 190 employees in DTS-SACCO's in Nairobi County. Nairobi County has been chosen because there are 39 DTS SACCO's with headquarters in Nairobi. The study lasted for a total of three months to complete.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews and analyzes past literature on the effect of organizational culture on firm performance. The study is organized around the research objectives. The research will unearth views and opinions given as well as study models and theories that support the topic of this study. This study will focus on Organizational culture and Firm performance which are the essential components in the investigation. The chapter concludes with a presentation of the conceptual framework and a discussion of the gaps that have been found.

#### **2.1 The Concept of Firm Performance**

Firm Performance is a key aspect for every organization. Performance is defined as a collection of indicators, both monetary and non-monetary aspects that provide information on the degree to which objectives and results have been attained. (Lebans & Euske 2006); Kaplan & Norton 2012).

Nyariki (2013) explains that the measurement of "Firm Performance" refers to the examination of "standard or defined measures of success, productivity, and environmental accountability," such as "cycle time," "productivity," "waste reduction," "regulatory compliance," and so on.

According to (Richard et al., 2009), The completion of a company's three basic objectives is what is meant when the word "firm performance" is used. These objectives are financial performance (which might include things like earnings, return on assets, and return on investment, among other things); operational performance; and market performance. Product market performance, comprising things like sales and share of

the market, as well as shareholder return, and economic value added, are examples of what are considered to be important metrics.

Additionally, it might be used to define the method of assessing the efficacy as well as the effectiveness of management efforts. (Neely, Gregory & Platts, 2015). This is supported by (Bittici, Carrie & McDevit, 2007) who define firm performance as a process of ensuring that corporate and functional strategies are consistent to achieve organizational goals. It is also possible to refer to it as the process of bringing long-term success to an organization through enhancing the skills of its members both individually and collectively. (Ahmad, 2012).

The effectiveness of the company is proportional to the returns on investment generated by the incorporation of a robust culture into the organizational structures that are responsible for its capacity to carry out everyday tasks. This concept is important in allowing management to establish performance over time and compare the same with similar businesses.

Good performance is desirable for both corporate and SME's (Ng'ang'a & Wesonga, 2012). It gives rise to greater efficiencies through exploring economies of scale, increased production and higher brand visibility. It is a sign of profitability and growth and an indicator of effectiveness.

Additionally, it is possible to see it as a comprehensive and integrated strategy to delivering long-term success to the business. This is accomplished through improving the performance of the people who work inside them, as well as the capacity of team members and individual contributors. It may be possible to accomplish this objective through improving the performance of the persons who carry out the responsibilities of organizations. (Armstrong & Baron 2018).

The Balanced Score Card was created as a measure of performance in an organization. Its sole purpose is to challenge the notion that exclusive reliance on financial measures in an organization negatively affects the bottom line.

(Kaplan & Norton, 2001) state that exclusive reliance on financial indicators can improve results in the near term at the sacrifice of the benefit in the long run. Evidence of past financial success is considered by the balanced score card, and these results are then reinforced by measures of the drivers, which are the most reliable indicators of future financial performance.

It is anchored on measuring both financial and non-financial aspects of the firm which are derived from the firm's vision and strategy. It facilitates interconnection of various strategic elements such as mission, vision, core values, strategic focus, and measures of performance, targets and initiatives that will help to implement the strategy.

This allows the organization to examine their purpose, what they aspire for, understand their goals and measures of the strategic goals which analyzes balanced scorecards tracking KPI's. In turn this ensures that the firm can track its strategic performance and attain its desired level of performance thus improving firm performance.

Firm performance is anchored on the model of Balanced Score Card. The central premise of BSC is that we view organizations from four perspectives to develop objectives, measures, targets and initiatives centered on the four views. It presents four perspectives as follows; financial perspective, internal perspective, customer perspective and learning and growth perspective.

Financial performance perspective involves analyzing financial data such as sales and expenditure to establish if the firm resources are being used effectively. Internal Perspective allows for the organization to analyze how well products are made, delays,

waste or shortages encountered. Customer perspective this is important in helping the organization gauge customer satisfaction with quality, price and availability of products and collecting customer feedback. Lastly, learning and growth perspective it helps the organization to analyze information and evaluate how effectively employees use the information. It analyzes the human capital, infrastructure, culture and technology. It investigates training and knowledge resources.

The BSC proponents believe that strategy implementation is key if the strategy is to deliver any substantial results to the firm. Most organizations have unique and sustainable ways of creating value but may lack strategies to measure the same. (Kaplan & Norton 2001) asserts that strategy execution to be successful, it is necessary for all workers and company divisions to have complete agreement with the company's plan.

This model enables firms to describe and communicate their strategy in an easy format that can be implemented. It allows leaders to communicate their vision and help build consensus on the company strategy and communicate it to all levels to facilitate action as it links the strategy to individual goals.

According to (Kaplan & Norton, 2001), BSC allows organizations to focus and dedicate resources and processes in a way that is aligned to the strategy. It provides employees with an architectural way to create new organizational relationships between individual workers, corporate groups, and collaborative services.

BSC allows for organizational learning, this gives the firm the ability to manage strategic learning which allows for gathering feedback, managing change. Therefore, BSC addresses how to turn intangible assets to tangible assets. It contains outcomes measures and the performance driver's outcome.

The assessment of performance may give important and useful information to management in any business, enabling them to maintain apprised of performance, monitor development, inspire people, enhance communication, and detect gaps in performance. (Waggoner, Neely & Kennerley 2009). Performance measurement enables management to create simple, easy to understand numerical concepts from complex processes which can makes it easier to communicate individual goals and create action plans at all levels of the organization (Lebas, 2005).

According to (Armstrong & Baron, 2008), Performance management is a comprehensive and integrated approach to bringing sustainable success to companies. This is accomplished through enhancing the performance of individuals who work in such organizations, as well as nurturing of the talents of both teams and particular individuals. According to (Reynolds & Ablett, 2018), this strategy lends credence to the idea that an organization's most significant source of competitive advantage is its workforce rather than its financial resources. The goal of performance management is to turn the untapped potential of human resources into actual performance. This is accomplished by eliminating intermediary hurdles, in addition to inspiring and revitalizing the human resources. (Kandula, 2006).

(Waggoner, Neely & Kennerley, 2019) defines performance measurement as an ongoing monitoring and reporting of achievements especially towards set goals. Performance measures quantitatively guide management to understand the process of making products. They are a tool to appreciate and ultimately improve what the organization do. They are important in establishing if the organization is meeting its objectives, if the customers are satisfied and if there is need for improvement. This therefore indicates that measurement is at the center of firm performance as it is significant in achieving efficiency and effectiveness in an organization.

Performance measures will help understand the processes in the organization, the output from the processes and the results the firm eventually achieves. (Harold & Darlene 2004; Kaplan Norton 2012) have stated that both financial and non-financial indicators should be considered in order to assess the organization's financial success. Performance is a broad indicator that can encompass various performance measures such as results, behaviors, productivity, quality, consistency, education and training, management development and leadership, clear and measurable goals and consultative performance appraisal.

The success of the company will be evaluated using balanced scorecards, which are also referred to as strategy maps. Balanced scorecards feature a total of four viewpoints: the financial view, the customer perspective, the internal processes perspective, and the learning and growth perspective.

## **2.2 The Concept of Organization Culture**

According to (Schein, 2004), culture is defined as a group of managerial procedures and actions that both illustrate and promote a set of basic principles, such as core values, ideas, and ideas which operate as the basis for an organization's management system. The core principles, beliefs, and concepts that serve as the foundation for an organization's management system. Culture may also be seen as the set of management techniques and behaviors that both show and reinforce those fundamental ideas. This second definition of culture focuses on organizational culture. The definition of culture that can be found in (Kotter & Heskett, 2002) states that it is "a collection of beliefs and behaviors observed by a society." Knowledge, explanations, values, beliefs, communication, and conduct of people who share a similar area are all examples of what are included in the concept of culture.

According to (Hofstede, 2004), The term "culture" may be used to refer to "the shared mental structure of the mind that identifies individuals who are part of a particular human group." It is a crucial factor in determining whether or not employees are happy with their jobs and whether or not the business is successful. According to (Trevino & Nelson 2009), it is the expression of commonly held assumptions, values, and ideas that serve as the social glue that binds an organization together. It's been suggested by (Forehand & Gilmer, 2014) that an organization's culture is the collection of traits that differentiate it from others in its industry. Every company has its own one-of-a-kind culture.

According to (Deal & Kennedy, 2002), culture may be defined as "the way things are done around here.". (Titiev, 2019) notes that culture is learnt and shared in the organization. (Robbins & Sanghi, 2007) asserts that Organizational culture consists of a system of common values and norms. Shared values create a basis for consensus and integration this promotes cohesion and communication among members of the organization.

These properties give rise to an organization with effective cooperation and the ability to adapt to the changing business environment (Denison, 2011). This fosters a stronger feeling of belonging and more dedication to the accomplishment of organizational objectives, as well as a developing ability to do tasks with an increased degree of independence.

Organizational Culture represents an inventory of strategies that have worked well in the past and that member's believe will work well again. It is closely linked to organization strategy and management practice (Denison, 2011). A strong culture

reinforced by similar values, behaviors and patterns can create a positive impact enabling an organization to respond effectively to environmental changes.

Makhlouk & Shevchuk (2008) shows that organizational culture has an effect on the performance of an organization. This culture has an effect on how an organization deals with problems and questions, how individuals respond to change, how individuals collaborate with one another, how an organization communicates with partners, and how individuals commit to strategy. When employees of an organization have the right culture then they conduct themselves well which leads to success and proficiency (Louise, 2012).

The Denison model is important in understanding organizational culture. It identifies the core values and assumptions which make up the organization's most fundamental aspects of culture. These main tenets provide a platform to investigate and understand the various components of culture, behavior and action (Denison, 2000).

According to (Denison 2010; Denison & Mishra 2015), there are four cultural traits which include involvement, consistency, adaptability and mission that have a bearing on firm effectiveness. Involvement is centered on the participation of employees. (Becker 2004; Lawler 2006; Likert, 2011) believes that successful firms are centered around developing employees, promoting teamwork and enhancing the capabilities of employees at all levels of the organization. The model views participation as a major component in instilling a sense of responsibility in employees as they partake in decision making thus increasing their sense of ownership and accountability for their decisions and actions.

Organizations that perform well invest in their workers and are based on teams (Lawler, 2006). This has been proven to enhance firm performance as employees are more

dedicated in achieving organization goals. Participation increases intrinsic motivation as it makes both employees and managers as they both feel valued and directly connected to the organization's purpose as they are a reflection of the employee's individual aspirations.

The second aspect of consistency is an indicator of a firm that has a strong culture, which is well embedded throughout the organization with a concerted effort to ensure the same is communicated throughout the organization. The employees behavior and actions are based on an agreed upon set of values with a unique ability to reach consensus on issues that they may have different opinions on (Block, 2011).

Therefore consistency is viewed as a pathway to create a mindset to gear the organization towards having a common viewpoint that is critical in enabling control and coordination. Organizations can therefore be more successful if they have the social glue that binds all employees together which definitely improves group coordination thus improving performance.

According to (Senge, 2000) consistency acts as a source of stability and internal cohesion as the team has a common frame of reference. This is important in enhancing a culture of innovation, creativity and change management.

The idea of adaptability is predicated on the notion that an organization's values, norms, beliefs, and behaviors All of these factors lead to its capability of accepting signals from its external environment, interpreting those signals, and converting those interpretations into modifications to internal behavior that are favorable to the organization's continuing survival, growth, and development. This aspect allows organizations to change their structures and systems continuously thus developing new products with added features that create greater value to the clients (Stalk, 2008). Adaptable

organizations are centered on customer needs, they endeavor to learn from situations that go wrong, appreciate risk taking and easily adapt to new changes in the market (Nadler 2018; Senge 2000). They are continuously changing so they improve the firm's collective abilities to increase customer value (Stalk, 2008).

Mission refers to a common purpose, direction and strategies that facilitate team members to work towards a common goal (Baker, 2002). For a firm to succeed, all employees must have a distinct goal and path in mind, one that outlines both your organization's and your team's strategic objectives. of what the organization intends to achieve within a defined period of time (Mintzberg 2014; Ohmae 2002; Hamel & Prahalad 2004).

Organizations always have a strategic review to modify their strategic goals during the strategic planning process. This provides the opportunity for the organization to modify its mission, this flexibility enables organizations to adapt new changes in the environment and align themselves accordingly (Mintzberg 2004; Hamel & Prahalad 2014).

The four cultural aspects focus on diverse elements of culture. Consistency and mission focus on the internal elements of the firm that focus on leadership. Consistency and adaptability allow for change and flexibility and give guidance on how the firm interacts with external aspects (Baker, 2002).

### **2.3 Organization Culture and Firm Performance**

Cameroon & Quinn, 2009; Deal & Kennedy ,2012; Dennison ,2010; Kotter & Heskett, (2002) have shown that a significant correlation exists between a high level of organizational performance and an organization that has a robust culture with a well-integrated and efficient set of values, beliefs, and behaviors.

It should be underlined that culture will continue to be tied to strong firm performance only if the culture is capable of adapting to changes in the environment, being open to innovation and creativity, and maintaining flexibility for the organization to execute change. In addition to this, the culture must be taught to a large number of people and must preserve its individuality and inimitable qualities. (Lewis 2008; Lim 2015; Ouchi 2011).

