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Influence of Adhocracy Culture on Performance of The Listed Banks in Kenya

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ABSTRACT: *The banking industry plays an important role in the development of a country. For sustainable economic growth, a country must have a strong banking sector. However, there have been challenges in robustness of banks' performance as a result of the current operating environment. This has resulted to loss of jobs, locking in of customer's deposits, erosion of shareholder's wealth as well as a slowdown in economic growth of their countries. To enable optimal operation of banks' within the current changing environment, it is prudent for management of the banks' to study their strengths which may be a competitive advantage. Adhocracy culture has been selected for this study as one of the strengths that an organization can utilize to exploit the opportunities in the environment and therefore boost its performance in line with stakeholders' expectations. This study therefore sought to determine the influence of adhocracy culture on performance of the listed banks in Kenya. The study is of great significance to the management of the Banks in that they will know whether adhocracy culture can give them an edge to enhance their performance. The relationship between culture and performance has been studied by previous scholars. From the existing literature, organizational culture has been operationalized in different ways. This study adopted a different paradigm of the Competing Values Framework (CVF). Therefore, the independent variables for the research was one of the CVF culture namely adhocracy culture. On the other side, the dependent variable for the research was the organization performance which was measured in both qualitative and quantitative ways using return on assets, customer experience ratings and staff satisfaction index. Strategic leadership was taken as the moderating variable between the relationship of adhocracy culture and performance. This study adopted a descriptive research design. The population of the study was composed of all the licensed and listed commercial banks in the Nairobi Securities Exchange (NSE).For the study, multi-stage sampling was deployed and convenience and purposive sampling designs were used to come up with a sample of 100 respondents who were interviewed using questionnaires. Secondary data on the financial results was collected using data collection sheets. The data was analyzed for descriptive statistics and inferential statistics. Adhocracy culture emerged as a strong predictor of the banks' performance. Strategic leadership was found not to have a significant moderating effect on the relationship between adhocracy culture and performance. In overall, the study findings concluded that the adhocracy culture variable was statistically significant in explaining the performance in banks. The study recommends that banks should invest more on technology and innovative solutions that provides convenience, accessibility and reliability of banking services as that will give them a competitive edge as banking services shift from brick and mortar to technology based services.*

Key Words: *Organization Culture, Competing Values Framework, Adhocracy cultureand Organizational Performance*

I. INTRODUCTION

Background of the Study

Modern organizations are characterized by high demands in performance owing to a tumultuous business environment defined by globalization, technological changes and competitiveness (Bateman & Snell, 2013). The banking sector is one of the most dynamic sectors which is heavily susceptible to these environmental changes. Among the factors influencing the banking industry are the changes in the macro environment like the dynamic economic conditions, liberalization of the markets as a result of economic integration blocks, regulatory changes like the recent capping of interest rates in Kenya, changes in international reporting standards like IFRS 9 and the entry of new aggressive competitors in the marketplace like the Telcos and Fintechs(Carton, 2013). With this kind of environment, the strategic decision makers in these organizations must get ways of raising the performance in order to satisfy their stakeholders.

The challenges of performance have been witnessed globally like the European banking crisis in the year 2008 which was caused by changes in the economic conditions (Kosmidou & Zopounidis, 2012). The Lehman Brothers is a classic case of a bank that collapsed as a result of poor performance of its mortgage business. This collapse led to a 73% loss in shareholders' value as well as loss of 2,500 jobs out of 15,000 employees. Wells Fargo bank in the US is also another example of a bank that has collapsed recently due to poor performance. The collapse led to loss of 5,300 jobs in one instance (Lehman, 2012).

At the regional level we have African Bank in South Africa that collapsed due to poor performance caused by bad debts as a result of unsecured lending. The collapse led to a drop in the share price of the Bank from R6.86 to R0.31 which is a 95% erosion of shareholders wealth (Matoti, 2014). At the national level (Kenya), the performance of Dubai Bank, Imperial Bank and Chase Bank were below the CBK thresholds as pertains to liquidity ratio, lending practices and insider lending respectively. The insider lending at Chase Bank was estimated Ksh 8 billion out of a total loan book of Ksh 73.6 billion at the time of closure (CBK, 2016). The three banks were put under liquidation due to their performance outside the set thresholds by CBK thereby locking in customer's deposits estimated at Ksh 58billion out of a deposit base of Ksh 94billion in Imperial Bank alone as well as loss of jobs to the staff who were working there (CBK, 2016). The financial performance of the Banks in Kenya has also been put under a lot of pressure from the changes in legislation among them the law seeking to cap the interest rate which has seen Banks reporting a 50% drop in interest income for the third quarter of 2016 (CBK, 2016).

This has seen banks come up with cost cutting measures in a bid to boost performance among them laying-off staff members. Over the fourth quarter of 2016, KCB laid off 500 staff, Equity Bank 400 and Sidian Bank 108 staff. First Community Bank also closed half of its branches to reduce on operating cost(KBA, 2016). The shareholders wealth for the Banks in Kenya was also wiped out significantly as a result of not meeting their performance expectations in the last quarter of 2016 with Banks like KCB and Equity trading at 50% of the value they were trading at the NSE when the year began (NSE, 2016).

Another performance challenge facing the local banking industry is the competition that is coming from non-traditional sources like the Telcos. In Kenya, the popularity of the mobile money transfer platforms like MPESA and Airtel money has hurt the performance of banks. This is because the traditional customers who used to visit the banks for money transfer services no longer have to do it but instead prefer to transact from their phones at the comfort of their premises. The migration of customers from banks to the mobile money transfer platforms has seen the bank's transaction income shrink judging from the amount of revenues that are reported by the mobile money transfer providers. For example; the MPESA revenues were reported to be at Ksh 41.5 billion for the year 2016. Part of this income would have been reported by banks under the money transfer income if the mobile platforms were not there (Safaricom, 2016).

