

**ANALYSING THE ORGANIZATIONAL CULTURE ON PERFORMANCE OF SMALL  
AND MEDIUM ENTERPRISES IN KISUMU COUNTY, KENYA.**

**BY**

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**SCHOOL OF BUSINESS & ECONOMICS**

**MASENO UNIVERSITY**

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**DECLARATION**

I attest that the project I have submitted is entirely my original work and hasn't already been submitted to another university for a Master of Business Administration degree.

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## **ACKNOWLEDGEMENT**

I owe a debt of gratitude to my mentors, Dr. Beatrice, for the significant time, guidance, advice, and support as I was completing this project. I want to thank my mother Caren Akeyo and my brother Eric Ouso for their honorable encouragement and support throughout the process.

## **DEDICATION**

This research project is dedicated to my family members and professional colleagues.

## ABSTRACT

Small and medium-sized enterprises (SMEs), which make up 95% of firms and employ 60% of the labor force, are crucial to the Asia-Pacific region, according to the 1989 founding of the Asia-Pacific Economic Cooperation (APEC). Since SMEs account for 90% of all enterprises globally—in both developed and developing countries—they are a major contributor to the expansion of the global economy. SME presence is noteworthy in Kenya, where they account for 98% of all enterprises, according to the Central Bank of Kenya (CBK)'s 2017 National Economic Survey. These businesses generate up to 3% of the country's GDP and 30% of all yearly job possibilities. SMEs play a significant role in Kisumu County, contributing more than 60% of the county's GDP and 70% of jobs. Nevertheless, a 2020 assessment from the Kenya National Bureau of Statistics (KNBS) indicates that three out of every five Kenyan enterprises are at risk of failing within the next four to five years, notwithstanding their economic significance. Remarkably, there is still little study on the relationship between organizational culture and SME performance, especially when it comes to SMEs in Kisumu County. Previous studies have primarily focused on aspects like strategic leadership, resource allocation, and organizational structures, with minimal consideration for factors such as clan culture, market culture, and gender dynamics within the context of SMEs in Kisumu County. While there is some existing literature discussing these relationships, scientific exploration and research specific to SMEs in Kisumu County have been scarce. Thus, insufficient study has been done explicitly examining the effects of organizational culture on the performance of small and medium-sized enterprises (SMEs) in Kisumu County, despite the fact that SMEs have made a substantial contribution to Kenya's economic growth and development. By examining the impact of organizational culture on the performance of SMEs in Kisumu County, this study seeks to close this gap. One of the specific goals of the study was to examine market, adhocracy, and clan cultures using the Organizational Culture theory as a guide. In order to meet its goals, the study focused on 1,000 SMEs in Kisumu County, including both owners and employees. 285 managers and owners of SMEs made up the study's sample. Both closed- and open-ended questions were included in the questionnaires used for data collection. To ensure the reliability of the questionnaire, a pilot study involving approximately 28 SMEs (10% of the total study sample size), including both owners and staff members, was conducted, and the Cronbach alpha ( $\alpha$ ) test indicated a high reliability score of 0.852 for the study instrument. The study's findings, as determined by the Pearson Correlation coefficient, revealed that all the variables were significantly positively correlated. Specifically, clan culture had a strong positive influence on SME performance, as evidenced by an unstandardized coefficient of 1.597 and a standardized coefficient (Beta) of 0.868. Adhocracy culture also had a moderate positive influence, with an unstandardized coefficient of 0.605 and a Beta of 0.422. Market culture had a relatively weaker positive influence, with an unstandardized coefficient of 0.146 and a Beta of 0.1325. Importantly, all of these influences were statistically significant with p-values below 0.05. In conclusion, this study highlights the critical role of organizational culture in the performance of SMEs in Kisumu County. SMEs see increases in performance when they adopt and uphold elements of the organizational culture, such as the market, adhocracy, and clan cultures. According to the report, Kisumu's SMEs should constantly assess their performance, keep up with industry developments and trends, and effectively compete with other businesses. Enhancing SME performance also requires investing in research and experimentation, encouraging creativity and innovation, and adopting new ideas.

