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Influence of Organizational Culture as Key Strategy Implementation Dimension on Organizational Performance of Commercial State Corporations in Kenya

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Abstract:

The significance of strategy implementation dimensions in improving organizational performance cannot be overstated. Yet, organizations do not necessarily succeed in implementing the strategies set due to failure to pay close attention to strategy implementation components. Effective management of organizations calls for execution of strategy implementation dimensions, to make strategies work, organizations must get things done and do it in the right manner. Strategy implementation cannot be effective unless the strategy itself is designed to be executable. The implementation will not yield to exceptional organizational performance unless the strategies are designed around the achievement of overall organizational goals. Therefore, the purpose of the study was to investigate the influence of organizational culture as key strategy implementation dimension to the organizational performance of commercial state corporations in Kenya. This was a census study comprising of 34 commercial state corporations targeting 295 Senior Management Team (SMT) members. This study employed structural equation modelling to analyse relationships between variables and constructs. The results provided statistical evidence that a positive and significant influence exists between organizational culture as key strategy implementation dimension and organizational performance of the commercial state corporations. The relationship between organizational culture and organizational performance was significant at 0.05 level of significance. Therefore, the study concluded that organizational culture significantly influences organizational performance of commercial state corporations in Kenya. In practice, this study recommends that commercial state corporations need to pay attention to organizational culture as a key driver of well-articulated strategic plans thereby translating the intended strategies into improved organizational performance.

Keywords: State-owned Enterprises, organizational culture, organizational performance, strategy and strategy implementation

1. Introduction

The strategic management literature depicts the strategic management process as set of interrelated activities and interconnected process. This process comprises of establishment of vision and mission; situation analysis, strategy formulation, strategy implementation and execution, monitoring and evaluation (Thenmozhi, 2014). Strategy implementation is commonly the most complicated and time consuming of the activities in strategic management process (Rajasekar, 2014). Strategy implementation is action-oriented; making things happen and involves everyone in an organization. Implementation of strategies is a key driver in the practise of strategic management and thus important to study the dimensions of successful strategy implementation (Pearce & Robinson, 2014).

Strategic planning was introduced in 1960s by Henry Mintzberg, where corporate leaders embraced this concept as the one best way to implement strategies that enhanced organizational performance (Thinkers50, 2019). Strategic planning was expected to give appropriate and best strategies, step by step strategic process so that the executors could not make wrong in strategy implementation. In the mid-1980s, however, the attention was on strategy formulation. That did not work out as it led to paralysis by analysis whereby there was emphasis on strategic planning with little or no

strategy implementation. Strategy implementation, took a back seat in a way, implementation was an afterthought. This called for the need to rethink, rediscover and recast strategic thinking to have emphasis on strategy implementation.

Brinkschröder (2014) identified organizational culture as a core dimension in strategy implementation as long as strategies are well conceived; where it consists of employees' behaviour, commitment and leadership. Pettigrew (as cited in Sminia, 2017) argued that organizational culture is grounded on cognitive systems that explains how employees think and make decision established on the multifaceted set of beliefs, values and assumptions that determine the way enterprises conduct their business. Jones (2013) posited that organizational culture can be viewed as set of shared values and norms that controls organizational members' interactions with each other and with people outside the organization. These can be a source of competitive advantage and can be used to increase organizational effectiveness. Luthans and Doh (2019), identified characteristics of the organizational culture to include norms, rules, observed behavioral regularities and coordination and integration between the departments or delivery units. Norms are measured by amount of work done and also the level of cooperation among the owners, management and employees of the organization, whilst clear rules and policies are defined by employee's behavior associated to the productivity, intergroup cooperation and customer relationship. Observed behavioral regularities are illustrated by common language, formal procedures and systems. Coordination and integration for the intradepartmental units or delivery entities for the purpose of improvement in efficiency to turn-around time, quality of products or service offerings (Luthans&Doh, 2003).

