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**Factors Influencing Performance of SACCOS in Kenya: A Case of
UNAITAS SACCO**

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Abstract

Purpose: The general objective of this study was to establish factors influencing performance of sacco in Kenya: a case Unaitas Sacco.

Methodology: The study adopted a case study where primary data was gathered using the questionnaire. The population of the study was all the senior staff (top, middle and supervisory levels of management). There were total 96 such managers in UNAITAS Sacco. The list was obtained from the human resource department. The sample size was 50% of the population. The sample size was therefore 48 managers. The sampling technique/design was simple random sampling. The researcher used quantitative techniques in analyzing the data. The tool of analysis was SPSS version 20 was used. Descriptive analysis was employed; which included; mean standard deviations and frequencies/percentages. Inferential statistics that was used was correlation and regression analysis.

Results: Results of the study indicated that organization subculture, organization structure, organization leadership capacity and organization rewarding practices had a positive and significant effect on the performance. The study concluded that organizational subculture, organizational structure, leadership capacity and rewarding practices had an active and direct role in performance.

Unique contribution to theory, practice and policy: The study recommended that the institution should undertake an internal review of the administrative functions that impact the suppression/operations division and identify structure as one the determining factor of performance.

Keywords: Organization leadership, organization structure, organization rewarding practices

1.1 INTRODUCTION

A Savings and Credit Cooperative (SACCO) is a type of cooperative whose objective is to pool savings for the members and in turn provide them with credit facilities (Lari, 2009). Other objectives of SACCOS are to encourage thrift amongst the members and also to encourage them on the proper management of money and proper investments practices. Whereas in urban areas salary and wage earners have formed Urban SACCOS, in rural areas, farmers have formed Rural SACCOS. There are also traders, transport, jua-kali and community-based SACCOS. Indeed SACCOS, with their diverse products and services, have given a new meaning to the financial sector in Kenya. Their most popular service is that of saving, which has evidently been the surest way to break the vicious cycle of poverty and is fundamental to sustainable economic development (Kuria, 2011).

Savings and credit co-operative societies have a number of principles one of which is the belief in cooperative and mutual self-help for the uplifting of the standards of living (KUSCCO, 2006). Members with common bond join hands to form those quasi-banks institutions. With finances mobilized through such joint efforts the savings and credit co-operative society members build up the capital which they can use through local arrangements to finance their own social as well as economic development. The primary purpose of savings and credit co-operative society is to meet the common needs of members. Co-operatives are perceived to be organization which are mobilized and controlled largely by small producers, workers and other less economically endowed members of the society who own and obtain service and other benefits from them. The statement of co-operative identify from ICA defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

The impact of co-operative in the world economy is both extensive and impressive. It is estimated that there are 800 million people globally, who are members of the co-operatives and 100 million are employed by co-operatives. In nearly all developed countries, they have been the main contributors to 2 economic growth and poverty alleviation. Europe has 58,000 cooperatives, with a membership of 13.8 million. In the US, there are an estimated 72,000 cooperatives with over 140 million members, including 90 million members of SACCOS. Study shows that co-operative are more sustainable than other entities and boast impressive survival and growth rate. Silas Kobia (2011). Recent studies show that co-operatives in many developing countries are experiencing renaissance. For instance there were 554 registered co-operatives in Uganda in 1995 but recent estimates indicate more than 7500. Savings and credit co-operatives, housing, consumer and cottage industries are fast growing. There is potential for farmers producing co-operatives to meet demand from super markets, for fresh fruits, vegetables and dairy products.

The ministry of Cooperative Development & Marketing (2008) estimated that the Cooperative movement, SACCOS included, employed over 300,000 people directly and 1.5 million people indirectly. Besides creating employment, cooperatives are also sources of income generating opportunities for many people. Accordingly, the Coop Africa paper adds, in 2007, SACCOS in Kenya had over 6 million members, 98 per cent of whom were active in the lending activities of their cooperatives. It is therefore evident that the multiplier effect of cooperative membership would see the income generating opportunities spread to more people (Finaccess, 2009).

There are 5,122 registered SACCOs out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 Saccos 150 are rural Saccos (commodity based) while the rest are Urban Saccos (employee based). All Saccos operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010). Saccos have registered tremendous growth since mid 1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOS have grown tremendously and currently have about 3.7million members. The 230 SACCOs with FOSAs have diversified into specialized bank- like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007). SACCOs play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country.

UNAITAS Sacco has gone through a rebranding and is expecting to convert into a bank in the next two years so it is in the process of change. The transformation process has not been a smooth one considering various challenges which are acting as a stumbling block. Therefore this study wished to answer the question on what are the determinants of transformation process in UNAITAS Sacco.