Denison (2010) argues that firm performance is dependent on the degree to which the values of the culture are extensively shared. Culture is viewed as important to helping employees understand the organization events and objectives which are key in firm performance. It is believed that a well-developed culture will influence employee behavior (Azhar, 2003).

Safford (2000) believes that culture can influence the work processes which are important in managing change especially in creating or modifying culture. He affirms that culture is a useful as a control measure that influences employee behavior and decisions. It is also seen to act as the social glue that bring staff collectively and make them firmly feel as if they are an integral part of the team that is beneficial to the company in order to recruit and maintain a quality workforce.

It is well acknowledged that having a robust culture serves as a primary factor in improving the overall performance of the workforce. According to (Safford, 2018), it boosts employees' self-confidence and devotion to their jobs, as well as decreases stress on the workplace and encourages ethical conduct among workers. A culture that is positive and strong may boost performance, but a culture that is negative and weak can demotivate a great person to the point where they underperform. This therefore means that culture has a direct role in performance.

Deal & Kennedy (2012) points out that both weak and strong culture have an effect on organization behavior but in strong culture employees are able to work to achieve firm objectives and help improve firm performance. Culture of a company is considered as an intangible asset that may be used to build a lasting competitive advantage, distinguish an organization from others in its industry, and improve overall performance (Kaplan & Norton 2012; Njugi & Agusioma, 2014).

Barney (2011) posits that if an organization has a viable culture, with a culture that is rare and perfectly imitable that organization can have aggressive sustainable advantage. This can assist provide superior organization performance that can be temporary or continue to long term if well managed.

Kandula (2006) argues that in order for a company to have successful performance, it must first have a robust culture. He goes on to explain that the same techniques do not provide the same outcomes for two different firms even though they are in the same region and industry because of the differences in organizational culture.

Magee (2002) claims that without taking into consideration the influence of organizational culture, organization methods such as performance management may be unproductive. This is due to the fact that the two rely on one another and that changes in one will affect the other.

Good leaders know how to manage culture and use it to ensure that their organizations are successful. According to (Hofstede, 2008) When judgments are made in ignorance of culture and the cultural forces at play, the results may be unpredictable and undesirable. This idea is supported by (Schein, 2002), which is a framework for explaining a broad variety of organizational phenomena that says that culture has a direct influence on the performance of an organization, in any way that is beneficial or

detrimental. Schein's findings provide credence to the idea that culture has an effect on performance.

Pearce & Robinson (2004) make the observation that culture may be both a strength and a weakness. Culture has the potential to be a strength that improves communication, decision making, and control. It is necessary to do this in order to create an atmosphere that encourages collaboration and dedication. As a potential flaw, it might make the execution of the approach more difficult by fostering resistance to change.

Employees will lack a strong feeling of dedication, loyalty, and a sense of identity if the company does not have a strong culture. According to (Potter & Heskett, 2005), this might result in an ongoing political atmosphere, a reluctance to change, and the promotion of bureaucracy at the price of innovation and entrepreneurial spirit.

According to (Raduan, 2008), A strong culture inside an organization that is comprised of a fully integrated and effective collection of values, beliefs, and behaviors is associated with the presence of a high degree of organizational performance in that company. The values of an organization are a fundamental component of its culture. These values are distinct and have an effect on the way the company functions strategically.

Studies have demonstrated that the culture of an organization has a direct influence on the performance results of any company, such as the pleasure of the firm's customers and the development of the business. According to (Mercer, 2002), company culture may have an effect on sales growth and overall business success.

## **2.4 The Concept of Transformational Leadership**

Simola et al., (2012) describe transformational leadership as a sort of leadership that occurs when interactions among individuals with interests are arranged around a

common goal in such a manner that transforms, motivates, and enhances the ethical ambitions of followers. It seeks positive transformation for followers to achieve the desired changes (Gelb & Swenson, 2013).

The characteristics of transformational leadership may be broken down into numerous distinct patterns of conduct. It emphasizes the significance of having a shared vision and goal, which is important for change, and uses charisma to acquire the confidence and admiration of those who follow it. (Bass, 2010). He further asserts that inspiration through clear communication and required expectations to the followers enhances their self-confidence and determination to succeed.

Transformational leadership is about undertaking an overhaul to the organization systems and structures to create new work processes, a new culture and strategy so as to achieve changes through strategy and structure. It is considered one of the key elements that have an influence on organizational outcomes. (Gelb & Swenson, 2013).

Bass & Avolio, (2004) developed the Bass Multifactor Leadership Questionnaire which is measured by a sixteen-item scale. It is divided into four dimensions which include idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

According to (Piccolo & Colquitt, 2006), the capacity of leaders to behave in charismatic ways that induce followers to become acquainted with them is the definition of idealized influence, which is tested using a four-item scale.

The second component of inspirational motivation is the capacity of leaders to impart a feeling of vision by establishing high standards of working and expectations. This element of inspirational motivation is assessed on a four-item scale and is described as the ability of leaders to do so.

The third component is known as Intellectual Simulation, and it is evaluated using a scale that consists of four items. It is a measure of the extent to which leaders encourage and facilitate the development of novel and imaginative approaches to addressing existing challenges.

The last aspect is the degree to which leaders cater to the requirements of their followers is what is meant by "individualized consideration." (Piccolo & Colquitt, 2006). It specifically refers to the ability of the leader to act as a coach and mentor in addition to listening to their concerns and offering solutions.

## **2.5 The Moderating Role of Transformational Leadership**

Transformational leadership has been identified as the cornerstone of good firm performance. Leaders source and apportion resources and oversee the conversion of the resources to valuable end products. (Avolio, 2009).

It has been noted that different leadership styles result to different strategic outcomes. Specifically, the impact of transformational leadership is immense and influences the achievement of organization strategy. Leadership in particular, complements a good culture as it affects teamwork, decision making, strategic planning and general coordination of the organization.

On the other hand, it is now a cliché that strategy eats organizational culture for breakfast. Organization culture is an obstruction yet the forces it creates are far reaching and closely tied to the organization strategy. Leaders play an essential part in the process of developing and preserving a constructive culture. (Schein, 2002).

Several pieces of research have pointed to a beneficial connection between transformative leadership and the effectiveness of an organization. It is important to emphasize that after the foundation for the culture has been laid, the leaders of the

company are responsible for managing the fundamental assumptions of the organization and updating the culture in order to adapt to the ever-shifting requirements of the business. (Walubwa & Lawler, 2003).

According to (Lowe et al. (2006) transformational leaders influence their follower's aspirations, identities, needs, preferences and values so as to help followers achieve their full potential. Transformational leaders lay emphasis on developing capabilities of his team members, encouraging team members to attain the best performance. This is achieved because the leaders offer idealized influence, inspirational motivation, intellectual stimulation and individual support to followers. (Avolio, 2009).

It is envisioned that what the leader does and his attitude are important in individual and organization performance as they foster learning and support organization structures that are flexible to support good firm performance.

(Edmondson, 2002) asserts that transformational leadership supersedes team mentorship and team participation to include actions that affect follower's motivation and result in new behaviors that develop the key capabilities of followers. This provides a linkage between organizational culture that requires active change in underlying values and beliefs in order to match the vision the vision of the leader. Equally, firm performance becomes the immediate beneficiary of a great organization culture and higher organization efficiency. (Sarin & McDermott, 2003).

There is a significant body of research that suggests transformational leadership has a favorable association with organization performance in a wide range of organizational contexts and cultures. (Bono and Judge, 2003; Dumdum et al; 2002; Koh, Steers and Terborg, 2015; Lowe et al; 2016; Walubwa and Lawler, 2003).

The dedication to performance of transformational leaders' supporters is influenced by the leaders' ability to create an organizational culture that encourages a high degree of intrinsic value, which is derived from the successful completion of goals, as well as an enhanced individual dedication on the part of both leaders and followers to the successful completion of the organization's common vision, mission, and goals. (Shamir, House & Arthur, 2013).

These leaders inspire followers to think outside the box by participating in coming up with solutions to problems that the organization faces thus promoting loyalty while appreciating the individual differences of followers that help develop their potential by nurturing their talents. (Avolio, 2009; Bass & Avolio, 2004; Yammasino, Spangler & Bass, 2013). By motivating followers to be involved in seeking solutions to problems they face, followers become more committed to work resulting in better organizational performance (Walubwa & Lawler, 2003). This has also been supported by (Jermier & Berkes 2019; Rhodes and Steers, 2011).

## **2.6 Theoretical Foundation**

### **2.6.1 Resource Based View Theory (RBV)**

It is widely acknowledged as being among the most effective methods for gaining an understanding of sustainable competitive advantage. According to (Peteraf & Bergen, 2003), one of the most important premises of the Resource-Based perspective is that companies compete on the basis of the resources and competencies they possess. It places a strong emphasis on the resources of the company as the basic determinants of the competitive advantage and success of the company.

The Resource-Based View hypothesis is predicated on resources, both physical and intangible, that are required to be diverse and immobile and have VRIN traits that

convert into being VRIN resources that finally create a competitive advantage. It categorizes assets to tangible and intangible assets. Tangible assets include land, building and machinery while intangible assets include brand reputation; intellectual property, trademarks, and knowledge are built in the long term and cannot be easily acquired (Cool, Costa & Deerick, 2002).

The theory assumes that resources must be heterogeneous in the sense that they differ from organization to organization, that at no given point can two companies in the same industry has the same mix of resources. In addition, the resources have to be immobile thus cannot move from one company to another at least in the short run.

The first premise is that organizations in the same industry can be heterogeneous in terms of resources that they control such as machinery and they are not regarded to be strategically important assets by any organization Since a rival organization may easily get them. A strategic resource, on the other hand, is one that is not only valuable but also scarce, difficult to replicate, and irreplaceable.

Second, it presupposes that there is a possibility that heterogeneity would endure over time due to the immobility of the resources that are employed to put organizations' plans into action. It is generally accepted that heterogeneity in resources must exist as a prerequisite for a resource bundle to be able to contribute to a competitive advantage. If companies operating in the same sector have access to comparable resources, there is no way for one company to implement a plan that would be unavailable to the other companies in the sector.

Resource uniqueness is a basic component of RBV theory, is it is at the center of creating and sustaining competitive advantage. According to (Barney, 2021) a resource

must be valuable, rare, inimitable and non-substitutable in order for the competitive advantage to be sustainable.

Cool, Costa & Deerick (2002) argue that it is a theory based on how a firm can operate more effectively as it results in a difference in performance with other firms in the same industry. The performance differentials are seen to be acquired from rent differentials; this can be explained by the ability of the organization to analyze its value chain and consciously making deliberate effort to increase efficiency in the work processes. This is crucial in helping the organization deliver more value to the customers at the same price or lower price.

The theory proponents state that it is easier for the firm to exploit external opportunities using existing resources in a new way rather than trying to acquire new resources for any available opportunity this enables the firm to achieve higher organizational efficiency.

### **2.6.2 Stakeholder theory**

Stakeholder theory is a conceptual framework of business ethics and organization management that tackles moral and ethical principles in the context of the administration of a company. This is what the theory is described as. As a result, it is possible to identify a company's workers, suppliers, financiers, communities, trade unions, political parties, trade associations, rivals, and consumers as the organization's stakeholders.

Freeman (2004) defines stakeholders as those groups who are vital to the survival and success of a business as (Friedman, 2006) adds that stakeholders have legitimate claims to the procedures and general concept of running a business and that each stakeholders

interests are intrinsic in nature, this means that each group of stakeholders merits consideration for its own sake and not because it can further interests of another group.

The theory states that the function of a business is to create value for stakeholders not just shareholders. According to (Donaldson & Preston, 2015), stakeholders need to be managed and engaged and be incorporated to the tactical and strategic levels to improve firm performance.

Freeman (2013) believes that creating as much value for stakeholders without resorting to tradeoffs is the hallmark of a successful business. Good firm performance has been attributed to aligning business goals with stakeholder goals. (Benioff, 2012) states that the business of business is not just business but doing the right thing for the company and the other stakeholders.

Stakeholder theory proponents view a firm as an integration of business and competitive interests possessing intrinsic value. This helps to establish the framework to understand the relationship between stakeholder management and firm performance (Donaldson & Preston, 2015).

A central premise of the theory is that stakeholder management is a management function. It outlines how managers should behave, their roles and what actions they can undertake. In his retribution (Freeman, 2004) states that managers can be held accountable by stakeholders if they fail to exercise the required standard of care.

Because of this, it is essential for managers to effectively manage the many groups of stakeholders, since their contributions are crucial to the success or failure of the company. It is generally accepted that the organization's mission is to manage the concerns, requirements, and points of view of its many stakeholders. It is generally

agreed that the notion of stakeholders is one of the finest strategies to guarantee that a business will be more successful throughout the course of time.

### **2.6.3 Institutional theory**

Institutional theory examines the fundamental aspects of social existence. It seeks to understand the process through which routines, behaviors, beliefs, norms and rules are enforced as a yard stick to measure social behavior.