Cameron and Quinn's (2011) competitive organizational culture model consists of four different types of organizational culture, that is, adhocracy, clan, market and hierarchy. As state corporations seek to deliver as per their set objectives, the government of the day may intervene in form of setting of operational policies and regulations, appointment of SMTs or board members and in some instances make decisions to bail out struggling corporations, put them under receivership or even privatize the enterprise. This eventually reconfigures the strategy implementation dimensions and affect the performance of these corporations.

In strategic management journals for the period 1998 to 2000; out of the 677 dependent variables, organizational performance was most recurrent (38.1%) and used a single indicator. Despite its recognized importance, researchers and practitioners alike, still pay little methodological thoroughness about, the choice, construction and use of the surfeit of organizational performance measures available to them (Richard, Devinney, Yip & Johnson, 2015). The search to elucidate SOEs' performance in academia and among the practitioners has not generated much consensus, with the inadequacy of theories to sufficiently explain SOEs' performance (Bozec, Breton & Cote, 2002). The performance of SOEs can be attributed boards' actions and the agent-principal relationship as factors that play major roles to performance (Mwaura, 2007). Generally, in African context, there lacks an all-inclusive measure of what constitutes SOEs' performance (Mbo&Adjasi, 2013). Therefore, measuring performance is the process of measuring the strategy implementation's efficiency and effectiveness (Shi & Jiang, 2016).

Between 1980s and 1990s, there was an upsurge of privatization of SOEs across developing markets in order to reduce overreliance on national government funds and their contribution to Gross Domestic Product (GDP). The SOEs have continued to control vast strips of national GDP (Budiman, Lin & Singham, 2019). SOEs produced about 15% of regional GDP in Africa, 8% in Asia and 6% in Latin America in 2006 (World Bank Group, WBG, 2014). In addition, SOEs account for 20% to 50% of economic-value-added in the Middle East and Africa; and close to 30% of total employment (OECD, 2016). The control of the national economies by SOEs is more than 50% in some African countries and up to 15% in Asia, Eastern Europe and Latin America (Budiman *et al.*, 2019). In volatile and conflict-dominated regions such as Afghanistan, Syria, Somalia and Iraq; SOEs play, and will continue to play, a vital role in building sustainable economies. Thus, SOEs performance should be evaluated not only on the basis of financial results but also on societal value creation (WBG, 2014).

State owned enterprises in Kenya were recording high performance in the 1960s and 1970s, although later they started experiencing liquidity problems when politically connected farmers interfered with their operations (Executive Office of the President, EOP, 2013). By 1990, there were 240 SOEs which employed 115,000 people; of these, the government directly held equity in about 50 enterprises while government-owned development finance institutions held equity in the rest. In 1992 the Kenyan government initiated a comprehensive state corporation reform program that reclassified the 240 SOEs into two categories: non-strategic which were 2017 and 33 as strategic. Strategic provided essential services such as national security, health and protection of environment while non-strategic SOEs were fully or partially privatized or even liquidate (Kabiru, Theuri&Misiko, 2018). EOP (2013) posted that the scale of government support to SOEs had not been matched by a performance commensurate with the volume of government investment. Even though the SOE sector's share of GDP was 11% between 1986 and 1990 and provided thousands of jobs, 90% of Parastatals were still a net drain on the exchequer where the national government had to bail out SOEs.

Armstrong (2015) posited that when it comes to SOEs, the worth lies in their potential to provide efficient, dependable and affordable essential products and services in fundamental sectors, such as banking, infrastructure, power generation, telecommunications, water supply, agriculture and hospitals. Consequently, well-run SOEs can contribute to health, education, social wellbeing, security, infrastructure improvements, poverty reduction and inclusive economic growth in emerging markets. Nevertheless, establishing the contribution of SOEs represents a noteworthy contest, for both OECD countries (mainly developed countries) and emerging markets. State-owned enterprises are faced with making commercially-driven decisions yet they have non-economic product and service delivery model, thus, create a domino effect of problems and complexities (Armstrong, 2015). Therefore, the purpose of the study was to investigate the influence of organizational culture as key strategy implementation dimension to the organizational performance of commercial state corporations in Kenya.