1.2 Problem statement

SACCOs face numerous challenges that hinder the exploitation of their full potential (Muchibo, 2005). He raised concerns on the caliber of leaders who run SACCOs noting that since these are voluntary organizations, members can elect anybody they like, who may not necessarily have skills to run a SACCO. UNAITAS Sacco has gone through a rebranding and is expecting to convert into a bank in the next two years. Despite a lot of efforts and resources being channeled to strategic planning in UNAITAS Sacco, majority of strategic documents produced by the Sacco collect dust on the shelves or face imminent failure. This implies that, transformation plan remains a challenge for UNAITAS Sacco. Therefore this study sought to answer the question on what were the factors that influence performance of UNAITAS Sacco.

Quite a number of SACCOs in Kenya have a long string of pending loan applications from the members; some pay little or no dividends/interest on members savings. Some others have low multiplier factor or limited concurrent loans compared to some well performing counter parts .As compared to other financial institutions some of the SACCOs have their members and FOSA clients queue for long hours to receive their services because of the services not computerized leading to a number of complaints from these clients and some are rudely answered due to poor public relations from staff. Judging from the above mentioned points it can be concluded that the main reason for this research project report is to fill a gap left by other researchers by way of critically analyzing the factors influencing the performance of SACCOs. Based on the evaluation there is a gap literature to warrant a study to be conducted in this industry. This is what prompted the researcher to carry out a study to investigate the factors influencing the performance of UNAITAS Sacco.

1.3 Objectives

- i. To establish the influence of organization subculture on performance in Unaitas Sacco
- ii. To determine the influence of organization structure/governance on performance in

Unaitas Sacco iii. To find out the influence of organization leadership capacity on performance in Unaitas

Sacco iv. To establish the influence of organization rewarding practices on performance in Unaitas Sacco

2.0 LITERATURE REVIEW

2.1 Theoretical Perspective of the Study

The change management strategic framework required addresses the current needs that were impacted by various variables. Two theoretical perspectives that provided guidance in identifying the components that make up a strategic framework to change management practices were discussed.

Institutional Perspective theory

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures (Meyer and Rowan, 1991).

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (McAdam and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding organizations and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Scott, 2004).

Resource Based View theory

Resources of the right quality and quantity are important for strategy implementation (Aosa, 1992, Machuki and Aosa, 2011). Resource based view of the firm starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage (SCA). Achieving a SCA allows the firm to earn economic rents or above-average returns. In turn, this focuses attention on how firms achieve and sustain advantages. The resource-based view contends that the answer to this question lies in the possession of certain key resources, that is, resources that have characteristics such as value, barriers to duplication and relevance. A SCA can be obtained if the firm effectively deploys these resources in its product-markets. Therefore, the RBV emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize return.

Resources comprise three distinct sub-groups, namely tangible assets, intangible assets and capabilities. Tangible assets refer to the fixed and current assets of the organization that have a fixed long run capacity. Intangible assets include intellectual property such as trademarks and patents as well as brand and company reputation, company networks and databases (Williams, 1992). Capabilities have proved more difficult to delineate and are often described as invisible assets or intermediate goods (Itami, 1987). Essentially capabilities encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources are coordinated (Grant, 1991).

Agency Theory

In the Agency Theory a contractual relationship is entered by two persons that are the principal and the agent so as to perform some service. This involves delegating some decision making authority to the agent by the principal (Jensen & Meckling, 1976). At the same time an agent is a person employed for the purpose of bringing his principal into a contractual relationship with a third party and does not make a contract on his own behalf (Wright & Oakes, 2002).

Agency Theory was directed at the person presenting the agency relationship. This is where one party delegated work to another party who performed the duty on behalf of the principal (Eisenhardt, 1989). This person was authorized to perform legal acts within his competence and not on his own behalf but for the principal. A growing view in the modern literature recognized however that the two were strange bed fellows. An Insurance Brokers is an agent employed to buy and sell on behalf of another. However, in performing his role, he owes a duty to his principal. The level of care expected is varied; a higher level of care will be expected from a professional broker than from a part-time insurance agent (Wright & Oakes, 2002).