It seeks to investigate how elements of social behavior are created, adopted and diffused over time and how the same changes over time (Kiaritha, 2015). Institutions are seen as formal and informal procedural routines, norms, and customs inside the organizational structure under this perspective. According to (Jepperson, 2011), It is considered to be above the individual level due to the fact that it comprises the interests and political involvement of actors without the need for repeated collective mobilization or intervention from authoritative figures in order to generate these regularities. This fact lends credence to the notion that it is above the individual level.

It recognises that the influence of institutions and their capacity to remain stable is a result of the degree to which culture is ingrained in political actors on the level of the person or organization and the degree to which they are connected to resources and networks. To put it another way, the degree to which political actors are ingrained with culture is the determining factor in determining the degree to which institutions are influential and stable. (Clemens & Cook, 2009).

Institutional theory posits that institutions can be constraining, superimposing conditions of possibility for mobilization, access and influence. This may cause facilitation or limit some actions. This explains how some firms can expand and grow while others may not achieve as much success which can facilitate or hinder

mobilization of collective wealth (Clemens & Cook, 2019). According to (Doug & Scott, 2004), it is predicated on the idea of legitimacy as the main organizational aim, as opposed to efficiency or effectiveness as the secondary organizational goal. This essentially demonstrates how important it is to achieve acceptance via consistent actions and a set of standards as a frame of reference. The theory's fundamental idea and premise provide helpful guidelines for understanding organization connections, with a focus on the social rules, expectations, norms, and values as a source of pressure to the organization. These guidelines highlight the importance of social rules, expectations, norms, and values.

## **2.7 Empirical Literature**

Several empirical studies have supported a positive link between culture and performance (Caroli & Sarnin 2011; Gordon & Ditomaso 2002; Kotter & Heskett 2012) and support that sustainable competitive advantage arises from the organization developing distinctive capabilities that are not easily imitated by competitors. (Kotter & Heskett, 2002) conducted a study and found out that; there is an increase in performance with organizations with an enhanced or strong culture unlike organizations that did not enhance their culture.

Cameroon & Quinn, 2009; Deal & Kennedy, 2012; Dennison, 2010; Kotter and Heskett, (2002) have shown that a significant correlation exists between a high level of organizational performance and an organization that has a robust culture with a well-integrated and efficient set of values, beliefs, and behaviors.

It should be underlined that culture will continue to be tied to strong firm performance only if the culture is capable of adapting to changes in the environment, being open to innovation and creativity, and maintaining flexibility for the organization to execute

change. In addition to this, the culture must be taught to a large number of people and must preserve its individuality and inimitable qualities. (Lewis, 2008; Lim, 2015; Ouchi, 2011).

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It is well acknowledged that having a robust culture serves as a primary factor in improving the overall performance of the workforce. According to (Safford, 2018), it boosts employees' self-confidence and devotion to their jobs, as well as decreases stress on the workplace and encourages ethical conduct among workers. A culture that is positive and strong may boost performance, but a culture that is negative and weak can demotivate a great person to the point where they underperform. This therefore means that culture has a direct role in performance.

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an intangible asset that may be used to build a lasting competitive advantage, distinguish an organization from others in its industry, and improve overall performance (Kaplan & Norton 2012; Njugi & Agusioma, 2014).

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Magee (2002) claims that without taking into consideration the influence of organizational culture, organization methods such as performance management may be unproductive. This is due to the fact that the two rely on one another and that changes in one will affect the other.

Good leaders know how to manage culture and use it to ensure that their organizations are successful. According to (Hofstede, 2008) When judgments are made in ignorance of culture and the cultural forces at play, the results may be unpredictable and undesirable. This idea is supported by (Schein, 2002), which is a framework for explaining a broad variety of organizational phenomena that says that culture has a direct influence on the performance of an organization, in any way that is beneficial or detrimental. Schein's findings provide credence to the idea that culture has an effect on performance.

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According to Raduan, (2008), A strong culture inside an organization that is comprised of a fully integrated and effective collection of values, beliefs, and behaviors is associated with the presence of a high degree of organizational performance in that company. The values of an organization are a fundamental component of its culture. These values are distinct and have an effect on the way the company functions strategically.

Studies have demonstrated that the culture of an organization has a direct influence on the performance results of any company, such as the pleasure of the firm's customers and the development of the business. According to (Mercer, 2002), company culture may have an effect on sales growth and overall business success.

Sarin & McDermott (2003) put forward that leader who used transformational leadership involved followers in decision making, clearly communicated goals to be achieved and provided a valuable network through his connections to the followers and improved organization learning.

Edmondson 2003; Nembhard & Edmondson, 2006) suggest a link between transformational leadership, organizational innovation, culture change, employee creativity and innovation implementation behavior.

According to (Lowe et.al., 2006) transformational leaders influence their follower's aspirations, identities, needs, preferences and values so as to help followers achieve their full potential. Transformational leaders lay emphasis on developing capabilities of his team members, encouraging team members to attain the best performance.

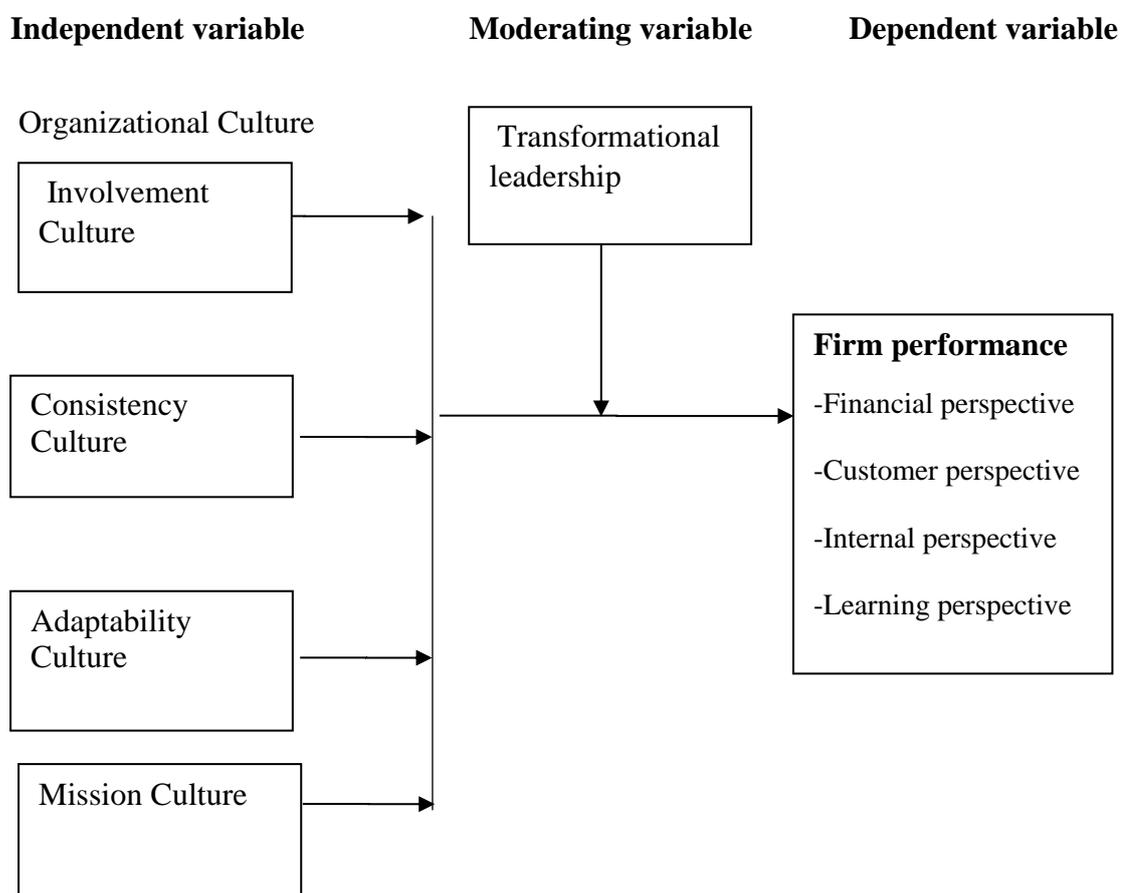
Edmondson (2002) asserts that transformational leadership supersedes team mentorship and team participation to include actions that affect follower's motivation and result in new behaviors that develop the key capabilities of followers. This provides a linkage between organizational culture that requires active change in underlying values and beliefs in order to match the vision the vision of the leader. Equally, firm performance becomes the immediate beneficiary of a great organization culture and higher organization efficiency. (Sarin & McDermott, 2003).

Waldan, Siegel & Javidan (2006) conducted research on components of CEO transformation leadership and CSR. They found out that CEO intellectual stimulation is found to significantly associate with propensity of the firm and likely to be related to firm performance. (Brown, 2016) in a research to establish the relationship between leadership styles and organization performance moderated by employee job satisfaction found out that transformational leadership behavior increased firm performance. He recommends further research to investigate other moderating factors relative to firm performance.

## 2.8 Conceptual Framework

The purpose of this research is to establish the extent to which the independent variable is reliant on the dependent variable at various levels. The link connecting the independent variable, the moderating variable, and the dependent variable is laid forth in this conceptual framework.

It diagrammatically illustrates how theories inform and support the research and is part of the research design.



**Figure 2.1: Conceptual framework**

## 2.9 Summary of the Literature Review and Research Gaps

Good performance is desirable for each organization. It gives rise to greater efficiencies through exploring economies of scale, increased production, and higher brand visibility. It is noted that culture will remain interconnected to good firm performance

only if the culture is able to adapt to changes in the environment, remain open to innovation and creativity and flexibility for the organization to implement change.

Many researchers have arrived at the conclusion that transformational leadership has a direct impact on firm performance. (Hancott, 2005). The review of existing literature affirms that transformational leaders champion change and facilitate aligning work processes to the organization strategy.

There are many challenges facing the SACCO movement, they include a history characterized by inefficiencies, mismanagement, poor customer service and poor service delivery. Initially, SACCO's were created to provide credit facilities to members but have evolved over the years and diversified their products to offer many investment opportunities that in turn aids socio economic development.

In the recent past there has been tremendous growth in the Sacco sector following the rise in demand for affordable credit. This has led Sacco's seeking strategic alternatives such as rebranding, improved management, organization culture change programs in order to improve efficiency, service delivery and financial performance.

Many scholars have undertaken research on the effect of organizational culture and firm performance. Research on the relationship between organization culture and firm performance has been examined by many researchers. (Ogbonna and Harris, 2000; Rousseau 2010; Kotter and Heskett 2002; Marcolides & Heck, 2003). Though not much research has been done to investigate the moderating effect of transformational leadership on the relationship between the two variables.

Several empirical studies have supported a positive link between culture and performance (Caroli and Sarnin 2001; Gordon and Ditomaso 2002; Kotter and Heskett 2012) and support that sustainable competitive advantage arises from the organization

developing distinctive capabilities that are not easily imitated by competitors. However, no study has investigated the moderating effect of transformational leadership on organization culture and firm performance in SACCOs.

According to Waldan, Siegel and Javidan (2006), conducted research on components of CEO transformation leadership on organizational performance. They found out that CEO intellectual simulation is found to significantly associate with propensity of the firm and was found to be related to corporate and business level strategy. They recommend further research on other variables of transformational leadership.

(Brown, 2016) in the research to establish the relationship between leadership styles and organizational performance moderated by employee satisfaction. He found out that transformational leadership behavior increased organizational performance; he recommends further research on other moderating factors such as change readiness, organizational culture and the role that leader personality traits relative to organizational performance.

This therefore makes the area of research a relevant field of study to solve real issues in the corporate world in a quest to contribute, albeit in a small way, to the body of knowledge in organizational culture and firm performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

In this chapter, we will provide a comprehensive overview of the study design that was chosen. It provides an explanation of the overall approach to methodology that was used in the execution of the research endeavor. The researcher explains the study design that was used, as well as the target population and the sampling technique that was employed. The techniques for data analysis and the methods of data collecting are also outlined here.

#### **3.1 Research Design**

For this study, an explanatory research design was used. (Robinson, 2002) states that the purpose of exploratory study is to attempt to provide an explanation and an interpretation for the descriptive data. Explanatory studies aim to answer questions such as "why" and "how," as opposed to the "what" inquiries that are asked in descriptive research. (Grey, 2014). This research was conducted with the intention of determining whether or not transformational leadership has a moderating effect on the connection between organizational culture and the performance of organizations.

#### **3.2 Target Population**

Target population refers to the particular population about whom information is sought. According to (Ngechu, 2004), a population is a group of individuals who have been clearly identified and who are the subject of an investigation. The participants in the research included 1,807 people who worked for one of 38 DTSSs located within Nairobi County.

**Table 3.1: Target Population**

<b>Staff Cadre</b>	<b>Target population</b>	<b>Percentage</b>
Lower management staff	849	47%
Middle level management staff	560	31%
Senior level management staff	398	22%
<b>Total</b>	<b>1807</b>	<b>100%</b>

### **3.3 Sample Design**

According to Beri (2000), a working plan is considered to be a sample design if it details the population frame, sample size, method of sample selection, and estimate technique. A random selection of people who are meant to be representative of a larger group is what statisticians mean when they talk about taking a sample. The method of sampling that was used to this investigation is broken out in further detail in the following paragraphs of this section.