A review of the general banking products reveals that the products are largely the same and are not hard to imitate (Oloo, 2016). The products may therefore not give banks a competitive advantage. To be able to compete in this highly competitive environment, banks have put focus on soft issues like customer service, corporate social responsibility, and diversity in corporate governance as well as focus on the organization culture so as to gain a competitive edge that may not be replicated (Mwangi & Musau, 2015). Focus on organization culture has therefore gained importance in recent years due to the impact that it has on performance of an organization. The right organization culture may foster the performance of an organization through alignment of people with the vision and mission, creating transparency and accountability, acting on insights, having the right conflict resolution mechanism as well as having a common trust in data(Branson, 2014).

II. Statement of the Problem

The banking industry plays an important role in the economy including being an intermediator between the depositors, borrowers and investors. In the banking sector, channeling of the savings into productive activities is crucial for growth of an economy(Allen & Carletti, 2012). However, there have been challenges in robustness of banks' performance as a result of the current operating environment. Emerging evidence shows that competition from non-traditional players like telcos, fintechs and regulatory changes which include the recent interest capping law in Kenya and reporting standard (IFRS 9) have seen most banks report a 50% drop on the interest income (CBK, 2016). Such drops have seen some banks downsize or close thereby shedding off some staff, lock in customers' deposits as well as erosion of shareholders wealth. For instance, closure of the Imperial Bank in Kenya led to locking in of customer's deposits estimated at Ksh 58billion out of total deposits of Ksh 94billion (CBK, 2016). There was also loss of over 1,000 jobs in the entire banking industry in Kenya in the last quarter of 2016 alone (KBA, 2016).

To enable optimal operation of banks' within the current changing environment, it may be prudent for management of the banks' to study their strengths which may be a competitive advantage. Cole (2014) stated that organization culture is one of the strengths that an organization can utilize to exploit the opportunities in the environment. Lawson, Hatch and Desroches (2015) also found that organization culture may give an organization an edge and therefore boost its performance in line with stakeholders' expectations.

The relationship between culture and performance has been studied by previous scholars. More recently, Lee and Yu (2014) presented results to the effect that organization culture could be a predictor for organization's performance (Lee & Yu, 2014). From the existing literature, organizational culture has been operationalized in different ways which include Kofi, Owusu-Ansah (2013) who conceptualized organizational culture using the Denison cultural model of involvement, consistency, adaptability and mission. Another study by Lawson, Hatch and Desroches (2015) conceptualized culture as mission, vision, corporate philosophies and corporate values. It is therefore feasible to consider organizational culture from a different paradigm in view of the Competing Values Framework. The methodology adopted by some scholars also differs from the current study like the one by Kofi and Owusu-Ansah (2013) who used the Denison Organization Culture Survey Instrument (OCSI) which has 60 items on a five point Likert scale whereas this study used the Cameron and Quinn OCAI which has 7 cultural dimensions on the four culture types (28 items). More so, the mentioned studies including that of Han and Verma (2012) were in the context of Western countries.

General Objective

To determine the influence of organization culture on performance in the listed banks in Kenya.

Specific Objectives

1. To examine the influence of adhocracy culture on performance.
2. To determine the moderating effect of strategic leadership on the relationship between adhocracy culture and performance.

III. LITERATURE REVIEW

The Diffusion of Innovations Theory

This theory was popularized by Everett Rogers in 1962. Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread. Diffusion is defined as the process by which an innovation is adopted and gains acceptance by members of a certain community. Diffusion of Innovations theory has relevance in this present age and also for this study and will not likely lose its relevance thousand years to come. This is because new innovations/ideas are daily occurrence and therefore will continually be diffused so that people can adopt them. A number of factors interact to influence the diffusion of an innovation. The four major factors that influence the diffusion process are the innovation itself, how information about the innovation is communicated, time, and the nature of the social system into which the innovation is being introduced (Rogers, 2014).

Innovation in Rogers's terms is an opportunity of a simplified new information expressed in a certain technology. To be innovative is an important characteristic for entrepreneurs and managers, nearly every new product in the market is sold as an innovation. Innovations may therefore lead to an organization performance that meets stakeholder's expectations. Diffusion is a process that occurs over time and can be seen as having five distinct stages. The stages in the process are knowledge, persuasion, decision, implementation, and confirmation. According to this theory, potential adopters of an innovation must learn about the innovation, be persuaded as to the merits of the innovation, decide to adopt, implement the innovation, and confirm (reaffirm or reject) the decision to adopt the innovation (Lehmann, 2013).

The adopters of the innovation can be classified into five categories depending on the time they adopt the innovation. The innovators are the risk takers and pioneers who adopt an innovation very early in the diffusion process and they form 2.5% of the adopters. This is followed by early adopters who form 13.5% followed by early majority who form 34%. The late majority and the laggards are extreme end who resist adopting an innovation until rather late in the diffusion process forms 34% and 16% respectively(Rogers, 2014).

The theory however has a linear assumption and source dominated because it sees communication process from the point of view of elite who has decided to diffuse information or an innovation. It underestimates the power of media which creates awareness of the new innovations. It assigns a very central role to different types of people critical to the diffusion process. The theory simply says that the media influence innovators or early adopters who influence opinion leaders who in turn influence everyone else. Diffusion of Innovation theory ignores other communication channels and therefore has given too much power to opinion leaders and change agents and believes that they are responsible for the adoption of late majority, late adopters, and laggards. The theory also ignores the importance of incentives as a necessary pre-condition for the diffusion of any innovation to proceed (Mahajan, 2014).

For the current study adhocracy culture has been chosen as the first variable, and linking to this theory, the indicators of adhocracy culture were found to be innovations (creative environment) and technology change and adoption. This can be equated to innovators/risk takers individuals or organizations as advocated in this theory.