According to the English and American law the liability of a principle for his agent torts in the ordinary course of his employment depended upon the existence of a master- servant relationship. The master was vicariously liable for his servant tortuous conduct committed within the course of employment (Yin, 1994). There were cases where an agency relationship arose when an individual group called principal hired someone called an agent to perform some service, where the principal delegated decision- making power to the agent. This kind of relation included those between stock holders and managers and between stockholders and debt holder

This theory is relevant to this study since it informs the organization structure/governance variable. The managers of UNAITAS Sacco are the agents while the shareholders are the principles. The management of UNAITAS is expected to work on the interest of the shareholders rather than their own interests.

Taylor's motivational theory

This theory was published by Frederick Taylor in 1911. According to Taylor's research, people worked purely for money. In the early years of the car assembly industry work on a production line was based on producing quantity and was repetitive. Workers were paid 'piece rate', that is, paid for every item produced. This approach of paying workers by results was good for the business. The outcome was greater production but gave little opportunity, encouragement or time for employees to think for themselves or be creative in what they did. This limited people's development and their use within the company.

This theory is relevant to the topic under the study since it informs organization rewarding practices variable. Employees are more motivated if they feel content in their work. This often happens when their employer creates a good working environment where employees feel valued, generally through increased rewards and communication and being asked for their opinions. Employee motivation is also likely to be higher if the organization invests in its staff through remuneration, training and development. This in turn enhances their knowledge, skills and their sense of job satisfaction. This theory is relevant to this study since it focuses on one way of motivating employees.

2.2 Critical Success Factors

The identification of 'success factors' was first proposed by Daniel (1961) in an article on Management Information Crisis. It was later refined by Rockart (1979) who used the term 'Critical Success Factors' (CSF) to mean the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organization.

Research on managing strategic change have focused on critical success factors in order to advise managers about which of the factors are most critical for the organization (Somers and Nelson, 2001). The study by Umble et al. (2003) has categorized the key factors under 10 main points namely: clear understanding of strategic goals, commitment by top management, excellent implementation project management, great implementation team, successful coping with technical issues, organizational commitment to change, extensive education and training, data accuracy, focused performance measures, and multi-site issues resolved.

As noted by Robey et al. (2002), while these findings are useful in predicting the successful outcome of projects, they offer few insights beyond conventional wisdom because they do not adequately explain why the investigated business outcome occurred. In light with their observation, we argue that these studies are not without benefit because they highlight important issues for consideration and point to the complexity of software project initiatives. Organizations and researchers may find consulting a list of a priority 'factors of success' beneficial, such items are not in-themselves keys to a preferred outcome. Rather, they tend to focus attention on controlling and simplifying innately complex situations. Most of the studies carried on critical success factors areas lack theoretical basis that successfully link the critical success factors to implementation outcomes of any kind. Besides, there is no consensus on critical success factors owing to difference in context between implementing organizations (Leopoldo and Otieno, 2005).

2.3 Empirical Review

Pavitt, (2006) noted that culture may affect performance. Organizational culture can be cited as a key factor contributing to the success of or the failure of organizations. Organizational culture can be defined as a pattern of beliefs, norms or social expectations shared by individuals in organizational systems. These beliefs and expectations, although produced by the interaction between individuals and groups in organizational systems, influence back (through a retroactive feedback loop) the behavior of these same individuals and groups and nothing more than a representation of a socially constructed reality in which individuals and groups know what is important, what is acceptable and how to behave in specific situations. For culture to promote change and increase the capacity of individuals, groups and organizational systems to innovate, it needs to ingrain in individuals the capacity to continually question their assumptions to reflect on the appropriateness of their actions

in the light of unfolding events. Such a culture will be in a continual construction through learning, more specifically double loop learning (Argyris, 1976).

As Kofman and Senge, (1993) stated that “Those contexts that display their precarious nature, those contexts that invite revision and recreation are inherently better than those which hide their precarious nature and fight revisionist attempts. They will be in a continual state of becoming.” Even culture will need to be in a continual state of becoming to evolve with the organizational system, its individuals, its structure and other elements. Organizational systems fostering such cultures can become learning organizations where interdependence, capacity for feedback, balance and adaptation are valued. In such systems, what individuals know is not as crucial as what they could know through learning and answers are always less important than questions.

Jones and Hill (2001) noted that performance is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. Leadership may affect change management. Leadership is widely described as one of the key drivers of effective strategy implementation (Pearce and Robinson, 2005) However, a lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak, 2005). Leadership is defined as “the leader’s ability to anticipate, envision, and maintain flexibility and to empower others to create strategic change as necessary” (Hitt, Ireland, & Hoskisson 2007). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today’s globalized business environment. Identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization’s resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Sorooshian, Norzima, Yusof&Rosnah (2010) did a study on the effect analysis on strategy implementation drivers on performance within the small and medium manufacturing firms. The author identified three fundamental factors in Strategy Implementation: the structure, leadership style and resources and discusses the main drivers of strategy implementation, prevailing in the smaller industries. In this regard, empirical relationships were established relating strategy implementation and performance of the firm. The author also provided a structural equation model on the relationship among drivers of strategy implementation and organization performance and also sensitivity analysis on the drivers.