#### **3.3.1 Sampling Frame**

The most suitable sampling strategy for explanatory research is a probability sample, since it ensures that all instances within the population have an equal opportunity and likelihood of being selected. The sample frame refers to the primary source material or tool used to choose a representative sample. The term "sampling frame" refers to a comprehensive roster of individuals that constitutes the whole population eligible for selection in a research study. The researcher used a stratified random sample technique, whereby the respondents were divided into several groups depending on the various cadres of personnel inside the business.

The sample size was determined using the equation proposed by Nassiuma (2000), with a confidence level of 95% and a margin of error of 0.05, based on a target population of 1807 as shown above.

$$n = \frac{N (CV^2)}{CV^2 + (N - 1)e^2}$$

Where n=sample size

N= population (1807)

Cv= Coefficient of variation (0.6)

E = tolerance of desired level of confidence (0.05)

$$n = \frac{1807 (0.6^2)0.6}{0.6^2 + (1807 - 1)0.05^2} = 133$$

The study's sample size consisted of 133 participants. In order to ascertain the distribution of the sample amongst the intended responders, the sampling ration was calculated as the proportion over the total as shown in the table below.

**Table 3.2: Sample Size**

<b>Staff Cadre</b>	<b>Target population</b>	<b>Ratio/Total</b>	<b>Sample size</b>
Lower management staff	849	47%	63
Middle level management staff	560	31%	41
Senior level management staff	398	22%	29
<b>Total</b>	<b>1807</b>	<b>100%</b>	<b>133</b>

### 3.3.2 Sample Size

The sample size for this survey consisted (respondents targeted) of employees from Deposit taking Saccos within Nairobi County. The employees were selected via stratified random sampling from the various departments in the selected SACCOS.

### **3.4 Methods of Data Collection**

#### **3.4.1 Data collection Instruments**

The study entailed review of secondary data to familiarize with the research variables under study. Primary data was collected through questionnaires administered to the sample of respondents identified.

#### **3.4.2 Questionnaires**

The questionnaires had a set of questions structured in a logical sequence. The questions require brief and direct answers. Questionnaires were used in this study due to its focus on characteristics that are not readily observable, such as the views, opinions, perceptions, and emotions of the participants. To gather such information, the researchers utilized questionnaires, (Touliatos & Compton, 2002). The questionnaire has been adapted from Bass's Multifactor Questionnaire (MLQ-5) to measure variables of Transformational leadership, while Denison's Organizational Culture Survey Questionnaire was adapted to measure variables of organization culture and BSC to measure firm performance. The chosen target group consists of individuals who possess literacy skills and encounter minimal challenges while providing responses to the questionnaire items.

#### **3.4.3 Pilot study**

This refers to the measurement of the dependent variable as it applies among variables. The purpose of this study is to ascertain if the items in the instrument are expressed with clarity and possess a consistent interpretation across all participants. The purpose of using pre-testing in data instrument development is to validate the consistent interpretation of the instrument's items among respondents. (Zohrabi, 2013).

The pilot study was conducted at Stima Sacco at the head office in Nairobi, a total of 16 questionnaires were distributed to a sample of pilot survey participants, selected using random sampling, which accounted for 5% of the overall population. This was conducted twice, in an interval of 2 days to ascertain any variation in the first and second test. This helped to discover any unclear questions and correct the same and incorporate respondent's feedback.

#### **3.4.4 Research Procedures**

The respondents were assessed using a pre-formatted questionnaire. The surveys were delivered by the researcher to establish rapport with the respondents and instill confidence in the secrecy of the supplied information. The questionnaires were sent to the participants and then collected within a predetermined timeframe, allowing enough opportunity for responders to provide well considered and thoughtful responses.

#### **3.5 Data Analysis Methods**

The data collection is anticipated to include both qualitative and quantitative information. The researcher used nominal and ordinal measures to analyze qualitative data, while using interval and scale measures to examine quantitative data. The surveys that were gathered underwent a process of cleaning and coding in accordance with established protocols. Subsequently, the data was subjected to analysis using the Package for Social Sciences (SPSS) software in order to ascertain the link between different dimensions/parameters of organizational culture and transformational leadership.

Descriptive statistics, such as the mean, standard deviation, and regression analysis, were used to characterize the data. The researchers used a regression analysis model to establish a causal relationship between culture and performance.

## **3.6 Assumptions of Multiple Regression Analysis Model**

### **3.6.1 Normality Test**

The regression analysis assumes that the parameters follow a normal distribution. To assess the normality of the sample data, a normality test was conducted. The test examined whether the sample data was drawn from a population that follows a normal distribution. In order for the data set to be considered normally distributed, the skewness should be close to zero. Skewness and kurtosis were utilized to evaluate the deviation from normality. Furthermore, the normalcy assumption was assessed using the Kolmogorov-Smirnov tests. A p-value equal to or less than 0.05 is indicative of non-normality in the dataset, while a p-value > 0.05 suggests that the data follows a normal distribution.

### **3.6.2 Linearity Test**

In order to effectively assess the connection, it is important for the independent variable (IV) and the dependent variable (DV) to exhibit a linear relationship. To investigate this, scatter plots were generated to visualize the link between the IVs and the DV. Subsequently, residual plots were examined using SPSS to further analyze the nature of this relationship.

### **3.6.3 Homoscedasticity**

Homoscedasticity refers to the condition where the variance of errors remains constant across all levels of the independent variable (IV). While it has been acknowledged that minor heteroscedasticity has no impact on significance tests, this research used a visual inspection of a scatter plot to identify any presence of heteroscedasticity.

### 3.6.4 Collinearity Test

The assessment of multi-collinearity in this research was conducted using tolerance and Variance Inflation Factor (VIF) values. The tolerance of every variable that is independent is the fraction of variability in that variable that remains unaccounted for by its linear associations with the other independent variables in the model. When the level of tolerance approaches zero, there is a significant presence of multicollinearity between the variable in question and other independent variables, resulting in unstable beta coefficients. According to Kothari (2004), a tolerance value below 0.10 or a VIF value beyond 10 indicates the presence of a significant issue of multicollinearity. The Variance Inflation Factor (VIF) may be defined as the reciprocal of the tolerance statistic, as stated by Field (2009).

### 3.6.5 Autocorrelation

The use of linear regression analysis necessitates the presence of little or negligible auto-correlation within the dataset. Autocorrelation is seen when the residuals exhibit a lack of independence among themselves. The Durbin-Watson test was used in this work to examine the presence of autocorrelation, alongside the examination of residual plots. According to Field (2009), the value should not be less than 1 or greater than 3.

The equation below presents the algebraic expression of the analytical model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \text{ (Without moderating variable)}$$

And

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \beta_6 X_1 * Z + \beta_7 X_2 * Z + \beta_8 X_3 * Z + \varepsilon \text{ (With moderating variable)}$$

Y = Dependent variable, Firm Performance

$\beta_0$  = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8$  = Regression coefficients

$X_1$  = Involvement

$X_2$  = Consistency

$X_3$  = Adaptability

$X_4$  = Mission

$Z$  = Transformational leadership

$\varepsilon$  = Error term

### 3.7 Research Validity and Reliability

Crowther and Lancaster (2005) Describe validity as a degree to which the technique of data collection measures what it is intended to measure. Failure to carry out valid research could result in the accumulation of irrelevant or misleading data for the research at hand. In this case the researcher applied construct validity; a measurement of how meaningfully and correctly the data produced from an instrument represent a theoretical concept. Reliability refers to the degree to which a certain experiment, test, or measurement process consistently produces the same findings when carried out several times (Zohrabi, 2013). To ensure the veracity of the collected data, the researcher utilized the test-retest reliability approach. The procedure involves using the same instrument to the same group of subjects twice at different point in times. The researcher used a sample that was large enough so as to represent the whole population.

According to Zohrabi (2013), an acceptable construct composite reliability co-efficient is one that has a Cronbach's alpha ( $\alpha$ ) value of 0.6 or above. It is usually accepted that a co-efficient of 0.7 or higher is suitable for all constructs, and this value was deemed sufficient for the research. Cronbach's alpha ( $\alpha$ ), which was used to arrive at the following result on the dependability co-efficient of the research instrument:

$$A = k/k-1 * [1 - \sum(S^2) / \sum S^2 sum]$$

Where:

A = Cronbach's alpha

K = Number of responses

$\sum(S^2)$  = Variance of individual items summed up

$\sum S^2_{sum}$  = Variance of summed up scores

### **3.8 Ethical Considerations**

The researcher ensured that they adhered to the predetermined behavioral criteria in respect to the rights of persons who became the focus of the study or are negatively impacted by it. In order for the respondents to be able to offer informed permission, they were provided with clear information about the aims of the research as well as the degree of confidentiality that was accorded to the data that was acquired.

After giving their agreement, respondents kept the right to opt out of participating in the research altogether, in some sections of the study, or in any questions or sets of questions, including the ability to not answer any questions or sets of questions. In addition, individuals had the right to refuse to supply the data that was demanded of them, and they might potentially retract the data that they had already submitted.

Every effort was made to guarantee that no participant in the research was coerced into giving their response. When gathering the information, the researcher will try to make use of as few resources as possible. Quantitative research methodologies were used throughout the course of the study to ensure dependability, impartiality, and the researcher's autonomy.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.0 Introduction

This chapter provides an analysis of the findings, an interpretation of the data, and a presentation of the data consistent with the research's objectives. The information that was collected is shown in tabular form, as well as in percentages and descriptive statistics, including pie charts, line graphs, and bar graphs.

#### 4.1 Presentation of Data Analysis

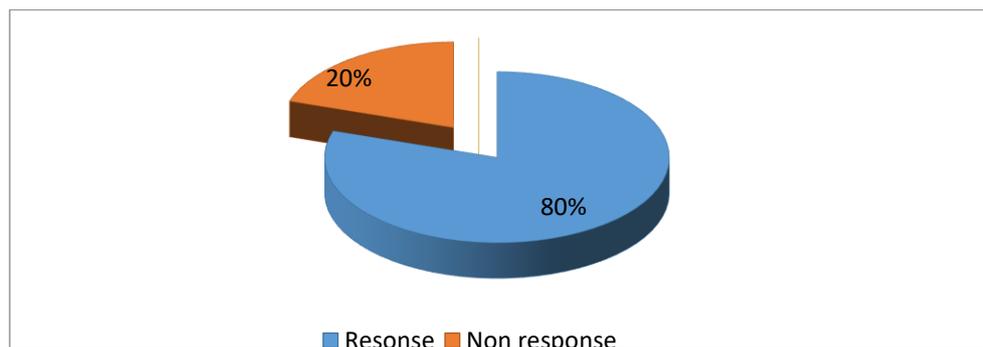
##### 4.1.1 Response Rate

The following is how the response rate broke down:

**Table 4.1: Response Rate**

Response rate	Frequency	Percentage
Response	106	80%
Non response	27	20%
<b>Total</b>	<b>133</b>	<b>100%</b>

*Source: Author (2023)*



**Figure 4.1: Response Rate**

*Source: Author (2023)*

Based on the information shown in table 4.1 and figure 4.1, the researcher sent out a total of 113 questionnaires to the respondents, and 106 of them were sent back with

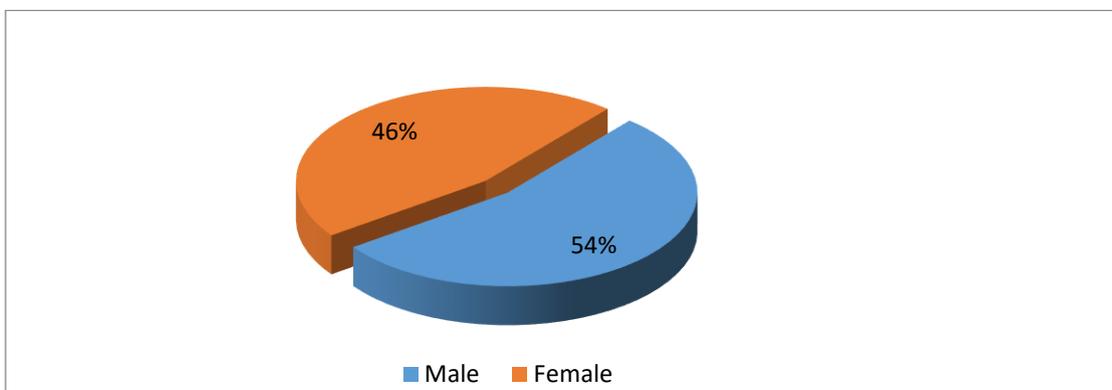
adequate responses. This indicated a response rate of 80%, which is deemed to be sufficient in order to carry out data analysis.

#### 4.1.2 Gender Response

**Table 4.2: Gender Response**

Category	Frequency	Percentage
Male	57	54%
Female	49	46%
<b>Total</b>	<b>106</b>	<b>100%</b>

*Source: Author (2023)*



**Figure 4.2: Gender Response**

*Source: Author (2023)*

From the table 4.2 and figure 4.2 above, it was deduced that 54% of those who responded to the questionnaire were male while the rest 46% were female. This implies that more men spared their time to participate in the study than women.