The Competing Values Framework Model

The Competing Values Framework model was initially developed from research conducted by University of Michigan faculty members led by Kim Cameron on the major indicators of organizational performance. It has been found to be an extremely useful model for organizing and understanding a wide variety of organizational and individual phenomena, including theories of organizational effectiveness, leadership competencies, organizational culture, organizational design, stages of life cycle development, organizational quality, leadership roles, financial strategy, information processing, and brain functioning. The robustness of the framework is one of its greatest strengths. In fact, the framework has been identified as one of the 40 most important frameworks in the history of business (Cameron & Quinn, 2012).

Approximately 20 years ago, the framework emerged from research on the criteria that predict if an organization performs effectively. Those investigations were followed by studies of organizational culture, leadership roles, management skills, and information processing styles. From these empirical studies, two major dimensions consistently emerged. One dimension differentiates an emphasis on flexibility, discretion, and dynamism from an emphasis on stability, order, and control. For example, some organizations are viewed as performing effectively if they are changing, adaptable, and transformational. Other organizations are viewed as performing effectively if they are stable, predictable, and consistent. The second dimension differentiates an internal orientation with a focus on integration, collaboration, and unity from an external orientation with a focus on differentiation, competition, and rivalry. For example, some organizations are viewed to be performing effectively if they have harmonious internal relationships and processes. Others are judged to be performing effectively if they successfully compete against others and establish a market niche (Lee & Yu, 2014).

Together these dimensions form four quadrants, each representing a distinct set of organizational factors. They identify, for example, the criteria of performance success that must be pursued by organizations, the leadership and managerial competencies that are most effective, the underlying culture of organizations, and so on. What is notable about these four core values is that they represent opposite or competing assumptions. Each dimension highlights a core value that is opposite from the value on the other end of the continuum-i.e.

flexibility versus stability, internal versus external. The dimensions, therefore, produce quadrants that are also contradictory or competing on the diagonal. The upper left quadrant identifies values that emphasize an internal, organic focus, whereas the lower right quadrant identifies values that emphasize external, control focus. Similarly, the upper right quadrant identifies values that emphasize external, organic focus whereas the lower left quadrant emphasizes internal, control values. These competing or opposite values in each quadrant give rise the name for the model (Competing Values Framework) and results to four cultures; Market, Adhocracy, Clan and Hierarchy cultures (Cameron & Quinn, 2012).

Competing Values Framework model was taken for this research based on the following factors. The model has a proven link to organizational performance in that it provides organizations with an easy to interpret, business-friendly approach to performance improvement that is based on sound research principles. The Competing Values Framework model links organizational culture to organizational performance metrics such as sales growth, return on equity (ROE), return on investment (ROI), customer satisfaction, innovation, employee satisfaction, quality and more. The model has also been deployed successfully in over 5,000 organizations around the world in a wide variety of situations from culture change, transformation, turnaround, new leader transitions to mergers and acquisitions. The model has been tested and has proven reliability and validity based on over 25 years of research. It is also applicable to a broad spectrum of organizations in a variety of industries globally and provides results compared to a normative benchmarking database. The model also ties survey results to bottom line performance metrics through statistical analysis (Cameron & Quinn, 2012).

Organization Culture

The culture of an organization can be defined as the embodiment of its collective systems, beliefs, norms, ideologies, myths and rituals (Denison, 2012). The collective system can motivate people and can become valuable source of efficiency and effectiveness. A clear distinction can however, be made between those who think of culture as a metaphor which allows for the understanding of organizations in terms of other complex entities such as the machine and the organism and those who think of culture as an objective entity with personality. While there is no consensus on the components of organizational culture, most authors agree that it is: holistic, inter-subjective and emotional, rather than strictly rational. Hofstede (2012) states that it is historically determined and needs to be taught to new members as the ‘correct way’ to perceive things; a collective phenomenon, socially constructed and shared by members of groups (Hofstede, 2012). Kotter (2012) asserts that culture is primarily ideational in character, having to do with meanings, understandings, beliefs, knowledge and other intangibles which govern people’s lives and behavior patterns (Kotter, 2012).

Organization culture can also be defined as the pattern of shared values and beliefs that help individuals to understand organizational functioning and thus provide norms for behavior in the organization. Culture provides meaning to the members of the organization and outlasts organizational products, services, founders and leadership and all other physical attributes of the organization. Organization culture can also be looked at as the underlying values and attitudes which affect the way in which things are done (Schein, 2012). Organization culture is also as a system of shared activities, values and beliefs developed by the members of an organization, which guides the interaction between the members of the organization. Each individual has his or her own unique characteristics and styles of handling business. Different companies have their own unique cultures as well, which shape their operations (Denison, 2012).

Market culture from the CVF model focuses more on tasks. In this culture, there is work program that is competitive with high targets and always managed to achieve the job perfectly. In market culture, the organization gains effectiveness through aggressively competing and being customer focused which results to creating value in market share, goal achievement and profitability. Gaining market share and profitability reflects an organizations performance. Organizations that have this type of culture are market led and are known to set ‘big hairy and audacious goals’ (BHAG targets) and focus more on the hard deliverables from the employees. The performance in these organizations is closely monitored. The organizations go to the market with force to compete with the other competitors and heavy marketing is witnessed in these organizations. Companies like Coca-Cola are known to adopt this type of culture in that they invest heavily on research and development as well as advertising. This kind of culture may therefore influence the performance of an organization (Child, 2014).

Clan culture also from the CVF model is relationship and family-oriented. There is sharing in this culture, people-oriented development and decision making that involves everyone. In a culture where people are being developed either through trainings, mentorship or coaching, the performance of the organization is likely to be

influenced positively. An organization that has a culture that values staff, empathizes with their situations, motivates the staff, focuses on their welfare is also likely to perform better than the one that doesn't value staff (Brenner, 2016).