Pearce and Robinson,(2005) on their study noted that Leadership may affect performance. Leadership is widely described as one of the key drivers of effective strategy implementation. However, a lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak, 2005). Leadership is defined as the leader’s ability to anticipate, envisions, and maintain flexibility and to empower others to create strategic change as necessary (Hitt, Ireland, & Hoskisson 2007: 375). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today’s globalized business environment. Identifiable actions characterizing leadership that positively contributes to effective strategy

implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization's resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

According to Heracleous, (2000) developing effective incentives and controls is a way of dealing with challenges in poor performance. Strategy execution is usually not yet complete because the creation of strategy, objectives, structure, accountabilities, and coordinating mechanisms is not sufficient to ensure that individuals will embrace the goals of the organization. Incentives motivate or guide performance and support the key aspects of the strategy-execution model. Controls, in turn, provide timely and valid feedback about organizational performance so that change and adaptation become a routine part of the implementation effort. Controls allow for the revision of execution-related factors if desired goals are not being met.

Bartók&Ješka, (2006) argued that non-involvement of employees and rewards extended to them is a challenge facing performance. One frequent problem is the exclusion of human factors from the process of innovation strategy. Staff who are not involved in the creation of an innovation strategy, they do not get sufficient information about the objectives innovation strategy, are not thoroughly familiar with the intentions of firm's innovation activities, may be in some activities passively. As a useful tool in this analysis can help managers create their own business model of innovation relationship management.

2.4 Conceptual Framework

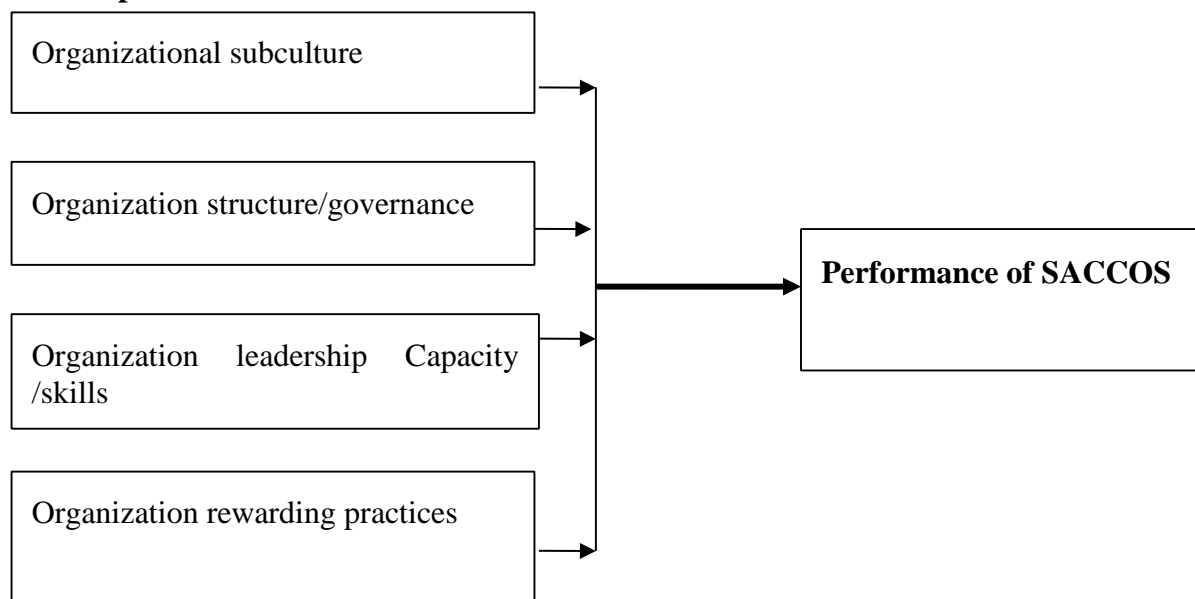


Figure 2.1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

This study adopted a case study since the unit of analysis was biased to one organization that is UNAITAS Sacco. The population of the study was all the senior staff (top, middle and supervisory

levels of management). There were a total 96 such managers in UNAITAS Sacco. The sampling technique/design was simple random sampling. The data collection instrument that was used in this study was the questionnaire. The researcher used quantitative techniques in analyzing the data. Descriptive analysis was employed. Inferential statistics such as correlation and regression analysis were used. The organised data was interpreted on account of concurrence to objectives using assistance of computer packages especially Statistical Package for Social Sciences (SPSS) version 20 to communicate the research findings. A simple regression model was used to test the significance of the influence of the independent variables on the dependent variable. The multiple regression model was as laid below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \text{ Where:}$$