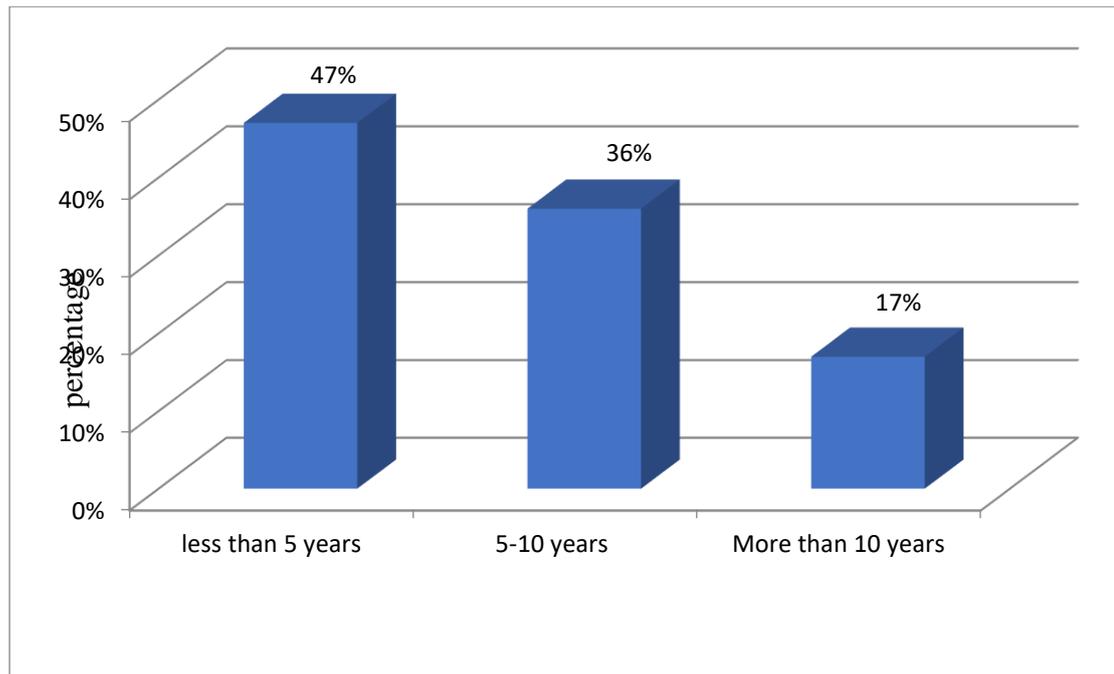
#### 4.1.3 Work Experience

The researcher sought to find out how many years of experience the respondents had in their respective fields. The findings are shown in the table 4.3 that can be seen below;

**Table 4.3: Work Experience**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 years	50	47
5-10 years	38	36
More than 10 years	18	17
<b>Total</b>	<b>106</b>	<b>100</b>

*Source: Author (2023)*

**Figure 4.3: Work Experience**

*Source: Author (2023)*

Both table 4.3 and figure 4.3 contain the respondents' years of professional experience. 47% of respondents had worked for their SACCOs for less than five years, 36% for between five and ten years, and 17% for more than ten years. Those with more than 10 years of work experience represented the smallest proportion of respondents. Since the majority of those who participated had worked at their SACCOs for more than five years, it is fair to infer that they were knowledgeable enough to respond to the questionnaires given to them.

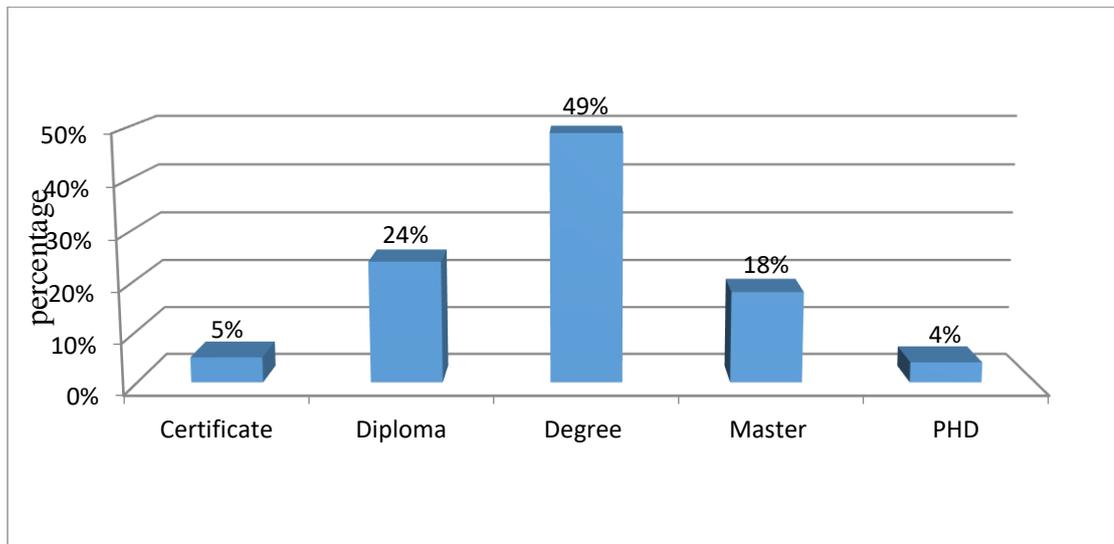
#### 4.1.4 Education Level of Respondents

The education level of respondents varied as shown in table 4.4 below.

**Table 4.4: Education Level of Respondents**

Category	Frequency	Percentage
Certificate	5	5
Diploma	26	24
Degree	52	49
Master	19	18
PHD	4	4
<b>Total</b>	<b>106</b>	<b>100</b>

*Source: Author (2023)*



**Figure 4.4: Education Levels of Respondents**

*Source: Author (2023)*

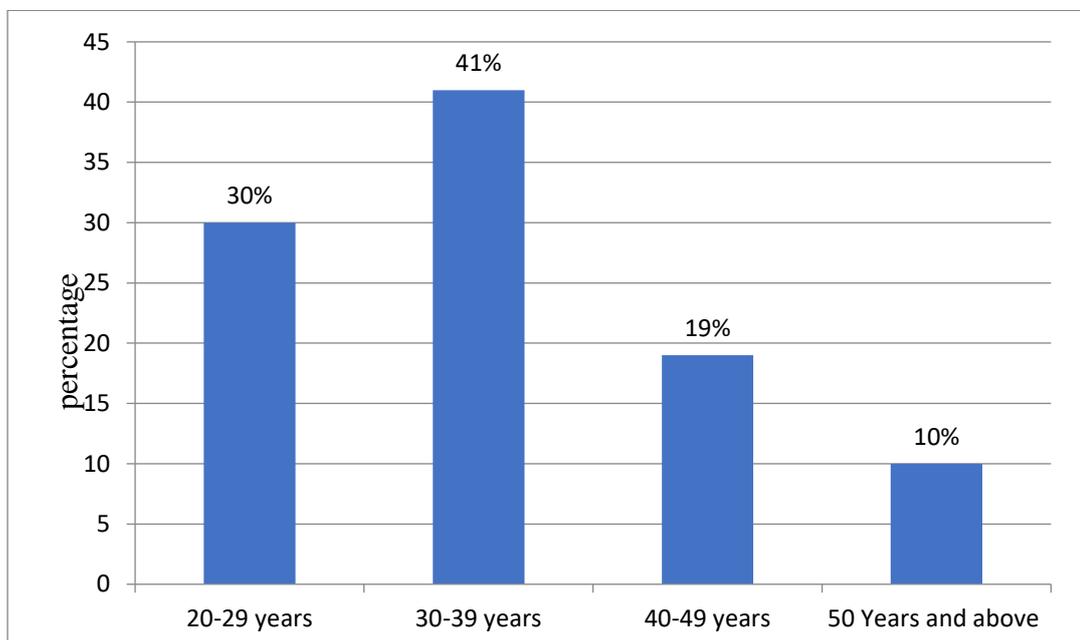
Tables 4.4 and figure 4.4 indicate the response on the level of education of the respondent, where most respondents had attained an undergraduate degree as shown by 49%, followed by those with at the diploma level at 24%, then those with masters at 18%, and then those with certificates at 5%, and lastly the respondents that had attained a PHD at 4%. Majority of the respondent had attained a degree, diploma or masters certificates thus are deemed literate enough to participate in the study.

#### 4.1.5 Age Bracket

**Table 4.5: Age Bracket**

Category	Frequency	Percentage
20-29	32	30
30-39	43	41
40-49	20	19
50 years and above	11	10
<b>Total</b>	<b>106</b>	<b>100</b>

*Source: Author (2023)*



**Figure 4.5: Age Bracket**

*Source: Author (2023)*

From table 4.5 and figure 4.5, majority of the respondents were in the age bracket of 30-39 years representing the percentage of 41% followed by those in the 20-29 years age bracket at 30%, then those in the 40-49% at 19%, then lastly those in the 50 years and above age bracket at 10%. Therefore from the figure, it is clearly that the respondents were mature enough and understands clearly the issue under investigation.

## **4.2 Descriptive Analysis of Study Variables**

In this part, the descriptive statistics for the research's parameters are analyzed and discussed. Deposit-taking Saccos in Nairobi County were analyzed for their organizational cultures, transformational leadership, and firm performance, and the outcomes are presented here.

### **4.2.1 Descriptive analysis for the effect of Organizational Culture on Firm Performance**

The purpose of this research was to investigate how the effect of organizational culture on firm performance on Deposit Taking Sacco's in Nairobi To do this, we polled the respondents and asked them to assess the statement on a scale from 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = uncertain). the degree to which organizational culture has an impact on the success of Deposit Taking Saccos in Nairobi (4 – Agree, 5 – strongly agree).

The data obtained is as summarized in the table below;

**Table 4.6: Agreement with statements on effect of organizational culture on firm performance**

Statement	1	2	3	4	5	f <sub>x</sub>	$\frac{\sum fx}{\sum f}$	S. D
We are empowered at all levels to improve firm performance	0	1	2	66	37	106	4.3113	.55828
Team building is encouraged through enthusiasm, high moral standards and optimism	0	0	2	28	76	106	4.6981	.50085
Our firm has employee capability development strategy to manage change and long term organization performance.	0	0	16	77	13	106	3.9717	.52477
We all know and understand our core values and they guide our collective behavior.	0	0	0	79	27	106	4.2547	.43777
Our leader uses charisma to gain collective agreement amongst employees.	0	1	7	60	38	106	4.2736	.62538
We have high level coordination and integration across departments to achieve a common vision.	0	0	0	76	30	106	4.2830	.45261
Our firm has the ability to adapt to consumer needs and remain competitive at all times.	1	1	5	65	34	106	4.2264	.66595
Our firm can easily create change as the business environment changes.	0	2	13	38	53	106	4.3396	.76702
Our firm has created a culture of organization learning that allows employees to develop and grow.	0	0	8	56	42	106	4.2925	.64685
Our leaders have clearly outlined the strategic direction and intent of the firm to all employees.	0	1	22	42	41	106	4.1604	.78239
Our firm's goals and objectives are well defined and communicated.	0	0	0	45	61	106	4.5755	.49662
Our organization mission and vision guides our day to day activities.	0	0	0	51	55	106	4.5189	.50202

*Source (Author, 2023)*

From the data analyzed as shown in table 4.6 above, it is agreed that employees at the Deposit Taking SACCOs are empowered at all levels to improve the performance of their firms as shown by  $M=4.3113$ . The respondents strongly agree that team building is encouraged through enthusiasm, high moral standards and optimism as shown by  $M=4.6981$ . It is agreed that Deposit Taking SACCOs have an employee capability development strategy to manage change and long term organization performance as shown by  $M=3.9717$ . The findings are in agreement with (Ng'ang'a and Wesonga, (2012) that culture is at the center of change management and helps employees have a sense of belonging in a research to establish Impact of culture on performance of educational institutions. The respondents agree that they know and understand their organization's core values and guide their collective behavior as shown by  $M=4.2547$ . It is also agreed that leaders in Deposit Taking SACCOs uses charisma to gain collective agreement amongst employees as shown by  $M=4.2736$ . The respondents further agree that Deposit Taking SACCOs have a high-level coordination and integration across departments to achieve a common vision as shown by  $M=4.2830$ .

From the data gathered, the respondents also agree that Deposit Taking SACCOs have the ability to adapt to consumer needs and remain competitive at all times as shown by  $M=4.2264$ . It is agreed that Deposit Taking SACCOs can easily create change as the business environment changes as shown by  $M=4.3396$ . It is also agreed that SACCOs have created a culture of organization learning that allows employees to develop and grow as shown by  $M=4.2925$ .

From the data, the respondents agree that the leaders in SACCOs leaders have clearly outlined the strategic direction and intent of the firm to all employees as shown by  $M=4.1604$ . The respondents agree that the goals and objectives of SACCOs are well defined and communicated as shown by  $M=4.5755$ . The respondents strongly agree

that the SACCO mission and vision guides their day to day activities as shown by  $M=4.5189$ . The results conform to (Njugi and Agasiomi, (2014), who affirmed that organizations with clear vision and promote organization learning, quickly adapt to change and are able to use resources effectively.