1.1. Statement of the Problem

The overall objectives for state owned enterprises vary across the sectors and countries, but profit-driven agenda dominate with an intention to improve the economic and social wellbeing. In the global arena, SOEs have made huge contribution to economies. The Chinese SOEs contributes 16% of total revenues from the 114 SOEs on the Fortune list in 2014 (Pricewaterhouse Coopers, PwC, 2015) with a key driver being the working organizational culture. Petronas, an SOE in energy sector in Malaysia instituted a strategy implementation initiative in the year 2012 focusing on improving performance through effective working culture at its units. By 2017, with the initiative undertaken, there was improved performance as the company delivered upward of \$1 billion in savings and new revenues (Budimanet. *al.*, 2019). This shows that organizational culture as a strategy implementation dimension has brought success to the Asian giants.

In Africa, there has been mixed results with execution of organizational culture as a key strategy implementation dimension. Specifically, in Kenya, Agro Chemical and Food Company Limited has in the past recorded sales turnover of over Ksh. One billion in the years, 2008-2016. Kenya Literature Bureau (KLB) continues to prove to be a worthy investment for the Government whose return on investment has averaged over 10% since 2006/07 financial year to 2018/19 financial year, and reported a profit after tax of Ksh 152 million in 2016 (Office of Auditor General, Kenya, 2016). On the other hand, Mumias Sugar Company in which the government owns a 20 per cent stake, is a case in point whereby they received Ksh. 1.1 billion from Government in April 2016 through the National Treasury as part of the bailout taking the total funds pumped into Mumias by government to Ksh 3.2 billion after receiving Ksh 2.1 million back in 2015 (Amadala, 2018). Yet, Mumias Sugar Company has consistently reported increment in net loss after tax of Ksh 6.8 billion in the financial year 2016/2017 and Ksh 15.1 billion in the financial year 2017/2018 (Mumias Sugar Company, 2019).

The debate is whether the state and the practitioners in Kenya can institute well-articulated organizational culture that can help convert the elaborate strategic plans into actionable steps that will deliver improved organizational performance in state owned enterprises. Therefore, there is need to have a clear modelled organizational culture that will translate strategies to desirable results. The major concern is establishing a way which organizational culture as a dimension of strategy implementation can be inculcated to contribute to high performance targets in state owned enterprises.

1.2. Study Objective

To assess the influence of organizational culture on organizational performance of commercial state corporations in Kenya.

2. Literature Review

2.1. Resource-Based Theory

According to resource-based theory or view (RBV), intangible resources are the invisible assets, the value of which is rarely captured entirely by financial records and include human, innovation and reputational aspects in an enterprise (Hall, 1993). For Barney and Hesterly (2019) intangible resources entail the social and cultural aspects in an enterprise. Resource-based theory argued that organizational culture contributes to organizational success. Enterprises with sustained superior performance usually are characterized by a strong set of core values and beliefs embodied in these firms' organizational cultures that delineate the ways they conduct business. The values typically define the organizational culture in terms of how to treat employees, distributors, customers, suppliers, and others that foster innovativeness and flexibility in enterprises (Barney, 2001). When the organizational culture is linked with management control, proponents of RBV contend that they lead to sustained superior organizational performance (Perry, 2011).

Using the argument in RBV, Barney and Hesterly (2019) posited that organizational culture can lead to superior organizational performance if that culture is valuable, rare, not easily substitutable and imperfectly imitable. Enterprises without valuable, rare, not easily substitutable or imperfectly imitable organizational cultures cannot expect their cultures to lead to superior organizational performance. Neither can such enterprises expect that the management efforts to change their organizational cultures, though they may effectively incorporate new valuable attributes, will produce sustained superior performance. Struggles to change organizational culture are classically imitable, and consequently, at best, only leads to provisional superior performance, calling for organizations to search elsewhere if they are to find ways to produce expected continuous superior organizational performance.