Y = Performance

X₁ = Organizational sub culture

X₂ = Organization structure/governance

X₃ = Organization leadership capacity

X₄ = Organization rewarding practices

e is error term β_0 represents the

constant $\beta_{1,2,3,4}$ are regression

coefficients

4.0 ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Response Rate

The number of questionnaires that were administered to UNAITAS Sacco managers was 48. A total of 45 questionnaires were properly filled and returned. This represented an overall successful response rate of 93.75% as shown on Table 1.

Table 1: Response Rate

| Response | Frequency | Percent |
|--------------|-----------|-------------|
| Returned | 45 | 93.75% |
| Unreturned | 3 | 6.25% |
| Total | 48 | 100% |

According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars, 93.75% response rate is very good for the study. Thus the response rate of 93.75% under this study was very good for study.

4.2 Descriptive Statistics

This section presents the descriptive results on organization subculture, organization structure, organization leadership capacity and organization rewarding practices.

4.2.1 Organization Sub culture

The first objective of the study was to assess the effect of organizational subculture on performance of UNAITAS Sacco. The respondents were asked to respond on statements on organization subculture. The responses were rated on a five likert scale as presented in Table 2. Majority of 80% (51.1%+28.9%) of the respondents agreed with the statement that the organization supports innovative culture, 71.2% agreed with the statement that the organization supports an employee participative/ involment culture, 66.7% of the respondents agreed that the organization supports mission focus culture, 80% of the respondents agreed that the organization insists on the consistency of effectiveness, while 82.1% of the respondents agreed that the organization supports a customer focus culture.

Table 2: Organization Sub culture

| Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Mean | Std. Dev |
|--|--------------------------|-----------------|----------------|--------------|-----------------------|-------------|-----------------|
| The organization supports innovative culture | 4.40% | 6.70% | 8.90% | 51.10% | 28.90% | 3.93 | 1.031 |
| The organization supports an employee participative/ involment culture | 4.40% | 11.10% | 13.30% | 35.60% | 35.60% | 3.87 | 1.16 |
| The organization supports mission focus culture. The organization insists on the consistency of effectiveness. | 11.10% | 4.40% | 17.80% | 37.80% | 28.90% | 3.69 | 1.258 |
| The organization supports a customer focus culture. | 6.70% | 8.90% | 4.40% | 57.80% | 22.20% | 3.8 | 1.1 |
| Average | | | | | | 3.91 | 1.1 |

On a five point scale, the average mean of the responses was 3.91 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.11.

4.2.2 Organizational Structure/ governance

The second objective of the study was to establish the effect of organizational structure/governance on performance of UNAITAS Sacco.

The results are presented in Table 3 below show that 68.9% (11.10%+57.80%) of the respondents agreed that the organization has proper governance structures, 71.1% of the respondents agreed that the organization has an effective board of directors, 80% of the respondents supported that The organization has an appropriate independent directors, 82.2% agreed that the organization has a fully functioning audit committee while 71.1% agreed that the organization has a clear chain of command.

Table 3: Organizational Structure/ governance

| <u>Statement</u> | <u>Strongly disagree</u> | <u>Disagree</u> | <u>Neutral</u> | <u>Agree</u> | <u>Strongly agree</u> | <u>Mean</u> | <u>Std. Dev</u> |
|---|--------------------------|-----------------|----------------|--------------|-----------------------|--------------------|-------------------|
| The organization has proper governance structures | 17.80% | 4.40% | 8.90% | 11.10% | 57.80% | 3.87 | 1.575 |
| The organization has an effective board of directors | 4.40% | 15.60% | 8.90% | 40.00% | 31.10% | 3.78 | 1.185 |
| The organization has an appropriate independent directors | 4.40% | 4.40% | 11.10% | 40.00% | 40.00% | 4.07 | 1.053 |
| The organization has a fully functioning audit committee | 4.40% | 4.40% | 8.90% | 42.20% | 40.00% | 4.09 | 1.041 |
| The organization has a clear chain of command | 11.10% | 4.40% | 13.30% | 42.20% | 28.90% | 3.73 | 1.25 |
| <u>Average</u> | | | | | | <u>3.90</u> | <u>1.2</u> |

Using a five point scale likert mean, the overall mean of the responses was 3.90 which indicates that majority of the respondents agreed to the statement of the questionnaire. Additionally, the standard deviation of 1.2 indicates that the responses were varied. The results herein imply that organizational culture/governance influence the performance of UNAITAS Sacco.