The third culture from CVF model is adhocracy culture which is entrepreneurial-oriented. In this culture, people dare to take risks in implementing decisions and actions that are creative and innovative. In adhocracy culture, organization effectiveness is based on innovativeness, vision and new resources which leads to innovative outputs, transformation and agility which translates to the performance of the organization. This kind of culture leads to innovative products, innovative way of doing things and discovery of new markets in an organization. Innovative ideas and products may lead to a company gaining an edge over its competitor's thereby recording better performance than them. On the other hand, innovations are quite costly and may burst on an organization especially if not taken well by the customers thereby making an organization to perform below the expectations of the various stakeholders (Tharp, 2014).

The last culture from the CVF model is hierarchy culture which is rule-bound. In this culture, each program is done with the principle of efficiency in accordance with strict control procedures. Organizations that have this type of culture focus more on efficiency which if it works leads to cost reduction. The organizations also focus a lot on following the laid down procedures for operation thereby ensuring that they do their operations within the confines of policies and procedures. Complying with policies and procedures may save the company un-necessary costs in terms of non-compliance penalties that they may get from regulators. Following the policies and procedures also ensures that the goods and services produced are of the right quality which could translate into higher sales. Cost reduction and higher sales are factors of performance and hence this type of culture may influence performance of an organization (Cameron & Quinn, 2012).

Strategic Leadership

Strategic leadership refers to a manager's potential to express a strategic vision for the organization and to motivate and persuade others to acquire that vision. The main objective of strategic leadership is to achieve strategic productivity. Another aim of strategic leadership is to develop an environment in which employees forecast the organization's needs in context of their own job. Strategic leaders encourage the employees in an organization to follow their own ideas. Strategic leaders make greater use of reward and incentive system for encouraging productive and quality employees to show much better performance for their organization.

Strategic leaders have the six essential skills of abilities to anticipate, challenge, interpret, decide, align, and learn which when mastered and used in concert, allow leaders to think strategically and navigate the unknown effectively. A strategic leader therefore is someone who is both resolute and flexible, persistent in the face of setbacks but also able to react strategically to environmental shifts and has learned to apply all the six skills at once. The questions to be asked to determine if one is a strategic leader are; do you have the right networks to help you see opportunities before competitors do, are you comfortable challenging your own and others' assumptions, can you get a diverse group to buy in to a common vision and do you learn from mistakes (Schoemaker, Krupp, & Howland, 2013).

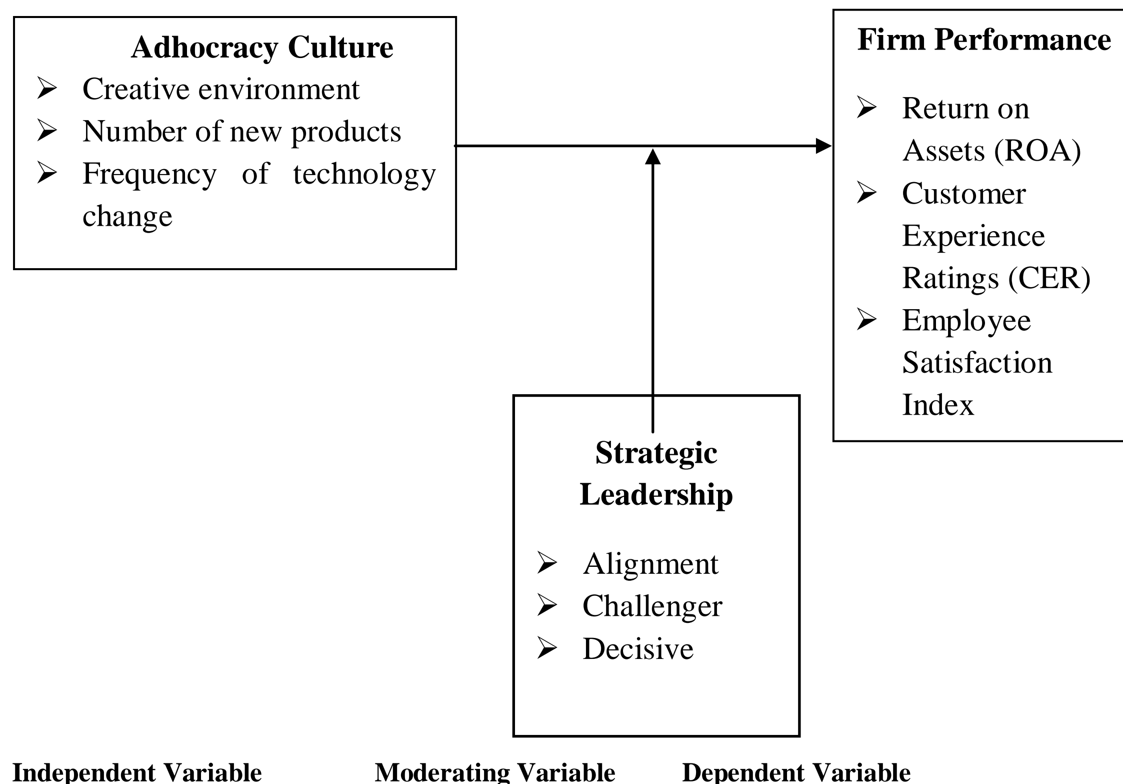
On the ability to challenge, strategic leaders question the status quo. They challenge their own and others' assumptions and encourage divergent points of view. Only after careful reflection and examination of a problem through many lenses do they take decisive action. This requires patience, courage, and an open mind. To improve on the ability to challenge, leaders need to create a rotating position for the express purpose of questioning the status quo. Capture input from people not directly affected by a decision who may have a good perspective on the repercussions (Keyworth, 2014).