Some authors have argued that culture is simply a manipulatable tool accessible to managers for the implementation of organizational strategies (Tichy, 2009), therefore, they deny the possibility that organizational culture can lead to long-term superior performance. On the other hand, there are those who subscribe to RBV that propagate that organizational culture is not readily manipulatable and uphold the likelihood that organizational culture led to sustained superior organizational performance in enterprises (Peteraf& Barney, 2003). Therefore, organizational culture is one of numerous attributes that distinguish enterprises one from another that explains sustained superior organizational performance (Hill & Jones, 2015).

2.2. Contingency Theory

Contingency theory draws the idea that there is no absolute or single best way or approach to manage organizations. Contingency theory was developed in 1950 by the findings of leadership behaviour research (Nohria& Khurana, 2010). The contingency theory as noted by Hambrick (1983) involves identifying commonly recurring organizational settings that act on the corporate externally and observing how different strategies and behavioural

processes such as employees' commitment and involvement and culture fare in each setting. Business superior performance will be achieved when there is match fit between the business strategies and organizational culture.

Zajac, Kraatz and Bresser (2000) argued that contingency theory represents a middle ground perspective that views organizational performance as the joint result of external environmental forces and the firm's strategic actions. SOEs should not be managed by one-size-fit-all approach rather ought to work out distinctive strategy development and implementation depending on the circumstances they face (Ologbo, Oluwatosin, & Okyere-Kwakye, 2012). During the process of crafting strategy, strategy implementation, execution, monitoring, reporting and evaluation, organizations should consider the situation and condition they are experiencing (Raduan, Jegak, Haslinda & Alimin, 2009). As such, the optimal organizational model to lead an institution, or make decisions is found in the proper adjustment of the organizational culture as a key internal characteristic, and the demands imposed by the environment in which it operates (Jofre, 2011). Two SOEs in different cultural environments will have different demands to arrange their organizational structure and functions. SOEs in high context cultures where subtle cues convey message and trust is more important than legal and formal contract, optimal model for implementation of strategies will mainly be done through indirect communication among the teams. Whilst in low context cultures which rely on explicit verbal and written messages, formal and legal contracts guide; the optimal model for implementation of strategies will be through clear and direct communication and specific instructions from senior management to lower-level management (Nahavandi, 2012).

2.3. Empirical Review

Olson, Slater, Hult and Olson (2018) carried out a study in USA involving over 200 senior managers that sought to determine whether organizational structure and culture have an effect on organizational performance of commercial firms. The findings demonstrated that the overall firm performance is strongly influenced by how well a firm's business strategy is matched to its organizational structure and the behavioural norms of its employees. The four types of organizational structures and behaviour norms (culture) are management dominant, customer-centric innovators, customer-centric cost controllers, and middle ground. These structure and behaviour types are then matched with explicit four business strategies, namely, prospectors, analysers, low-cost defenders, and differentiated defender; in order to identify which combination(s) of structures and behaviours best serve to facilitate the process of implementing a specific strategy. They argued that brilliant implementation is more important than brilliant strategy due to the circumstance that doing is harder than dreaming, and a poorly executed strategy is merely a vision of what could be. Based on their findings, for a strategy to create superior performance, it must be supplemented by appropriate organizational structure, system and employee behaviours (culture).

The findings show substantial evidence that how an organization is structured and which behaviours are emphasized strongly influences performance. For instance, low-cost defenders' strategy is appropriate with competitor centric cost controller design while analysers and differentiated defenders' business strategies, the findings were not as evident. In general, either a competitor-centric cost controller or a customer-centric innovator structural design helps to generate high performance for commercial enterprises (Olson *et al.*, 2018). Of keen interest in the study is the findings that almost 40% of the participating firms were either management dominant or middle ground organizations, whereby, management dominant firms rely upon a few strong managers at the top of the firms to direct the business with no strong behavioural norms in these firms other than perhaps obedience. Contrary, it appears that middle-ground-structured firms attempt to balance everything out and therefore, the end result is that these firms are that there are no distinctive behavioural norms and, despite an informal structure environment, the generalist workers that constitute the majority of employees in these firms appear to have little direction or freedom to take initiative. Over 50% of the business's studies, adopted structures and encouraged behaviours (organizational culture) that reinforce their business strategies (Olson *et al.*, 2018).