#### 4.2.2 Descriptive Analysis for Transformational Leadership and Performance of SACCOs.

The study sought to determine the effect of transformational leadership on the performance of Deposit Taking SACCOs in Nairobi. This was done by asking the respondents to rate on a scale of 1- 5 (1 – Strongly disagree, 2- disagree, 3- undecided 4 – Agree, 5 - strongly agree) the extent to which they believe transformational leadership affected the performance of Deposit Taking Sacco's in Nairobi. The data obtained is as summarized in the table below;

**Table 4.7: Agreement with statements for Effect of transformational leadership on firm performance**

Statement	1	2	3	4	5	fx	$\frac{\sum fx}{\sum f}$	S. D
Our leaders inspire respect and pride from associating with them.	0	0	1	40	65	106	4.6038	.51045
Our leaders clearly communicate values purpose and importance of organization mission.	0	0	6	60	40	106	4.3208	.57813
Our leaders inspire optimism about goals and the future.	1	0	21	60	24	106	4.0000	.71714
Our leaders come up with new perspectives for solving problems and completing tasks.	1	5	3	71	26	106	4.0943	.73715
Individualized consideration	0	3	18	59	26	106	4.0189	.73005
Our leaders focus on developing and mentoring followers and attend to their individual needs.	0	0	1	78	27	106	4.2453	.45380

*Source (Author, 2023)*

From the data analyzed as shown in table 4.7, the respondent strongly agree that leaders in deposit taking SACCOs inspire respect and pride from associating with them as shown by  $M=4.6038$ . The respondents also agree that leaders clearly communicate values purpose and importance of organization mission as shown by  $M=4.3208$  and that leaders in SACCOs also inspire optimism about goals and the future as shown by  $M=4.0000$ . The respondents also agree that the leaders come up with different ways of looking at things to help in issue solving and getting things done as shown by  $M=4.0943$  and that they are considered individually as shown by  $M=4.0189$ . It was also agreed that SACCO leaders focus on developing and providing followers with mentorship and attending to their distinctive needs as shown by  $M=4.2453$ .

#### **4.2.3 Descriptive analysis for Performance on Deposit Taking Sacco's in Nairobi**

The study sought to determine the performance of Deposit Taking SACCOs in Nairobi. This was done by asking the responds to rate on a scale of 1- 5 (1 – Strongly disagree, 2- disagree, 3- undecided 4 – Agree, 5 - strongly agree) the extent to which they believe transformational leadership affected the performance of Deposit Taking Sacco's in Nairobi. The data obtained is as summarized in the table below;

**Table 4.8: Agreement with statement for Firm Performance on Deposit taking Sacco's**

Statement	1	2	3	4	5	$fx$	$\frac{\sum fx}{\sum f}$	S.D
The income and expenditure indicate that our resources are used effectively and efficiently.	0	2	4	50	50	106	4.3962	.65726
The product cycle is effective and wastage or shortage is encountered.	0	0	0	30	76	106	4.7170	.65726
Our customers are satisfied with the price, quality and availability of our products.	0	0	19	66	21	106	4.0000	.61721
Our firm continually analyses information and evaluates how effectively employees use it.	0	0	27	64	15	106	3.8679	.60278
Our firm analyses human capital, infrastructure, culture and technology to ensure good firm performance.	0	0	2	67	37	106	4.3302	.51124

*Source (Author, 2023)*

From the data analyzed as shown in table 4.8, the respondents agree that income and expenditure indicate that SACCOs' resources are used effectively and efficiently as shown by  $M=4.3962$ . It is also strongly agreed that the product cycle among SACCOs is effective and wastage or shortage is not encountered as shown by  $M=4.7170$ . It is established that SACCO customers are satisfied with the price, quality and availability of our products as shown by  $M=4.0000$ . It is strongly agreed that SACCOs continually analyses information and evaluates how effectively employees use it as shown by  $M=3.8679$ . The respondent agree that SACCOs analyses human capital, infrastructure, culture and technology to ensure good firm performance as shown by  $M= 4.3302$ .

### 4.3 Reliability of Research instruments

The reliability test was done using the Cronbach's alpha ( $\alpha$ ). The findings were as shown below in Table 4. 9.

**Table 4.9: Reliability Analysis**

	<b>Alpha value</b>	<b>Number of items</b>
Firm performance	<b>0.821</b>	4
Mission Culture	0.602	4
Involvement Culture	0.763	3
Consistency Culture	0.789	3
Adaptability Culture	0.891	3
<b>Transformational Leadership</b>	<b>0.845</b>	<b>4</b>

*Source: Field data (2023)*

From the findings, the Cronbach's alpha ( $\alpha$ ) for firm performance was 0.821, the Cronbach's alpha ( $\alpha$ ) for participation culture was 0.763, the Cronbach's alpha ( $\alpha$ ) for consistent culture was 0.789, the Cronbach's alpha ( $\alpha$ ) for adaptability was 0.891, and the Cronbach's alpha ( $\alpha$ ) for transformational leadership was 0.845. This suggests that all of the variables were reliable since the values of their dependability were more than 0.7, which is the suggested criterion (Zohrabi, 2013). Because of this, it may be deduced that the study instrument was dependable and did not need any adjustments.

#### **4.4 Diagnostic Tests**

In this study, tests were conducted to determine whether or not there was multicollinearity, homoscedasticity, normality, and autocorrelation. The results are broken down into a number of different sub parts.

##### **4.4.1 Normality test**

In order to establish whether or not the data followed a normal distribution, the Shapiro-Wilk test was carried out. If the result of the Shapiro-Wilk test is less than 0.05, then the data will have a significant deviation from normal distribution. On the other hand, if it is more than 0.05, then the data will have a normal distribution.

The results are shown in Table 4.10.

**Table 4.10: Normality test**

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistics	Df	Sig.	Statistics	Df	Sig.
Firm performance	.168	106	.000	.864	106	.046
Involvement Culture	.277	106	.015	.911	106	.051
Consistency Culture	.109	106	.000	.821	106	.320
Adaptability Culture	.206	106	.000	.932	106	.217
Mission Culture	.183	106	.002	.953	106	.062
Transformational leadership	.192	106	.000	.816	106	.072

*Source: Field data (2023)*

Because the p-value for both the Kolmogorov-Smirnov test and the Shapiro-Wilk test, which are indicators of normality, is less than 0.05, the null hypothesis was rejected by the analysis, and it was determined that the data on the factors that were independent and the variables that were dependent were not normally distributed and contributed to predicting the dependent variables. This is shown in table 4.10, which shows that the p-value for both of these tests can be found to be less than 0.05. According to a theory proposed in (Zohrabi, 2013), the data have a normal distribution if the sig. the Shapiro-Wilk test result is more than 0.05, but if it is less than 0.05, the data have a distribution that is significantly different from a normal distribution.

#### **4.4.2 Autocorrelation**

The Durbin Watson (DW) test was used in order to assess autocorrelation. When the Durbin-Watson value for the model is significantly different from 2, it indicates that there is an issue with autocorrelation.

The findings are as shown in Table 4.11

**Table 4.11: Autocorrelation Test**

<b>Model</b>	<b>Durbin-Watson</b>
1	1.821

According to Gorard (2013), the Durbin Watson statistic is a number from a statistical regression analysis that is between 0 and 4 that measures autocorrelation in variables. A value greater than 2 means there is no autocorrelation. From our findings the Durbin Watson value was 1.821 therefore the null hypothesis for the model was rejected.

#### **4.4.3 Multicollinearity**

Collinearity statistics were utilized in the research to determine whether or not the independent variables are significantly connected to indicate a substantial causal connection. The findings are in table 4.12 below.

**Table 4.12: Collinearity Test**

<b>Model</b>	<b>Collinearity statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
Firm performance	.400	2.501
Involvement Culture	.942	1.214
Consistency Culture	.597	2.020
Adaptability Culture	.973	1.821
Mission Culture	.916	2.116
Transformational leadership	.901	2.097

*Source: Field data (2023)*

According to the findings above, all variables have a coefficient output of VIF value below 10; this means that there are no signs of multicollinearity as indicated. (Gorard (2013).

#### **4.5 Correlational Analysis**

A correlation analysis was carried out to ascertain the strength of the relationship between the study variables. The researcher carried out correlation analysis to test whether the study variables were positively or negatively correlated against one another. The correlation analysis presented in table 4.12.

It demonstrates the degree to which the variables are related to one another. The presence of a positive correlation implies that an increase in one variable leads to an increase in the other variable, while the presence of a negative correlation shows that an increase in one variable leads to a decrease in the other variable.

According to Ward (2013), In order to explore the extent of the link that existed between the variables, the correlation approach was applied. In order to determine which way the connection points between the dependent variable and the independent variable, the technique of Pearson correlation was used. This was done so that the results could be interpreted correctly. Before conducting the analysis using Pearson's product moment correlation, it was assumed that the data followed a normal distribution since the variables are continuous. This assumption was made before the analysis was done. This was done with the presumption that the data remained continuous during the whole process. The results area as show in table 4.13 below;

**Table 4.13: Correlational Matrix**

Correlational Matrix		Firm Performance	Involvement Culture	Consistency Culture	Adaptability culture	Mission Culture	Transformational Leadership
Firm Performance	Pearson	1					
	Sig. (2-tailed)						
Involvement Culture	Pearson Correlation	.275**	1				
	Sig. (2-tailed)	.004					
Consistency Culture	Pearson	.327**	.260**	1			
	Sig. (2-tailed)	.001	.007				
Adaptability culture	Pearson Corr.	.142	.201*	.196*	1		
	Sig. (2-tailed)	.146	.038	.044			
Mission Culture	Pearson Correlation	.201*	.201*	.045	.013	1	
	Sig. (2-tailed)	.039	.039	.648	.892		
Transformational Leadership	Pearson	.079	.009	.022	.049	.288**	1
	Sig. (2-tailed)	.422	.929	.825	.619	.003	

\*\* . Correlation is significant at the 0.01 level

Source: Author, 2023

From table 4.12 Firm Performance has a positive correlation against the dependent variable. Involvement culture, consistency culture, adaptability culture and mission culture are significantly and positively related to firm performance. The results are in line with those of (Muange, Okello and Juma (2019), who examined the influence of consistency culture traits on effectiveness of strategy implementation and firm performance among insurance firms in Kakamega County. They established that the organizational culture is strongly correlated to effectiveness of implementation of strategies and improved firm performance. (Kotrba et al. (2011) also proved that corporate culture positively and significantly enhanced business performance.

Involvement culture was found to be positively and significantly correlated with organizational performance. The findings are backed up with those of (Muliati, Iqbal and Mayapada (2020) who evaluated the effect of organizational culture on firm performance with social responsibility as mediating variable at Palu, Indonesia and found that involvement culture has a direct relationship with firm performance which in turn improves the performance of the organization.

Mission culture was found to be positively and significantly correlated with organizational performance. The findings are similar to those of Muliati et al. (2020) who determined the effect of organizational culture on firm performance with social responsibility as mediating variable at Palu, Indonesia and found that the mission culture improved the performance of organizations in Indonesia. Adaptability culture was found to have a positive and significant relationship with performance. The findings are similar to those of Muliati et al. (2020) who assessed the effect of organizational culture on firm performance with social responsibility as mediating variable at Palu, Indonesia and found that although adaptability culture has no direct relationship with firm performance but through enhancing CSR which in turn improves the performance of the organization.

Transformational Leadership plays a positive and significant moderating effect between organizational culture and firm performance. These results are in line with those of Darmawa, Brahmasari and Ratih (2019) who evaluated the effect of transformational leadership, organizational culture, competence, and self-efficacy on organizational commitments, ambidexterity organizational and performance of Village Governments in East Nusa Tenggara Province and found that transformational Leadership plays a positive and significant moderating effect on the relationship between organizational culture and firm performance.

#### 4.6 Regression Analysis

In order to determine the extent of the moderating influence that transformational leadership has on the connection between organizational culture and firm performance, a regression analysis was carried out. The strength of the link may be evaluated with the assistance of regression analysis, which also helps to estimate the potential future relationship between the variables.

A number of different hierarchical linear regression analyses were performed in order to evaluate the hypothesis. The first step in reducing the impact of multicollinearity was to center the independent variables around their respective means. In the first version of the model (model I), organizational culture factors were included as independent variables. In model II, organizational culture and transformational leadership were entered as independent variables while in model III, all variables of organizational culture and transformational leadership were analyzed.

**Table 4.14: Results of the Regression Models**

	<b>Model I</b>	<b>Model II</b>	<b>Model III</b>
( Constant)	1.267	0.898	0.981
Firm performance	0.812**	0.827**	0.873**
Involvement Culture	0.712**	0.741**	0.716**
Consistency Culture	0.568**	0.613**	0.668**
Adaptability Culture	0.805**	0.608**	0.611**
Transformational leadership		0.813**	0.871**
Firm performance*Z			0.802**
Involvement Culture*Z			0.746**
Consistency Culture*Z			0.620**
<b>Adaptability Culture*Z</b>			<b>0.981**</b>
<b>F</b>			
<b>R<sup>2</sup></b>	<b>56.912**</b>	<b>34.862**</b>	<b>35.140**</b>
<b>Adjusted R<sup>2</sup></b>	<b>0.762</b>	<b>0.683</b>	<b>0.808</b>
<b>Change in R<sup>2</sup></b>	<b>0.753</b>	<b>0.672</b>	<b>0.783</b>
		<b>-0.047</b>	<b>0.142**</b>

Notes: \*p < 0.05; \*\*p < 0.01, \*\*\*p < 0.001

Source: Field data (2023)

#### 4.6.1 Analysis of Variance

Analysis of Variance was conducted through F test statistics to determine whether to retain or discard the null hypothesis. The test also helps to ascertain whether the effect is significant or not. This study's null hypothesis is that organizational culture has no effect on the performance of deposit taking SACCOs in Nairobi. The test is done by comparing the F calculated value and the F critical value as shown in table 4.14. If the F calculated value surpasses the F critical value, then we discard the null hypothesis and assert that there exists a relationship between organizational culture and the performance of deposit taking SACCOs in Nairobi.