On the ability to decide, strategic leaders insist on multiple options at the outset and don't get prematurely locked into simplistic go/no-go choices. They don't shoot from the hip but follow a disciplined process that balances rigor with speed, considers the trade-offs involved, and takes both short- and long-term goals into account. In the end, strategic leaders must have the courage of their convictions informed by a robust decision process. On the ability to align, strategic leaders must be experts at finding common ground and achieving buy-in among stakeholders who have disparate views and agendas. This requires active outreach as success depends on proactive communication, trust building, and frequent engagement. To improve on the ability to align, leaders are encouraged to communicate early and often to combat the complaints in their organizations (Malby, 2014).

Organization Performance

Organization performance can be looked at from a quantitative and qualitative perspective. The quantitative aspect is more from the financial indices like the overall profitability of a company, return on investment, the turnover growth rate, Cost to income ratio, market growth rate etc. The qualitative aspect is more on soft parameters like employee morale, employee turnover, employee's satisfaction, customer service levels etc. (Lee & Yu, 2014). In previous researches on organizational performance, the following indices have been applied: share price, profit, sales volume, customers' satisfaction, productivity and quality of products. This paper adopted a mix of the two aspects and took return on assets, return on capital, customer experience ratings and staff satisfaction index as the indicators of organization performance.

Conceptual Framework



Independent Variable **Moderating Variable** **Dependent Variable**

Figure 1: Conceptual Framework

IV. RESEARCH METHODOLOGY

Research Design

This study employed a descriptive research design. A descriptive study describes or defines a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Nachmias & Nachmias, 2013). The descriptive design was chosen since the research was a case study on Kenyan banks. Descriptive research design was also used since it allowed gathering of information, summarizing, presentation and interpretation of data for purpose of clarification.

Population of the Study

The population of this study comprised of the commercial banks licensed by CBK as at June 2016 and listed at the NSE. The choice of the listed banks was done on the basis of the strict regulation that these banks face from

both CBK and CMA as their regulators. CBK as the regulator is the one in charge of setting the operating and reporting standards of the commercial banks and therefore their data was deemed to be the most authoritative for the research (CBK, 2016). CMA as the regulator for the listed firms sets the standards for the disclosures that the firms should publish on a quarterly basis on their audited reports thereby giving credibility to their data (Oloo, 2016).

Sampling Frame

The sampling frame for this study was made up of all the registered commercial banks by CBK which had were listed by NSE as at June 2016. In this sampling frame, the sampling unit is the bank.

Sample and Sampling Techniques

For the study, multi-stage sampling was used. In stage one of the sampling process, all the listed banks within Nairobi County were considered using convenience sampling. In stage two, purposive sampling was used to select ten branches from each of the listed banks within Nairobi County. This was to enable the researcher cover the entire Nairobi County (The purpose of this sampling strategy at this stage was geographical coverage of the banks). Finally, the branch manager of each selected bank, was interviewed. Notably, the sampling process was non-scientific and accordingly, there was no need for a scientific sample size determination strategy.

Data collection Instruments

The major consideration that guides the researcher to pick any tool is the validity and reliability of the tool chosen (Chattinnawat, 2013). This study used a questionnaire to collect the primary data due to the large number of respondents. The information required also was calling for respondents to take their time in answering the questions which would not have been possible in a one on one interview. The questionnaire was therefore chosen since it would allow the respondents ample time to fill it. The respondents were allowed three weeks of being with the questionnaire. Data sheets were used to collect secondary data from published financial results largely for use in computing financial performance of banks under study.

Data Analysis and Presentation

The qualitative data from this study were analyzed through content analysis whereas the quantitative data were analyzed using descriptive statistics and inferential statistics. Multiple regression analysis was done to establish if there were any relationships between the independent and dependent variables. This was done because through regression, one is able to show whether there is a positive or a negative relationship between independent and dependent variables. In addition regression shows whether the identified relationship is significant or not. Correlation analysis was used to measure the degree of association between variables under consideration that is, the independent and dependent variable. The regression model to explain the performance of the banks from adhocracy culture took the form:

$$O_P = \beta_0 + \beta_1 X + \varepsilon$$

Where;
O_P represents the organization performance (dependent variable)
β_0 represents the constant (intercept). This intercept represents the level of performance that may be adopted in the event that there is no response or no data on adhocracy culture. In other words, it provides the baseline information for this model.
β_1 represents regression coefficient for adhocracy culture variable. In particular, these coefficients explains the manner in which the explanatory variable relate with the dependent variable (organization performance). For instance if β_1 is positive, then an increase in adhocracy culture would lead to a boost in organizational performance.
X represents the independent variable Adhocracy Culture
ε represents Error Term, here assumed to be normally distributed with a zero mean and some constant variation. This error term is accordingly ignored in this study.

To test the moderating effect of strategic leadership on the relationship between adhocracy culture and performance, the study used the standard method of determining whether a moderating effect exists, which entails the addition of an (linear) interaction term in a multiple regression model. A moderated multiple regression (MMR) was done resulting to the model below;

$$O_P = \beta_0 + \beta_1 X + \beta_2 M + \beta_3 XM + \varepsilon$$

Where;
O_P represents the organization performance (dependent variable)
β_0 represents the constant (intercept). This intercept represents the level of performance that may be adopted in the event that there is no response or no data on adhocracy culture.
β_1 and β_2 represents regression coefficient of the two variables (adhocracy culture and strategic leadership). In particular, these coefficients explains the manner in which the explanatory variables relate with the dependent variable (organization performance). β_3 represents regression coefficient that measures the interaction effect between the independent variable X(adhocracy culture) and the moderating variable M.
Xrepresents the independent variable Adhocracy Culture.
Mrepresents Strategic Leadership Alignment
XM represents the interaction term between the independent variable Xand the moderatingvariable M.
Data was presented using summary statistics, tables and figures. Summary statistics gave percentages and averages. Regression analysis using SPSS version 22 gave output in tables like the coefficient of determination, ANOVA, residual statistics and other inferential statistics.