A study carried out in Turkey that sought to link organizational culture and business strategy on which strategies can be applied more easily in which culture found out that the most important corporate culture type that impacts on proactive strategies is adhocracy culture (Tasgit, Şentürk & Ergün, 2017). The study involved senior executives of commercial enterprises for three, four and five-star hotel. Further findings indicated that commercial enterprises that prefer proactive strategies, have the characteristics of adhocracy and market culture as an organizational culture. The enterprises that have the characteristics of the market and hierarchy culture choose aggressive strategy. Conversely, defensive strategy and imitative strategy approaches are preferred by the businesses which have the properties of the clan and hierarchy culture. The businesses with adhocracy culture usually avoid from the defensive and aggressive strategy (Tasgit *et al.*, 2017). Additionally, a study that involved 200 managerial staff in Malaysian logistics companies including state corporations found out that organizational culture was related to organizational performance and indicated a significant impact on organizational performance. Involvement emerged as the most important aspect of organizational culture that affected organizational performance (Samad, Abdullah & Ahmed, 2013).

3. Methodology

3.1. Research Design

This study used quantitative approach and explanatory causal design using survey approach. Quantitative research addresses research questions through empirical assessments that involve numerical measurement and analysis approaches that requires less interpretation and gives a broader perspective. Additionally, this study is a cross-sectional survey research of the purely commercial state corporations in Kenya.

3.2. Research Paradigms and Philosophy

This study adopted epistemology research philosophy which embodies the idea of understanding what it means to know. Specifically, this study adopted objectivism as an epistemology approach that holds that reality exists independently of consciousness and strives not to include researcher's feelings and values (Gray, 2013). Additionally, this study took a positivist position that is derived from natural science and is characterised by the testing of hypothesis developed from existing theory (hence deductive or theory testing) and through measurement of observable social realities (Zukauskas, Andriukaitienė & Vveinhardt, 2018).

3.3. Target Population and Sampling Design

The target population for this study comprised of purely commercial state corporations. According to the report of the Presidential Taskforce on Parastatal Reforms carried out in 2013, there were 34 purely commercial state corporations. The study population targeted 295 respondents comprising of the Senior Management Teams (SMTs)/ Senior Management comprising of CEOs, Heads of Departments/ Divisions and Heads of Delivery Units/ Sections because they are involved in strategic planning, making strategic choices and resource allocation. This was a census since it attempted to collect data from every member of the population being studied rather than choosing a sample (Connaway, 2017).

3.4. Data Collection Instruments and Procedures

The study used both primary and secondary data. Primary data was collected from the SOEs using structured questionnaires addressed to the Senior Management Teams. Secondary data was obtained from existing corporations' records both in soft and hard copies format in the SOEs including strategic plans, annual reports, organizational charts, newsletters, research and studies done on SOEs. Close-ended structured questionnaires were used in the study in the collection of primary data so as to gather substantial information.

3.5. Data Analysis Methods

This study used descriptive statistics to enable the researcher discern patterns that are not clearly apparent in raw data through the use of measures of frequency including tables, charts and graphs, and use of stem-and-leaf display (Lind, Marchal & Wathen, 2012). In addition, the study used measures of central tendencies and variability to include standard deviations and mean to allow for easier presentation and interpretation of data findings. The study also adopted structural equation modelling (SEM) which shows relationships among variables with an aim of providing a quantitative test of a theoretical model as hypothesized in this research. In SEM the various constructs in operationalizing the variables show how these relate to each other. This analysis helped to determine the extent to which the theoretical models is supported by research data using the scientific method of hypothesis testing to advance the researcher's understanding of the complex relationships among constructs.

4. Findings

4.1. Response Rate

In this study, a total number of 295 questionnaires were administered to the respondents, however, only 251 questionnaires were properly filled, representing 85.08% response rate.