**Table 4.15: Summary of ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.949	5	.190	6.680	.004b
Residual	5.160	100	.052		
Total	6.109	105			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Involvement\_A, Consistency\_B, Adaptability\_C, Mission\_D.

From table 4.15 the F Critical value at 0.05 and 5 and 105 degrees of freedom is given by 6.680. This shows that the calculated value of F as per table 6.680 exceeds F critical. We therefore discard the null hypothesis and declare that there organizational culture affects the performance of deposit taking SACCOs in Nairobi.

#### 4.6.2 The Estimated Model

Organizational culture affects the performance of deposit taking SACCOs in Nairobi as indicated by the regression coefficients at 95% confidence level. The results are as shown in Table 4.16.

**Table 4.16: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.011	.621		9.681	.000
Involvement Culture	.144	.072	.197	1.997	.049
Consistency Culture	.230	.083	.267	2.775	.007
Adaptability Culture	.031	.055	.054	.569	.571
Mission Culture	.009	.069	.012	.125	.901
Transformational Leadership	.074	.080	.089	.926	.357

Source: Author, 2023

The coefficient of determination table above shows that organizational culture positively affects the performance of deposit taking SACCOs in Nairobi. All the four types of culture have a combined positive effect on the performance of deposit taking SACCOs.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + Z + \varepsilon$$

$$Y = 6.011 + .144X_1 + .230X_2 + .031X_3 + .009X_4 + .074 + \varepsilon$$

Where:

Y – Performance of D.T SACCOs (Dependent Variable)

X<sub>1</sub>- Involvement Culture (Independent Culture)

X<sub>2</sub>- Consistency Culture (Independent Culture)

X<sub>3</sub>- Adaptability Culture (Independent Culture)

X<sub>4</sub> – Mission Culture (Independent Culture)

β<sub>0</sub> - Is the constant of the model

β<sub>1</sub> – β<sub>4</sub> Are the regression coefficients

z= Transformational leadership (Moderating Variable)

ε – Stochastic error term estimate

The findings as per the regression models show that the performance of D.T SACCOs is affected directly by organizational culture (involvement culture, consistency culture, adaptability culture, mission culture). The findings are similar to those of Rizki, Parashakti and Saragih (2019) who examined the effect of transformational leadership and organizational culture towards employees' innovative behavior and the performance of firms in Jakarta and found that organizational performance is significantly influenced by organizational culture.

Transformational Leadership also plays a positive but insignificant moderating effect on the relationship between organizational culture and the performance of D.T SACCOs. These findings are backed up by other studies such as those of Darmawa et al. (2019), Setyawan (2017), Cahyono et al. (2014) and Brown and Arendt (2011) who also found that Transformational Leadership also plays a positive but insignificant moderating effect on the relationship between organizational culture and firm performance.

#### **4.7 Hypothesis Testing**

The research sought to test four hypotheses that guided the study. The findings are shown in table 4.14

**Hypothesis 1 (Ho1)** stated that involvement culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The results show that involvement culture has a significant effect on firm performance at  $p < 0.05$ . We therefore reject the null hypothesis.

**Hypothesis 2 (Ho2)** stated that consistency culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings indicate that

Consistency culture has significant effect on firm performance as  $p$  is less than 0.05. The null hypothesis was thus rejected.

**Hypothesis 3 (Ho3)** predicted that adaptability culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings indicate that adaptability culture has significant effect on firm performance as  $p$  is less than 0.05. The null hypothesis was thus rejected.

**Hypothesis 4 (Ho4)** stated that mission culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The results show that mission culture has a significant effect on firm performance at  $p < 0.05$ . We therefore reject the null hypothesis.

**Hypothesis 5a (Ho5a)** predicted that transformational leadership has no moderating effect on the relationship between involvement culture and firm performance of Deposit Taking Sacco's in Nairobi County. The results in table 14.4 depict that transformational leadership has positive and significant moderating effect on the relationship between involvement culture and firm performance. The  $p$  value was less than 0.05 therefore the null hypothesis could not hold.

**Hypothesis 5b (Ho5b)** stated that transformational leadership has no moderating effect on the relationship between consistency culture and firm performance of Deposit Taking Sacco's in Nairobi County. The findings show that transformational leadership has positive and significant moderating effect on the relationship between involvement culture and firm performance. The  $p$  value was less than 0.05 hence rejection of null hypothesis.

**Hypothesis 5c (Ho5c)** predicted that transformational leadership has no moderating effect on the relationship between adaptability culture and firm performance of Deposit

Taking Sacco's in Nairobi County. The findings show that transformational leadership has positive and significant moderating effect on the relationship between adaptability culture and firm performance. The p value was less than 0.05 hence rejection of null hypothesis.

**Hypothesis 5d (Ho5d)** stated that transformational leadership has no moderating effect on the relationship between mission culture and firm performance of Deposit Taking Sacco's in Nairobi County. The results in table 14.4 depict that transformational leadership has positive and significant moderating effect on the relationship between involvement culture and firm performance. The p value was less than 0.05 therefore the null hypothesis could not hold.

#### **4.7.1 Discussion of findings**

From the findings the researcher summarized that the total number of respondents who successfully filled the questionnaires to the required standard were 106 representing 80% of the total respondents while 27 that did not respond sufficiently made up 20% of the sampled population.

The total of male respondents was 54% of the total respondents while female were 46% of the total respondents. Majority of the respondents had worked at their SACCOs for less than 5 years as shown by 47%. Most respondents had attained an undergraduate degree as shown by 49%. Majority of the respondents were above 30 years as shown by 70%.

#### **4.7.2 Effect of Involvement Culture on Firm Performance**

The research had proposed a null hypothesis 1 (Ho1) that stated involvement culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The study found out that, employees at SACCOs are empowered at all levels

to improve firm performance and that team building is encouraged through enthusiasm, high moral standards and optimism. The study also established that SACCOs have employee capability development strategy to manage change and long term organization performance. A correlation analysis further established that involvement culture influences the performance of D.T SACCOs and that the relationship is significant as shown by a correlation value of .327\*\* and a P-value of .004. The findings are similar to those of Muliati et al. (2020) who also established a positive and significant relationship between involvement culture and firm performance in Indonesian firms.

#### **4.7.3 Effect of Consistency Culture on Firm performance**

The study had proposed a null hypothesis 2 (Ho2) which stated that consistency culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings found that all employees at SACCOs know and understand the company core values and they guide the collective behavior of employees. The researcher also learned that leaders at the SACCOs use charisma to gain collective agreement amongst employees. The study also established that employees at the SACCOs have high level coordination and integration across departments to achieve a common vision. A correlation analysis further established that consistency culture influences the performance of D.T SACCOs and that the relationship is significant as shown by a correlation value of .327\*\* and a P-value of .001. The findings are similar to those of Muange et al. (2019) and Kotrba et al. (2011) who also found a positive and significant relationship between consistency culture and the performance of insurance firms in Kakamega County.

#### **4.7.4 Effect of Adaptability Culture on Firm Performance**

The research had proposed a null hypothesis 3 (Ho3) that stated adaptability culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The study found that SACCOs have the ability to adapt to consumer needs and remain competitive at all times. The researcher learnt that SACCOs can easily create change as the business environment changes and that they have created a culture of organization learning that allows employees to develop and grow. A correlation analysis further established that adaptability culture influences the performance of D.T SACCOs but the relationship is not significant as shown by a correlation value of .142 and a P-value .146. The findings are similar to those of Muliati et al. (2020) who established a positive relationship between adaptability culture and firm performance in Indonesian firms.

#### **4.7.5 Effect of Mission Culture on Firm Performance**

The proposed null hypothesis 4 (Ho4) was that mission culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The study established that leaders in SACCOs have clearly outlined the strategic direction and intent of the firm to all employees and that, goals and objectives of SACCOs are well defined and communicated. The study also found that SACCO's mission and vision guides the day to day activities of SACCOs. A correlation analysis established that mission culture significantly affected the performance of D.T SACCOs as shown by a correlation value of .201\* and a P-value of .039. The findings are similar to those of Muliati et al. (2020) who established a positive and significant relationship between mission culture and firm performance in Indonesian firms.

#### **4.7.6 The moderating effect of Transformational Leadership on Organizational Culture and Firm performance**

The study found that SACCO leadership inspires respect and pride from associating with them and that leadership clearly communicates values purpose and importance of organization mission. The study also established that SACCO leadership inspires optimism about goals and the future. The study also found that SACCO management come up with new perspectives for solving problems and completing tasks and that, employees are considered individually. The researcher also found that SACCO the leadership focus on developing and mentoring followers and attend to their individual needs.

The study found that SACCO income and expenditure indicate that their resources are used effectively and efficiently and that product cycle is effective and wastage or shortage is not encountered. The researcher further established that SACCO customers are satisfied with the price, quality and availability of our products. The study found that SACCOs continually analyses information and evaluates how effectively employees use it. The researchers also found that SACCOs analyses human capital, infrastructure, culture and technology to ensure good firm performance. A correlation analysis further established that the performance of D.T SACCOs in Nairobi is affected by organizational cultures (involvement culture, consistency culture, adaptability culture and mission culture). A correlation analysis further established that transformational leadership play a positive and significant moderating effect on the relationship between organizational culture and the performance of D.T SACCOs in Nairobi.

**Table 4.17: Summary of the hypothesis testing**

Hypothesis	Regression coefficient	P-value	Interpretation
<b>(Ho1)</b> involvement culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.	0.873	0.002	Significant effect
<b>(Ho2)</b> stated that consistency culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.	0.716	0.000	Significant effect
<b>(Ho3)</b> predicted that adaptability culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County	0.668	0.009	Significant effect
<b>(Ho4)</b> stated that mission culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County.	0.611	0.005	Significant effect
<b>(Ho5a)</b> predicted that transformational leadership has no moderating effect on the relationship between involvement culture and firm performance of Deposit Taking Sacco's in Nairobi County.	0.871	0.000	Significant moderating effect
<b>(Ho5b)</b> stated that transformational leadership has no moderating effect on the relationship between consistency culture and firm performance of Deposit Taking Sacco's in Nairobi County.	0.802	0.002	Significant moderating effect
<b>(Ho5c)</b> predicted that transformational leadership has no moderating effect on the relationship between adaptability culture and firm performance of Deposit Taking Sacco's in Nairobi County.	0.746	0.003	Significant moderating effect
<b>(Ho5d)</b> stated that transformational leadership has no moderating effect on the relationship between mission culture and firm performance of Deposit Taking Sacco's in Nairobi County.	0.620	0.000	Significant moderating effect

*Source: Field data (2023)*

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter summarizes and makes conclusions on the findings of this study in relation to the objectives put forward in chapter one. It also discusses the recommendations for further research as well as recommendations for policy and practice.

#### 5.1 Summary of Findings

The total number of respondents who successfully participated in the study was 106 representing 80% of the total respondents. Of the 106, 54% were male 46% were female. Of the total number of people, 47% had worked at their SACCOs for less than 5 years. 49% had attained an undergraduate degree. 70% of the respondents are above 30 years.

The first objective was to establish the effect of involvement culture on the firm performance of Deposit Taking Sacco's in Nairobi County. From the findings, ( $\beta=0.873$  and  $p<0.05$ ) indicate that involvement culture can cause 87.3% change in firm performance of DTS in Nairobi County. The null hypothesis that stated that involvement culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County was therefore rejected.

The second objective was to establish how consistency culture affects firm performance of Deposit Taking Sacco's in Nairobi County. The findings were ( $\beta=0.716$  and  $p<0.05$ ) this implies that consistency culture affect firm performance by 71.6%. The null hypothesis 2 that stated consistency culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings indicate that

Consistency culture has significant effect on firm performance as  $p$  is less than 0.05. The null hypothesis was thus rejected.

The third objective was to assess how adaptability culture affects firm performance of Deposit Taking Sacco's in Nairobi County. The results were ( $\beta=0.668$  and  $p<0.05$ ) this means that adaptability culture explains 66.8% change in firm performance in Deposit taking Sacco's in Nairobi County. The null hypothesis 3 predicted that adaptability culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings indicate that adaptability culture has significant effect on firm performance as  $p$  is less than 0.05. The null hypothesis was therefore rejected.

The fourth objective was to establish the effect of mission culture on firm performance of Deposit Taking Sacco's in Nairobi County. The findings were ( $\beta=0.611$  and  $p<0.05$ ) this implies that mission culture affect firm performance by 61.1%. The null hypothesis 4 that stated mission culture has no significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. The findings indicate that mission culture has significant effect on firm performance as  $p$  is less than 0.05. The null hypothesis was therefore rejected.