V. RESEARCH FINDINGS AND DISCUSSIONS

Out of the 100 questionnaires administered, 73 were filled and returned which represented a 73% response rate. For this study, the Cronbach Alpha was (0.879) against the recommended benchmark of 0.70 meaning the study tool was reliable. The KMO statistic which was used to measure sampling adequacy was 0.623 against the critical level of significance of the test which was set at 0.5 meaning that the data collected was adequate and appropriate for inferential statistical tests.

The first objective of the study was to examine the influence of adhocracy culture on organization performance. The indicators for adhocracy culture were, presence of creative environment in the banks, number of new products developed and frequency of technology changes. Respondents were asked questions in regard to the three indicators of adhocracy culture as listed and the study findings are discussed below.

Creative Environment and Performance
When respondents were asked to indicate whether the banks encourage them to be creative " majority (65%) agreed, while (35%) strongly agreed. The analysis from the responses received indicated that all the respondents agreed that fostering a creative environment in the banks resulted to better performance. The respondents indicated that banks encourage creativity and innovation through recognition by role promotions, sponsored trainings, recognition letters, job rotations, ESOP and through bonus schemes. Banks were also encouraging creativity by forming product development teams, having interbranch competitions, having task forces for innovation and having project management office (PMO) departments. A summary of these is indicated in Table 1.

Table 1: Creative Environment and Performance

Scale	Frequency	Percent
Agree	47	65
Strongly Agree	26	35
Total	**73**	**100.0**
Mean		**4.35**

It was observed by some respondents that creativity has been embedded in the core values of some banks thereby indicating a high level of recognition on the role it plays in those banks. Creativity was observed to have resulted to creative solutions to clients thereby bettering the performance of the banks. Some respondents indicated that managers who were allowed creative solutions and decisions in their branches reported better performance that the ones who didn't embrace creativity. They also indicated that staff who are in a creative environment comes up with creative ways of working which makes them achieve the results faster thereby improving on the performance. From one Bank, the respondent reported that as a result of creativity and

innovations in that bank, the market capitalization at the (Nairobi Securities Exchange) NSE for that bank was higher than that of the peer banks.

These findings are further supported by the report of Marshall (2014). The study found out that creativity and innovativeness was required by banks as processing of payment transactions for both corporate and retail customers had increasingly become electronic over the past several years, reducing margins while increasing operational and fraud risk. At the same time, new competitors like the Fintechs were looking to disrupt the status quo. For defensive reasons, if not in search of new markets, more banks were likely to be innovative and invest in emerging electronic payment platforms such as person-to-person payments, supply chain finance and mobile point-of-sale payment technologies. The study further stated that mobile payments had the potential to disrupt the traditional card issuers, payment networks and merchant acquirers that has long been dominated by the banks. With mobile payments potentially on the rise, banks may need to forge partnerships with a new kind of third party, quite different from the traditional outsourcers with whom they have become used to dealing (Marshall, 2014).

These findings also agrees with Quinn, DeGraff, Thakor and Cameron (2014) whose study argued that the organizations where leaders and staff emerge as an innovators, entrepreneurs and visionary, then there is innovative outputs, transformation and agility in those organizations. These types of organizations anticipate customer's needs, do continuous improvement and find creative solutions to their customers thereby improving on their performance (Quinn, DeGraff, Thakor, & Cameron, 2014).

The findings are also in harmony with Paulus and Nijstad (2013) whose study found out that creativity often leads to the development of original ideas that are useful or influential, and that maintaining creativity is crucial for the continued development of organizations in particular and society in general (Paulus & Nijstad, 2013). The mean for this variable was 4.35 reflecting the respondents' strong agreement that creative environment in an organization boosts performance. All these findings may imply that having a conducive environment for creativity and innovation can lead to creative and unique products and services that can create an edge for an organization over their competitors thereby leading to better performance.

New Products and Performance

Respondents of the study were asked to indicate whether new products released by the banks had enhanced organizational performance; (42%) of respondents strongly agreed, (31%) agreed, (15%) remained neutral, while (12%) disagreed. The respondents who agreed and strongly agreed that new products resulted to better performance for the banks were 73%. A summary of these is indicated in Table 2.

Table 2: New Products and Performance

Scale	Frequency	Percent
Disagree	9	12
Neutral	11	15
Agree	23	31
Strongly Agree	30	42
Total	**73**	**100.0**
Mean		**4.03**

Examples of the new products that the banks released in the last five years were given and they were categorized into the four categories below. Category one had the Mobile Banking Products, Mobile Banking Apps,Internet Bankingand the general banking products. The respondents noted that products like KCB Mpesa resulted to over I billion loan volume within one year of launch and MyKash product also from KCB contributed to 15% of the revenue for 2016. Other respondents noted that Eazzy loans product from Equity Bank handled 70% or an equivalent of Ksh 52.7B of all loans processed in the bank in the year 2016. A respondent also noted growth in

transactions was increasing exponentially with transactions jumping from 1.7M to 6.3m within a period of 6 months for the Bankika product from KCB bank. Internet Banking from NIC handled an average of 69,000 transactions per month as observed by a respondent from that bank. Also, the self-service products were noted to have increased commission income in Stanchart bank from 30% to 43%.

These findings are supported by the investors financial performance brief obtained from Equity Bank for the period ending June 2017. From the brief, it was noted that the new product (Equitel) market share stood at 23% of all the mobile money transactions processed in Kenya as at June 2017 as per the data from the communication Authority of Kenya (CAK). The absolute value for the transactions processed was Ksh 272 billion emerging second to Safaricom which had transactions value of 891 billion. The report also noted that the new product had also significantly reduced the operational cost of the bank by 10% (Munga, 2017).

These observations are further corroborated by the findings of Matoti (2014) from her study on South African Banks Performance. It was noted that there were a number of new product offerings in the banks that made them more competitive that their peers in the industry. The study especially noted that the smaller banks had new products which targeted the low-income and the previously unbanked market making them competitive in that market with Capitec Bank being cited as an example (Matoti, 2014).