4.2. Descriptive Statistics

The study sought to assess the influence of organizational culture on organizational performance of commercial state corporations in Kenya. The respondents were asked to state their opinion on organizational culture in their enterprises. The results are analysed and tabulated as per the Table 1.

Organizational Culture	N n (%)	S n (%)	M n (%)	L n (%)	VL n (%)	Mean	Std. Dev.	Total
To what extent are the company's values ascertained based on individuality or uniqueness and independence of the employees	15 (6)	25 (10.0)	44 (17.5)	79 (31.5)	88 (35.1)	3.8	1.194	251 (100)
To what extent are the company's values dynamic and ascertained based on flexibility or willingness to change based on prevailing situation facing the company	16 (6.4)	25 (10.0)	48 (19.1)	111 (44.2)	51 (20.3)	3.62	1.108	251 (100)
To what extent are the company's values ascertained based on ingenuity and innovation	19 (7.6)	25 (10.0)	51 (20.3)	66 (26.3)	90 (35.9)	3.73	1.255	251 (100)
To what extent are the company's values ascertained based on risk-taking and encourages entrepreneurial spirit	17 (6.8)	32 (12.7)	40 (15.9)	79 (31.5)	83 (33.1)	3.71	1.238	251 (100)

Organizational Culture	N n (%)	S n(%)	M n(%)	L n(%)	VL n(%)	Mean	Std. Dev.	Total
The company's culture focuses on compliance to set policies, practices and procedures in strategy implementation	14 (5.6)	27 (10.8)	41 (16.3)	79 (31.5)	90 (35.9)	3.81	1.194	251 (100)
The company's culture focuses on teamwork among the staff members in strategy implementation	30 (12.0)	26 (10.4)	36 (14.3)	79 (31.5)	80 (31.9)	3.61	1.344	251 (100)
The company's culture allows for staff active participation and encourages employee loyalty	24 (9.6)	33 (13.1)	45 (17.9)	82 (32.7)	67 (26.7)	3.54	1.275	251 (100)
The company's culture advocates for the employees to hold together during strategy implementation based on tradition and heritage	27 (10.8)	41 (16.3)	40 (15.9)	70 (27.9)	73 (29.1)	3.48	1.346	251 (100)
The company's culture is based on win and expediency in strategy implementation	37 (14.7)	25 (10.0)	45 (17.9)	70 (27.9)	74 (29.5)	3.47	1.389	251 (100)
The company focuses on the realization of competitive actions to improve on competitive position in the market	34 (13.5)	35 (13.9)	49 (19.5)	59 (23.5)	74 (29.5)	3.41	1.39	251 (100)
The company's work environment makes it necessary to give attention to learning and employees' growth	42 (16.7)	43 (17.1)	49 (19.5)	62 (24.7)	55 (21.9)	3.18	1.393	251 (100)
The company culture is driven by clearly stipulated measurable goals and corporate objectives	50 (19.9)	41 (16.3)	38 (15.1)	61 (24.3)	61 (24.3)	3.17	1.468	251 (100)
The company's culture is based on formalized and centralized decision-making at the top level	40 (15.9)	47 (18.7)	42 (16.7)	61 (24.3)	61 (24.3)	3.22	1.414	251 (100)
The company's culture fosters for stability and predictability in strategy implementation	38 (15.1)	40 (15.9)	48 (19.1)	67 (26.7)	58 (23.1)	3.27	1.376	251 (100)
The company's work environment inhibits flexibility in strategy implementation	33 (13.1)	45 (17.9)	57 (22.7)	69 (27.5)	47 (18.7)	3.21	1.301	251 (100)
The company's culture encourages high specialization and division of labor in strategy implementation	44 (17.5)	47 (18.7)	51 (20.3)	57 (22.7)	52 (20.7)	3.1	1.393	251 (100)
Overall average						3.46	1.32	

Table 1: Organizational Culture

Table 1 shows a mean of 3.46 was the overall output for all the constructs under organizational culture. This shows that most of the SMTs indicated that organizational culture to a moderate extent constitute strategy implementation dimensions and its influence on organizational performance. In addition, the variance of responses is indicated by standard deviation, with 1.32, it shows that there is low variance among responses given, which signifies that the values in the dataset are tightly bunched around the mean value.