4.2.3 Organizational leadership capacity

The third objective of the study was to determine the effect of organizational leadership capacity on performance of UNAITAS Sacco in Kenya.

Table 4: Organizational leadership capacity

| <u>Statement</u> | <u>disagree</u> | <u>Disagree</u> | <u>Neutral</u> | <u>Agree</u> | <u>Strongly agree</u> | <u>Strongly Mean Dev</u> | <u>Std.</u> |
|--|-----------------|-----------------|----------------|--------------|-----------------------|--------------------------|-------------|
| The organization leadership is transformation The organization employs participative leadership style in | | 6.70% | 17.80% | 4.40% | 31.10% | 40.00% | 3.8 1.325 |

| | | | | | | | |
|---|--------|--------|-------------|-------------|--------|------|-------|
| management | 11.10% | 11.10% | 8.90% | 22.20% | 46.70% | 3.82 | 1.419 |
| The organization employs transactional leadership style in management | 6.70% | 4.40% | 15.60% | 35.60% | 37.80% | 3.93 | 1.156 |
| The organization leadership plays the relevant oversight roles. | 6.70% | 8.90% | 17.80% | 24.40% | 42.20% | 3.87 | 1.254 |
| The organization leadership is familiar with the current business trends. | 11.10% | 4.40% | 8.90% | 33.30% | 42.20% | 3.91 | 1.311 |
| Average | | | 3.87 | 1.29 | | | |

The results are presented in table 4 show 71.1% (31.1%+40%) of the respondents agreed that the organization leadership is transformation. Further results found that the organization employs participative leadership style in management as indicated by 68.9% of the respondents. Results also showed that 73.4% of the respondents agreed that the organization employs transactional leadership style in management In addition, results show that 66.6% of the respondents agreed that the organization leadership plays the relevant oversight roles.

Further, 75.5% of the respondents agreed that the organization leadership is familiar with the current business trends. These results imply that Organizational leadership capacity influence performance of UNAITAS Sacco in Kenya. The average likert scale of the responses is 3.87 which indicates that majority of the respondents agreed to the statements. The standard deviation was 1.29 which indicates that the responses were varied.

4.2.4 Organization rewarding practices

The fourth objective of the study was to establish the effect of organization rewarding practices on performance of UNAITAS Sacco in Kenya. Results in table 5 show that 80% (33.3%+46.7%) of the respondents agreed that the organization have a policy for reviewing salaries for employees , 68.9% of the respondents agreed that the employees are paid commission commensurate to their position and sales targets in employment, 66.7% of the respondents agreed that employees receive financial or non-financial rewards and compensations ,another 66.7 % of the respondents agreed that the employees are given bonus when the company performs well. while 84.4% of the respondents indicated that salary paid to employees is commensurate with skills and job responsibilities. **Table 5: Organization rewarding practices**

| <u>Statement</u> | <u>Strongly disagree</u> | <u>Disagree</u> | <u>Neutral</u> | <u>Agree</u> | <u>Strongly agree</u> | <u>Mean</u> | <u>Std. Dev</u> |
|------------------|--------------------------|-----------------|----------------|--------------|-----------------------|-------------|-----------------|
|------------------|--------------------------|-----------------|----------------|--------------|-----------------------|-------------|-----------------|

| | | | | | | | |
|--|-------|--------|--------|--------|--------|------|-------|
| The organization have a policy for reviewing salaries for employees | 4.40% | 4.40% | 11.10% | 33.30% | 46.70% | 4.13 | 1.079 |
| The employees are paid commission commensurate to their position and sales targets in employment | 4.40% | 8.90% | 17.80% | 42.20% | 26.70% | 3.78 | 1.085 |
| Employees receive financial or non-financial Rewards and compensations | 4.40% | 11.10% | 17.80% | 26.70% | 40.00% | 3.87 | 1.198 |
| The employees are given Bonus when the company performs well. | 8.90% | 11.10% | 13.30% | 31.10% | 35.60% | 3.73 | 1.304 |
| Salary paid to employees is commensurate with skills and job responsibilities. | 0.00% | 0.00% | 15.60% | 44.40% | 40.00% | 4.24 | 0.712 |

Average 3.95 1.07

On an average likert scale the responses had an overall mean of 3.95 which indicated that the respondents agreed to the majority of the questions asked. The standard deviation of 1.07 indicates that the responses were varied. The results imply that organization rewarding practices influence the performance of UNAITAS Sacco in Kenya.