Cooper, Easingwood and Edgett (2014) study agrees that new products have a role to play on the performance of an organization. The study also observed that despite previous comparisons of success and unsuccessful new products, an important question on what separates very successful new service products from the ordinary remained unaddressed (Cooper, Easingwood, & Edgett, 2014).

The mean for this variable was 4.03 reflecting the respondents' agreement that new products in an organization boosts performance. From all these findings, it appears that releasing new products in line with the changes in the market enhances an organizations performance. This is also in line with the fact that products have a lifecycle and when the get to the maturity stage, they may not generate as much revenues as they used to generate. An organization may therefore need to keep on re-inventing the products so as to keep on generating the required revenue levels.

Technology Change and Performance

Respondents of the study were asked to indicate whether technological upgrades by the banks had influence on performance. Majority (52%) of respondents strongly agreed that new technology had enabled banks to perform better, (40%) agreed, while (8%) remained neutral. From analysis, most of the respondents (92%) agreed or strongly agreed that technological advancement and upgrades influenced the performance of the banks in a positive way. A summary of these is indicated in Table 3.

Table 3: Technology Change and Performance

Scale	Frequency	Percent
Neutral	6	8
Agree	29	40
Strongly Agree	38	52
Total	**73**	**100.0**
Mean		**4.44**

The respondents gave the technological changes that had happened in the banks for the 5 year period covered by this research. The technologies were analyzed and grouped into the classes below; Core Banking Systems: respondents said that their banks had upgraded their core banking systems and gave out the examples of T24, Finacle, Bank Master, Flexcube and Sybrin as the upgraded core banking systems. Some respondents indicated that adoption of latest core banking systems have minimized income leakage due to the automated income collection. This has led to the integrity of revenue collection. The core banking systems have also improved the

turnaround time for various service requests thereby leading to increased customer satisfaction which has improved the bottom-line for the banks. For example; the average turnaround time for a cash withdrawal at KCB bank was put at 2 minutes by one respondent meaning that bank could serve more customers thereby resulting to more income from the tellers.

Staff Management Systems: Respondents indicated that their banks had acquired staff management systems within the period with examples of the ERP and Helpdesk systems given as examples. Majority of the respondents indicated that their banks had adopted ERP systems to manage the staff issues. Staff management costs were hence significantly reduced when technologies like ERP were used to manage staff issues as opposed to the manual ways that were there before. The staff management costs were reduced by an average of 40% as a result of ERP usage at Cooperative Bank of Kenya as indicated by a respondent from that bank.

Respondents also pointed out to the acquisition of Card Management Systems that could support the EMV cards technology with examples of Way4 and R14 systems given as examples. Most of these respondents who agreed indicated that through the use of cards acceptance through POS-Swipe (acquiring) technology, banks have been able to generate commissions throughout even when they are closed during non-working hours weekends and holidays. It was noted by some respondents that Equity Bank controlled 45% of all the merchants' turnovers in the market in Kenya. The other banks noted to have adopted this technology were KCB, Barclays and to a lesser extent the Cooperative Bank of Kenya. The average commissions earned from that technology was an average of 2%.

Customer Management Platforms identified by the respondents were CRM systems, ECRM, 24 hrs Contact Centres, ORS, Experian System for credit scoring customers and DMS (Data Management System). Mobile Banking Platforms identified by the respondents were MVisa and MasterPass systems. Telephony and Communication platforms that the respondents identified were the Intranet, AVAYAs, SISCOs, Websites and Social media platforms (Twitter handle, FB page). Some respondents felt that the cost for Internal and External calls had been significantly reduced by use of SISCO and AVAYA technology (Internet Phones) as opposed to the Telecom fixed lines that were being used before. For example, telephone costs were reduced by an average of 50% as a result of SISCO technology adoption in Barclays Bank.

Finally, Agency banking technology was observed by many respondents to have contributed significantly to the bank's commission income as a result of rise in number of transactions. For example, it was observed by a respondent that in KCB and Equity Bank the agency revenue contributed 20% of all the commission income and 35% respectively. The study findings are corroborated by the findings of Eckenrode (2013) whose study stated as follows; 'We have seen a number of initiatives developing among banks, mobile network operators, technology firms, and even emerging innovators. Banks may consider an increase in the level of investment in mobile payments. This underscores the need for industrialization discussed above, as the foundation for delivery transformation is found in the important effort to rationalize and streamline banks' overall technology infrastructure to better support the kinds of front-office digital services that their customers are demanding from them' (Eckenrode, 2013).

The findings are further supported by Larson (2013) whose report stated that; 'Technology-based strategies are gaining favor not only to improve margins, but also to improve overall performance. For example, analytic and workflow technologies are being applied in commercial and mortgage lending operations to reduce manual handling, and case management tools to allow client-service staff to more efficiently serve a larger number of inquiries. And so in the long-term, bank executives should consider how their IT strategy enables or obstructs the enterprise's strategic vision, how much they are willing to spend, how important it is to get to their vision and how will they go about doing that. Cloud computing is increasingly becoming accepted as a platform for delivery of services within the banking industry. As senior bank technology leaders consider their platforms within the context of business strategy, they will likely make decisions regarding those solutions that are specific differentiators for their business and retain those in-house'(Larson, 2013).

The findings are also in line with Shepherd and Ahmed (2012) study which found out that; organizations have traditionally employed new product development frameworks to increase their effectiveness.These strategies have worked in the past but are increasingly being challenged by developments in the marketplace and technologies. This has led firms in some sectors to move to a new paradigm of competitiveness, namely solutions innovation. Intervention in current technological paths challenges what "exists as the best". The questioning process challenges the paradigms in use. The study concluded that technological superiority is the fundamental basis for robust firm performance and economic prosperity (Shepherd & Ahmed, 2012).