4.3. Confirmatory Factor Analysis

Confirmatory factor analysis was subjected to test using Analysis of Moment Structures (AMOS) to test the covariance and causal modelling of variables. Confirmatory factor analysis tests whether the measurement items correctly measure the intended constructs (Boateng *et al*, 2018). Variables that satisfactorily contribute to the study are retained for further Structural Equation Modelling.

4.3.1. Model Fit Indices

The study sought to find out the influence of organizational culture on organizational performance of commercial state corporations in Kenya. The following hypothesis was tested to establish whether organizational culture significantly influence organizational performance of commercial state corporations in Kenya as shown in Table 2.

- H_1 : - Organizational culture significantly influence organizational performance of commercial state corporations in Kenya

Model	CMIN	CFI	RMSEA	P Close
Default Model	116.583	0.937	0.056	0.263
Saturated Model	0.000	1.000	-	-
Independence Model	907.648	0.000	0.189	0.000

Table 2: Model Fit Indices for the Influence of Organizational Culture on Organizational Performance in Kenya's Commercial State Corporations

Table 2 shows the model fit indices output which included CMIN 116.583, CFI 0.937, RMSEA 0.056 and P Close of 0.263 which were all within the recommended threshold (CFI above 0.90, RMSEA below 0.08).

4.3.2. Structural Modelling

Using SEM, the study sought to explore the relationship between each independent variable and the dependent variable to establish the influence of each of the variables to the study. Organizational culture was measured to determine their influence on organizational performance. The output is in Table 3.

Item		Unobserved Variable	Estimate	S.E.	C.R.	P	Label
Organizational Performance	<---	Organizational Culture	0.955	0.366	4.659	***	
Net profits	<---	Organizational performance	0.632				
Total assets	<---	Organizational performance	0.636	0.116	8.286	***	
Existing staff	<---	Organizational performance	0.584	0.115	7.731	***	
Number of attritions	<---	Organizational performance	0.626	0.125	8.185	***	
Existing customers	<---	Organizational performance	0.509	0.109	6.896	***	
Customer growth	<---	Organizational performance	0.567	0.114	7.553	***	
Realization of competitive actions	<---	Organizational Culture	0.334				
Employees to hold together	<---	Organizational Culture	0.265	0.243	3.164	0.002	
Focus on compliance	<---	Organizational Culture	0.629	0.343	4.716	***	
Ascertainment of company values	<---	Organizational Culture	0.584	0.338	4.62	***	
Ingenuity and innovation	<---	Organizational Culture	0.686	0.385	4.815	***	
Flexibility to change	<---	Organizational Culture	0.591	0.304	4.635	***	
Independence of employees	<---	Organizational Culture	0.65	0.352	4.754	***	

Table 3: Standardized Regression Weights for Organizational Culture and Organizational Performance

Table 3 shows the organizational culture was measured against organizational performance and the output posted a coefficient of 0.955 which is positive meaning that organizational culture influences organizational performance. The standardized regression weight for the relationship between organizational culture and organizational performance of 0.955 indicates that organizational culture contributes to organizational performance by 95.5 % proportionately meaning a positive relationship between organizational culture and organizational performance. The relationship is further depicted using the structural model as shown in Figure 1 as follows.