4.3 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.3.1 Correlation Analysis

Table 6 below presents the results of the correlation analysis. The results revealed that organization substructure and performance are positively and significant related ($r=0.440$, $p=0.003$). The table further indicated that organization structure/governance and performance are positively and significantly related ($r=0.568$, $p=0.000$). It was further established that organizational leadership capacity and performance were positively and significantly related ($r=0.375$, $p=0.011$). Similarly, results showed that organizational rewarding practices and performance were positively and significantly related ($r=0.388$, $p=0.008$). This implies that an increase in any unit of the variables leads to an improvement in performance.

Table 6: Correlation Matrix

| | | <u>Mean performance</u> | <u>Mean subculture</u> | <u>Mean structure</u> | <u>Mean leadership</u> | <u>Mean rewarding</u> |
|------------------|---------------------|-------------------------|------------------------|-----------------------|------------------------|-----------------------|
| Mean performance | Pearson Correlation | 1.000 | | | | |
| | Sig. (2-tailed) | | | | | |
| Mean subculture | Pearson Correlation | .440** | 1.000 | | | |
| | Sig. (2-tailed) | 0.003 | | | | |
| Mean structure | Pearson Correlation | .568** | .331* | 1.000 | | |
| | Sig. (2-tailed) | 0.000 | 0.026 | | | |
| Mean leadership | Pearson Correlation | .375* | 0.124 | 0.186 | 1.000 | |
| | Sig. (2-tailed) | 0.011 | 0.416 | 0.221 | | |
| Mean rewarding | Pearson Correlation | .388** | 0.156 | .449** | 0.088 | 1.000 |
| | Sig. (2-tailed) | 0.008 | 0.306 | 0.002 | 0.565 | |

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

* Correlation is significant at the 0.05 level (2-tailed).

4.3.2 Regression Analysis

The results presented in table 7 present the fitness of model used of the regression model in explaining the study phenomena. Organization subculture, organization structure, organization leadership capacity and organization rewarding practices were found to be satisfactory variables in performance. This is supported by coefficient of determination also known as the R square of 48.1%. This means that organization subculture, organization structure, organization leadership capacity and organization rewarding practices explain 48.1% of the variations in the dependent

variable which is performance of UNAITAS Sacco in Kenya. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 7: Model Fitness

| Indicator | Coefficient |
|----------------------------|-------------|
| R | 0.693 |
| R Square | 0.481 |
| Adjusted R Square | 0.429 |
| Std. Error of the Estimate | 0.3767297 |

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 8 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of performance. This was supported by an F statistic of 9.25 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 8: Analysis of Variance

| | <u>Sum of Squares</u> | <u>df</u> | <u>Mean Square</u> | <u>F</u> | <u>Sig.</u> |
|------------|-----------------------|-----------|--------------------|----------|--------------|
| Regression | 5.251 | 4 | 1.313 | 9.25 | 0.000 |
| Residual | 5.677 | 40 | 0.142 | | |
| Total | 10.928 | 44 | | | |

Regression of coefficients results in table 4.9 shows that organization subculture and performance are positively and significant related ($r=0.245$, $p=0.036$). The table further indicates that organization structure and performance are positively and significant related ($r=0.364$, $p=0.011$). It was further established that organization leadership capacity and performance were positively and significantly related ($r=0.234$, $p=0.030$) while organization rewarding practices and performance were also positively and significantly related ($r=0.139$, $p=0.021$).

Table 9: Regression of Coefficients

| Variable | B | Std. Error | t | Sig. |
|-------------------------|-------|------------|-------|--------------|
| (Constant) | 0.242 | 0.629 | 0.385 | 0.702 |
| Organization subculture | 0.245 | 0.112 | 2.176 | 0.036 |

| | | | | |
|---|--------------|--------------|--------------|---------------------|
| Organization structure | 0.364 | 0.137 | 2.663 | 0.011 |
| Organization leadership capacity | 0.234 | 0.104 | 2.246 | 0.030 |
| <u>Organization rewarding practices</u> | <u>0.139</u> | <u>0.109</u> | <u>1.275</u> | <u>0.021</u> |

Thus, the optimal model for the study is;