The mean for this variable was 4.44 reflecting the respondents' strong agreement that new technologies in organizations influences the performance positively. All these findings may suggest that adoption of technological solutions and constant update of the technologies in line with the changes in the environment leads to better performance in organizations. This is in line with the observation of the respondents where technology was noted to have assisted the banks to record increased revenues as well as cut down on costs.

Further data analysis indicated that adhocracy culture positively influences performance among banks listed at the NSE as shown by the positive unstandardized beta coefficients of 0.142 in Table 4. The regression analysis also showed that adhocracy culture had a positive and significant influence on performance as shown by a p value of 0.003 ($p < 0.05$) at 95% level of confidence. The Pearson coefficient of correlation (R) also indicated a strong positive relationship of 0.379 between adhocracy culture and performance. Through R, it was evident that increase in adhocracy culture leads to an increase in performance. The model to predict the performance of the banks using adhocracy culture was found out to be;

$OP = 3.224 + 0.142\ AC$ as per the coefficients in Table 4.

Table 4: Coefficient Summary

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.224	.234		13.781	.000
	Adhocracy	.142	.046	.336	3.068	.003

Dependent Variable: Performance

These results are corroborated by the findings of Tharp (2014) who expressed that there was a correlation between adhocracy culture and performance. Tharp (2014) did his study on Google Inc. as an example of a company that uses adhocracy culture. The study found out a lot of creativity and innovation in that company. The study indicated that Google Inc. develops innovative web tools taking advantage of entrepreneurial software engineers and cutting-edge processes and technologies. Their ability to quickly develop new services and capture market share made them leaders in the marketplace and forced less nimble competition to play catch-up (Tharp, 2014). The findings are also supported by Oloo (2016) who conducted a research on the impact of the innovative products that Safaricom had come up with. The study found out that the MPESA product was able to generate revenues of Ksh 41.5 billion for the year 2016 which is a strong indicator of how adhocracy culture influences the organization performance (Safaricom, 2016).

Strategic Leadership (Alignment) effect on the relationship between Adhocracy Culture and Organization Performance

The findings of the "R Square Change" from the model summary Table 5 shows the increase in variation explained by the addition of the interaction term (i.e., the change in R2) of 1.1%. The statistical significance p-value of 0.309 is greater than the 0.05 significance level for this test. From the results, the increase in variation is therefore not statistically significant ($p > .05$).

Table 5: Model Summary for Adhocracy Culture Interaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.527[a]	.277	.257	.43595	.277	13.429	2	70	.000

2	.537[b]	.288	.257	.43579	.011	1.051	1	69	.309

a. Predictors: (Constant), SLA, AC

b. Predictors: (Constant), SLA, AC, AC.SLA

c. Dependent Variable: OP

The model to predict the effect of strategic leadership on the relationship between adhocracy culture and the banks' performance took the form;

OP = 2.168 + 0.183AC + 0.485SLA – 0.042 AC.SLA as per the coefficients in Table 6.

Table 6: Coefficients for Moderator Interaction with Adhocracy Culture

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.466	.332		7.433	.000
	AC	.012	.028	.046	.429	.669
	SLA	.408	.086	.510	4.767	.000
2	(Constant)	2.168	.441		4.914	.000
	AC	.183	.169	.698	1.082	.283
	SLA	.485	.114	.607	4.256	.000
	AC.SLA	-.042	.041	-.696	-1.025	.309

VI. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

For the first objective of the study, the following were the indicators that were used; presence of a creative environment, number of new products and frequency of technology change. From the descriptive data analysis, the study findings on the sub-variable of creative environment implied the respondents' strong agreement that creative environment in an organization may boost performance. This was indicated by a mean of 4.35 for on the relationship between creative environment and performance. The mean for the relationship between new products and performance was 4.03 reflecting the respondents' agreement that new products in an organization may boost performance. From the findings, it may appear that releasing new products in line with the changes in the market enhances an organizations performance. The mean for the relationship between technological change and performance was 4.44 reflecting the respondents' strong agreement that new technologies in organizations may influence the performance positively. The findings implied that adoption of technological solutions and constant update of the technologies in line with the changes in the environment may lead to better performance in organizations.

The inferential data analysis on this objective indicated that adhocracy culture influences performance in a positive way as supported by a strong and significant relationship from Pearson's coefficient analysis. The relationship of adhocracy culture and performance had an r-value of (0.379) and a p-value of 0.005 ($p < 0.05$) reflecting a positive and significant relationship thereby leading to the conclusion that adhocracy culture influences the performance of the banks positively. On the second objective of determining the moderation effect of strategic leadership on the relationship between adhocracy culture and organization performance, the conclusion was that strategic leadership does not moderate that relationship because the moderation effect was not statistically significant.

Recommendations

Since this study established a significant, positive relationship between adhocracy culture and organizational performance, it is recommended that the banks management should invest more resources in upgrading their technologies and coming up with innovative solutions to their customers. The traditional customer of the bank who used to visit the branch (brick & mortar) has evolved into a digital customer whose needs have shifted into convenience, accessibility and reliability. The bank management should therefore strive to serve these customers by providing a freedom, choice and control to the customers so that they can have the freedom of how to do their banking (channel to use) chose what product they want and have control of their time (banking availability 24 hours in day and 7 days in a week).

The technology was also noted to provide a lot of operational efficiency to the banks. The study therefore recommends adoption of the agency banking model to the banks that haven't adopted it as it moves the customers away from the banking halls which saves on rent and staff costs. The study also recommends the adoption of mobile banking to all the banks that haven't adopted the technology as that was found out to be the future of banking. One of the respondents said that 'while banking services will be required in future, banks may not be required'. This is because the customer has moved on to the channels like mobile and online banking which provides all the banking services and hence eliminates the need to visit a physical branch.

The study also recommends that further research be conducted on the other cultures (market, hierarchy and clan cultures) to determine their influence on organization performance.

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