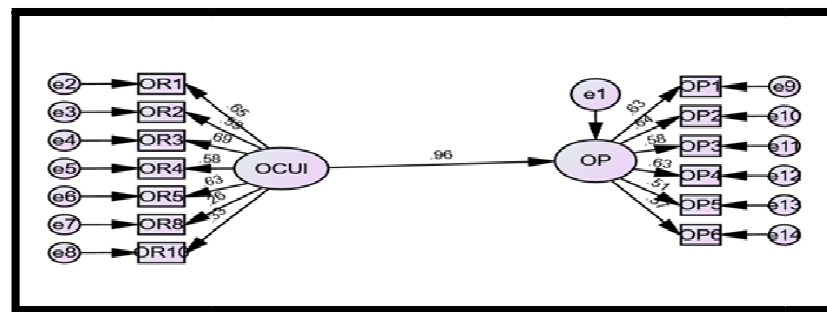


Figure 1: Structural Model for Organizational Culture and Organizational Performance

As indicated in Figure 1, the construct which had the highest explanatory power that explicates the influence of organizational culture on organizational performance which had the highest explanatory power was that the company's values ascertained based on ingenuity and innovation (coefficient = 0.686). The construct which had the lowest explanatory power that explicates the influence of organizational culture on organizational performance was that that the company's culture advocates for the employees to hold together during strategy implementation based on tradition and heritage (coefficient = 0.264).

4.4. Discussion

The results of this study agree with proponents of RBV who argued that organizational culture can lead to superior organizational performance if that culture is valuable, rare, not easily substitutable and is imperfectly imitable (Luthans&Doh, 2003; Perry, 2011; and Peteraf& Barney, 2003). Moreover, the study findings agree with the work of Olson, *et al.* (2018) who carried out a study in USA involving over 200 senior managers that sought to determine whether organizational structure and culture have an effect on organizational performance of commercial firms. Olson's work demonstrated that the overall organizational performance is strongly influenced by how well a state enterprise's business strategy is matched to its organizational structure. A research in Turkey among state corporations found out that corporate culture impacts on proactive strategies leading to improved organizational culture (Tasgit, Şentürk&Ergün, 2017). In addition, a study that involved 200 managerial staff in Malaysian logistics state companies found out that organizational culture was related to organizational performance (Samad, *et al.*, 2013).

Differing findings on the significance of culture on organizational culture is observed in the work of Tichy (2009) who argued that culture is simply a manipulatable tool accessible to managers for the implementation of organizational strategies; and thus, cannot lead to long-term superior performance. Yet, later findings by Barney and Hesterly (2019) subscribe to RBV that propagate that organizational culture is not readily manipulatable, and uphold the likelihood that organizational culture leads to sustained superior organizational performance in state-owned enterprises. This further agrees with Hill and Jones (2015) who observed that organizational culture is one of numerous attributes that distinguish state enterprises one from another that explains sustained superior organizational performance.

5. Conclusion, Recommendation and Suggestion for Future Research

5.1. Conclusion

The study found out that organizational capabilities contribute to organizational performance of commercial state corporations in Kenya, using AMOS the output posted a coefficient of 0.355 which is positive meaning that organizational capabilities contribute to organizational performance and $p < .05$ (**). Further analysis using the CFA model indicated that seven out of the nine constructs had a significant explanatory power on organizational capabilities. Using the model fit indices output which included CMIN 106.302, CFI 0.962, RMSEA 0.028 and P Close of 0.980 were all within the recommended threshold (the threshold for CFI: above 0.90, RMSEA: below 0.08 and P Close: above 0.05). The relationship of the two variables was significant at 0.05 level of significance. Therefore, the null hypothesis was rejected and the alternate hypothesis was not rejected. Based on this result, the study concluded that organizational capabilities significantly influence organizational performance of commercial state corporations in Kenya.

5.2. Recommendations and Suggestion for Further Research

These study recommendations are in line with the research objective, findings and conclusions of the study. The study recommends that that SMTs in managing SOEs should establish a multifaceted set of beliefs, values and assumptions that determine the way enterprises conduct their business. The culture in the SOEs should ascertain values based on ingenuity and innovation; focuses on internal issues and values such as compliance; and the realization of measurable goals and objectives. In addition, the SOEs' culture ought to advocate for the employees to hold together during strategy implementation based on tradition and heritage for improved organizational performance. With well-defined and grounded culture, SOEs will attain superior organizational performance if that culture is valuable, rare, not easily substitutable and is imperfectly imitable.

6. References

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