The fifth objective was to assess the moderating effect of transformational leadership on the relationship between organizational culture and firm performance of Deposit Taking Sacco's in Nairobi County. The findings show the change in  $R^2=0.142$  which means that transformational leadership has a moderating effect on Organizational Culture and Firm Performance on Deposit Taking SACCO's in Nairobi County. The null hypothesis 4a stated that stated that transformational leadership has no moderating effect on the relationship between consistency culture and firm performance of Deposit Taking Sacco's in Nairobi County. The findings show that transformational leadership

has positive and significant moderating effect on the relationship between involvement culture and firm performance. The p value was less than 0.05 hence rejection of null hypothesis. In addition, the null hypothesis 4b, 4c and 4d were all rejected with a p value of less than 0.05.

## **5.2 Conclusions**

The research findings established that involvement culture has a significant effect on the firm performance of Deposit Taking Sacco's in Nairobi County. It was noted that employees at SACCOs are empowered at all levels to improve firm performance. Team building at SACCOs is encouraged through enthusiasm, high moral standards and optimism. Involvement culture influences the performance of D.T SACCOs and that the relationship is significant.

The study concluded that consistency culture has a significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. SACCOs have employee capability development strategy to manage change and long term organization performance. This is in agreement with (Denison, (2011), who concurs that capability development boosts a sense of ownership and greater commitment to achieve organizational goals and a growing capacity to operate under greater autonomy.

The findings of research indicated that adaptability culture has a significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. SACCOs have the ability to adapt to consumer needs and remain competitive at all times. SACCOs can also easily create change as the business environment changes and that they have created a culture of organization learning that allows employees to develop and grow. Adaptability culture influences the performance of D.T SACCOs but the relationship is not significant.

The study concluded that mission culture has a significant effect on firm performance of Deposit Taking Sacco's in Nairobi County. It was noted that most employees know and understand the company core values and they guide the collective behavior of employees. Leaders in SACCOs have clearly outlined the strategic direction and intent of the firm to all employees and that, goals and objectives of SACCOs are well defined and communicated. SACCO's mission and vision guides the day to day activities of SACCOs. Employees at the SACCOs have high level coordination and integration across departments to achieve a common vision. Mission culture significantly affected the performance of D.T SACCOs.

The study concluded that transformational leadership has a moderating effect on the relationship between organizational culture and firm performance of Deposit Taking Sacco's in Nairobi County. It is clear that leaders inspire respect and pride from associating with them and that leadership clearly communicates values purpose and importance of organization mission. SACCO leadership inspires optimism about goals and the future. This was in line with (Piccolo and Colquitt, (2006) who concluded that leaders comes up with new perspectives for solving problems and completing tasks and that, employees are considered individually. SACCO the leadership focuses on developing and mentoring followers and attends to their individual needs.

Leaders at the SACCOs use charisma to gain collective agreement amongst employees. Transformational leadership plays a positive and significant moderating effect on the relationship between organizational culture and the performance of D.T SACCOs in Nairobi.

From the findings, it can be concluded that transformational leadership plays a positive and significant moderating effect on the relationship between organizational cultures

and the performance of the performance of D.T SACCOs in Nairobi. It can also be concluded that organizational cultures (involvement culture, consistency culture, adaptability culture and mission culture) influences the performance of the performance of D.T SACCOs in Nairobi positively and significantly.

### **5.3 Recommendations**

From the findings, it is noted that nurturing an involvement culture influences the performance of D.T SACCOs; the researcher recommends that SACCOs should nurture a culture of involving their employees in decision making since that will enhance the performance of SACCOs.

From the findings consistency culture influences the performance of D.T SACCOs, the study recommends that SACCO management should cultivate a culture of consistency since this will enhance the performance of their organization.

From the study adaptability culture influences the performance of D.T SACCOs; the study recommends that the management should cultivate an adaptability culture which will enable their organizations to adapt to the rapidly changing business environment which in turn will enhance their performance.

From the findings it is noted mission culture significantly affected the performance of D.T SACCOs, the study recommends that SACCO management should ensure they have clearly outlined goals, objectives, the strategic direction and intent of the firm are well defined and communicated to all employees.

#### **5.4 Suggestion for Further Research**

It is recommended that further study be done in other organizations such as SMEs and big corporations so as to benchmark the findings. Further research on other variables such as the moderating effect of CEO values, change management and leadership style on organizational performance can be investigated.

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## APPENDICES

### Appendix I: Introduction Letter

Dear Respondent,

**RE: REQUEST TO PARTICIPATE IN RESPONDING TO MY RESEARCH QUESTIONNAIRE.**

I am a Master's student at Moi University, I am carrying out a research study on *“Moderating Effect of Transformational Leadership on the Relationship between Organization Culture and Firm Performance in Selected Deposit Taking (DTS) Sacco's In Nairobi County.”*

You have been identified as one of the people that could be of assistance with the research, I request your participation in the research. You will be required to complete a questionnaire. The responses you provide will be treated with utmost confidentiality and your identity will remain anonymous.

The information provided will be for academic purposes. Please give information as accurately as possible. Thank you in advance.

Yours faithfully,

Christine M Atunga

MBA STUDENT - MOI UNIVERSITY

## Appendix II: Questionnaire

This questionnaire is to collect data for academic purposes. All information will be treated with strict confidence. Do not put any name or identification on the questionnaire.

*Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

### **SECTION A: BACKGROUND INFORMATION (PLEASE TICK (✓) APPROPRIATE ANSWER.**

1) Please indicate your gender.

Male                       Female

2) Please indicate the number of years you have worked in the Sacco sector.

Less than 5 years                       5 to 10 years                       More than 10 years

3) State your highest level of education.

Certificate                       Diploma                       Degree                       Masters                       PHD

4) Please indicate your age bracket.

20 to 29 years                                            30 to 39 years                     

40 to 49 years                                            50 years and above

## SECTION B: ORGANIZATIONAL CULTURE

- 5) Please indicate your level of agreement with the following statements on the effect of organizational culture on firm performance on Deposit Taking Sacco's in Nairobi using 1-5 likert scale.

**Where: 1 – Strongly disagree, 2 – disagree, 3 – undecided, 4 – Agree, 5 – strongly agree**

	1	2	3	4	5
<b>Involvement culture</b>					
We are empowered at all levels to improve firm performance					
Team building is encouraged through enthusiasm, high moral standards and optimism.					
Our firm has employee capability development strategy to manage change and long term organization performance.					
<b>Consistency culture</b>					
We all know and understand our core values and they guide our collective behavior.					
Our leader uses charisma to gain collective agreement amongst employees.					
We have high level coordination and integration across departments to achieve a common vision.					
<b>Adaptability culture</b>					
Our firm has the ability to adapt to consumer needs and remain competitive at all times.					
Our firm can easily create change as the business environment changes.					

Our firm has created a culture of organization learning that allows employees to develop and grow.					
<b>Mission culture</b>					
Our leaders have clearly outlined the strategic direction and intent of the firm to all employees.					
Our firm's goals and objectives are well defined and communicated.					
Our organization mission and vision guides our day to day activities.					

### SECTION C: TRANSFORMATIONAL LEADERSHIP

- 6) Please indicate your level of agreement with the following statements on the effect of transformational leadership on firm performance on Deposit Taking Sacco's in Nairobi using 1-5 likert scale.

**Where: 1 – Strongly disagree, 2 – disagree, 3 – undecided, 4 – Agree, 5 – strongly agree**

	1	2	3	4	5
<b>Idealized influence</b>					
Our leaders inspire respect and pride from associating with them.					
Our leaders clearly communicate values purpose and importance of organization mission.					
<b>Inspirational motivation</b>					
Our leaders inspire optimism about goals and the future.					
<b>Intellectual simulation</b>					
Our leaders come up with new perspectives for solving problems and completing tasks.					

<b>Individualized consideration</b>					
Our leaders focus on developing and mentoring followers and attend to their individual needs.					

#### SECTION D: FIRM PERFORMANCE

- 7) Please indicate your level of agreement with the following statements on firm performance on Deposit Taking Sacco's in Nairobi using 1-5 likert scale.

**Where: 1 – Strongly disagree, 2 – disagree, 3 – undecided, 4 – Agree, 5 – strongly agree**

	1	2	3	4	5
<b>Financial perspective</b>					
The income and expenditure indicate that our resources are used effectively and efficiently.					
<b>Internal perspective</b>					
The product cycle is effective and wastage or shortage is encountered.					
<b>Customer perspective</b>					
Our customers are satisfied with the price, quality and availability of our products.					
<b>Learning and growth perspective</b>					
Our firm continually analyzes information and evaluates how effectively employees use it.					
Our firm analyzes human capital, infrastructure, culture and technology to ensure good firm performance.					

**Appendix III: List of registered Deposit Taking Sacco's in Kenya**

<b>No</b>	<b>Name of Society</b>
1	Afya Sacco Society Limited
2	Ardhi Sacco Society Ltd
3	Asili Sacco Society Ltd
4	Boresha Sacco Society Ltd
5	Chai Sacco Society Ltd
6	Chuna Sacco Society Ltd
7	Comoco Sacco Society Ltd
8	Elimu Sacco Society Ltd
9	Harambee Sacco Society Ltd
10	Hazina Sacco Society Ltd
11	Imarika Sacco Society Ltd
12	Imarisha Sacco Society Ltd
13	Jacaranda Sacco Society Ltd
14	Jamii Sacco Society Ltd
15	Jumuika Sacco Society Ltd
16	Kencream Sacco Society Ltd
17	Kenpipe Sacco Society Ltd
18	Kenversity Sacco Society Ltd
19	Kenya Bankers Sacco Society Ltd
20	Kimisitu Sacco Society Ltd
21	Magereza Sacco Society Ltd
22	Metropolitan National Sacco Society Ltd
23	Mwalimu National Sacco Society Ltd
24	Mwito Sacco Society Ltd
25	Nacico Sacco Society Ltd
26	Nafaka Sacco Society Ltd
27	Nation Sacco Society Ltd
28	NSSF Sacco Society Ltd
29	Nyati Sacco Society Ltd
30	Safaricom Sacco Society Ltd

31	Sheria Sacco Society Ltd
32	Shirika Deposit Taking Sacco Society Ltd
33	Stima Sacco Society Ltd
34	Tower Sacco Society Ltd
35	Trans Nation Sacco Society Ltd
36	Trans National Sacco Ltd
37	Ufanisi Sacco Society Ltd
38	Ukulima Sacco Society Ltd

## Appendix IV: Moi University Research Authorization Letter



**MOI UNIVERSITY**  
ISO 9001:2015 CERTIFIED  
**SCHOOL OF BUSINESS AND ECONOMICS**

Tel: (053) 43153

P.O Box 63056-00200

Fax: (053) 43153

NAIROBI  
KENYA

MU/NRB/MBA/SA/01

27<sup>th</sup> September, 2022

National Commission for Science, Technology and Innovation  
Upper Kabete  
P.O. Box 30623 00100  
**NAIROBI**

Dear Sir/Madam,

**RE: REQUEST FOR RESEARCH PERMIT**  
**CHRISTINE MOCHECHE ATUNGA – REG. NO. MBA/2010/15**

This is to confirm that the above named is a Postgraduate student of Moi University, School of Business and Economics. Ms. Atunga is pursuing a Masters in Business Administration offered at our Nairobi campus.

The student successfully defended her proposal and is due to proceed for her research data collection.

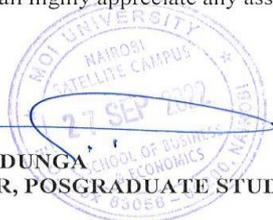
The research Title is – **“The Moderating Effect of Transformational Leadership On Organizational Culture and Firm Performance Culture and Firm Performance in Deposit Taking Saccos in Nairobi County”**

The student is in the process of obtaining a research permit to enable her visit the identified research center.

The University shall highly appreciate any assistance accorded to her.

Yours faithfully,

**DR. ROBERT ODUNGA**  
**COORDINATOR, POSGRADUATE STUDIES**



Appendix V: NACOSTI Research Permit

  
REPUBLIC OF KENYA  
National Commission for Science, Technology and Innovation

  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: **221508** Date of Issue: **04/October/2022**

**RESEARCH LICENSE**



This is to Certify that Miss.. Christine mocheche Atunga of Moi University, has been licensed to conduct research in Nairobi on the topic: **THE MODERATING EFFECT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL CULTURE AND FIRM PERFORMANCE IN DEPOSIT-TAKING SACCO'S IN NAIROBI COUNTY. for the period ending : 04/October/2023.**

License No: **NACOSTI/P/22/20804**

**221508**  
Applicant Identification Number

  
Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION

Verification QR Code



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**Appendix VI: Plagiarism Awareness Certificate**

SR315



ISO 9001:2019 Certified Institution

**EDU 999 THESIS WRITING COURSE*****PLAGIARISM AWARENESS CERTIFICATE***

This certificate is awarded to

***CHRISTINE MOCHECHE ATUNGA***

**SBE/MBA/2010/15**

In recognition for passing the University's plagiarism

Awareness test for Thesis: **THE MODERATING EFFECT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL CULTURE AND FIRM PERFORMANCE IN DEPOSIT TAKING SACCO'S IN NAIROBI COUNTY** With a similarity index of % and striving to maintain academic integrity.

Awarded by:

Prof. Anne Syomwene Kisihi  
CERM-ESA Project Leader Date: 3/10/2023