Performance of UNAITAS Sacco = $1.242 + 0.245 \text{ Organization subculture} + 0.364 \text{ Organization structure} + 0.234 \text{ Organization leadership capacity} + 0.139 \text{ Organization rewarding practices}$.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The first objective of the study was to establish the effect of organization subculture on performance of UNAITAS Sacco. The findings revealed that organization subculture has a positive and significant effect on the performance of UNAITAS Sacco. This is also supported by the statements in the questionnaire which majority of the respondents agreed. These findings agree with that of Pavitt, (2006) who found out that culture may affect performance. Organizational culture can be cited as a key factor contributing to the success of or the failure of organizations. Organizational culture can be defined as a pattern of beliefs, norms or social expectations shared by individuals in organizational systems. These beliefs and expectations, although produced by the interaction between individuals and groups in organizational systems, influence back (through a retroactive feedback loop) the behavior of these same individuals and groups and nothing more than a representation of a socially constructed reality in which individuals and groups know what is important, what is acceptable and how to behave in specific situations. For culture to promote change and increase the capacity of individuals, groups and organizational systems to innovate, it needs to ingrain in individuals the capacity to continually question their assumptions to reflect on the appropriateness of their actions in the light of unfolding events.

The second objective of the study was to establish the effect of organization structure on performance of UNAITAS Sacco. Results reveal that organization structure has a positive and significant relationship on performance of UNAITAS Sacco. This is also supported by majority of the respondents who agreed with most of the statements in the questionnaire. This finding agrees with that of Rick Ledbetter (2003) who conducted a study at Grand Prairie Fire Department Texas on influencing factors and impact of organizational structure identified consistent components underlying organizational restructuring. These common determinants include environment, technology, size, strategy, goals, culture and philosophy. The finding also agrees with that of Anderson and Zbirenko (2014) who undertook a research on the Effect of organizational structure, leadership and communication on efficiency and productivity in a public health-care organization and from their findings, they concluded that structure facilitates processes and to what extent they are performed efficiently.

The third objective of the study was to determine the effect of organization leadership capacity on performance. The regression model indicated that organization leadership capacity has a positive and significant effect on performance. This is also supported by majority of the respondents who agreed with most of the statements in the questionnaire. This finding agrees with that of Pearce and

Robinson (2005) who found out that leadership affect performance. Leadership is widely described as one of the key drivers of effective strategy implementation. However, a lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak, 2005). Leadership is defined as the leader's ability to anticipate, envisions, and maintains flexibility and to empower others to create strategic change as necessary (Hitt, Ireland, & Hoskisson 2007). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today's globalized business environment. Identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization's resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

The forth and the last objective was to establish the effect of organization rewarding practices on performance of UNAITAS Sacco. The regression results revealed that organization rewarding practices has a positive and a significant effect on performance of UNAITAS Sacco. This finding agrees with that of Bartók & Ješka, (2006) who found out that non-involvement of employees and rewards extended to them is a challenge facing performance. One frequent problem is the exclusion of human factors from the process of innovation strategy. Staff who are not involved in the creation of an innovation strategy, they do not get sufficient information about the objectives innovation strategy, are not thoroughly familiar with the intentions of firm's innovation activities, may be in some activities passively. As a useful tool in this analysis can help managers create their own business model of innovation relationship management.

5.2 Conclusions

Based on the findings above the study concluded that Organizational subculture, organizational structure, organizational leadership capacity and organization rewarding practices influence the performance of Saccos The study concluded that organizational culture has an active and direct role in performance. Organizational culture contributes to the positive performance. Organizational structure plays a central role, as it defines how information flows and is aggregated inside organizations, allowing organizations to accomplish goals that would be otherwise unattainable by any of its individual members.

In addition, the study concluded that identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization's resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Further, the study concluded that incentives motivate or guide performance and support the key aspects of the strategy-execution model. Controls, in turn, provide timely and valid feedback about organizational performance so that change and adaptation become a routine part of the implementation effort. Controls allow for the revision of execution-related factors if desired goals are not being met.

5.3 Recommendations

Based on the research findings, the study recommended that the institution should undertake an internal review of the administrative functions that impact the suppression/operations division and identify structure as one the determining factor of performance.

The study also recommended that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes. Strategies are formulated and implemented by managers operating within the current structure.

In addition, the study recommended that the organization need to have effective board of directors and a clear chain of command. Transformational leadership should also be upheld in order to bring positive changes within the organization and thus an improved performance.

5.4 Areas for Further Studies

The study sought to find the effects of on organization subculture, organization structure, organization leadership capacity and organization rewarding practices. This called for the analysis of UNAITAS Sacco only, thus area for further studies could consider public sectors for example state owned corporations for purpose of making a comparison of the findings with those of the current study.

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