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## **ABBREVIATION AND ACRONYMS**

**SMEs:** Small Medium Enterprises

**APEC:** Asia-Pacific Economic Cooperation

**GDP:** Gross Domestic Product

**MEA:** Ministry of Economic Affairs

**CBK:** Central Bank of Kenya

**MSMES:** Micro, Small and Medium Sized Enterprises

**OCAI:** Organizational Culture Assessment Instrument

**OLS:** Ordinary Least Square

**SIT:** Social Identity theory

**OCAI:** Organizational Culture Assessment Instrument

**USA:** United States of America

**KNBS:** Kenya National Bureau of Statistics

## OPERATIONAL DEFINATION OF TERMS

- **Organization Culture:** These are values and customs that characterized an organization. They encompass clan culture, market culture, and adhocracy culture (Carvalho et al, 2017). Organizational culture and strategic management are closely intertwined and have a significant impact on each other.
- **Organizational Performance:** The effective an organization achieves its stated objectives and goals. Metrics used include customer satisfaction, customer referral rate and employees' satisfaction (Wokoma & Iheriohanma, 2010).
- **SME (Small and Medium size Enterprises):** are businesses characterized by their relatively small size in terms of workforce, revenue, and assets.
- **Performance:** is the measurement of an organization's effectiveness in achieving its goals and objectives (Neerly, 2013).
- **Clan Culture:** It is characterized by a strong emphasis on collaboration, teamwork, shared values, and a family-like atmosphere within the organization. (Cameron & Quinn, 2006).
- **Market Culture:** It emphasizes competitiveness, achievement, and a focus on external market conditions and customer needs. Organizations with a market culture prioritize goals such as market share, profitability, and customer satisfaction. (Cameron & Quinn, 2006).
- **Adhocracy Culture:** It is marked by flexibility, innovation, experimentation, and a willingness to take risks. Organizations with an adhocracy culture often encourage creativity, adaptability, and the pursuit of new opportunities (Cameron & Qui2006)

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study.**

The chapter focuses on the study's background. It also covers problem statement, research objectives, justification, research hypotheses, and the conceptual framework.

Scholars have acknowledged that maintaining a durable competitive advantage and attaining organizational success are contingent upon the discipline of strategic management. The many facets of strategic management that lead to business prosperity have been thoroughly studied by academics as well as practitioners, especially in the context of SMEs. Any organization's dominant culture differs and has a big impact on how productive it is (Schein, 2004). When one walks into a different company, they experience different environments, fashions, personalities, emotions, charms, and vibes that ultimately influence how staff members engage with customers and the culture that the company maintains.

Globalization, rapid technological progress, and the rise of a knowledge-driven economy are all contributing elements to the changing nature of the current corporate environment (Schein, 2011). The way that contemporary businesses operate clearly reflects many of these changes. Given the complexities of the ever-changing business environment, businesses are actively looking for ways to improve creativity and productivity. Schein (2011) contends that an organization's capacity for success in the age of globalization mostly depends on its organizational culture, which needs to be strong to support true organizational success.

The success of a company is largely dependent on its organizational culture, which motivates workers to engage in work, learning, experience, and decision-making (Liu & Almor, 2016).

It serves as a tool for an organization to mold a person's identity and behavior by exposing them to specific behavioral norms and patterns (Parker, 2000). An organization's uniqueness, mission, basic values, goals, objectives, and strategies for fostering shared values are all intimately related to its organizational culture (Cameron & Quinn, 2011).

Clan culture in an organization is characterized by a strong emphasis on collaboration, teamwork, shared values, and a family-like atmosphere within the organization. Clan culture values employee cohesion, loyalty, and long-term relationships. Despite its relevance, the mechanisms through which clan culture, characterized by its emphasis on collaboration, shared values, and employee engagement, directly influences key performance indicators within SMEs remain inadequately understood (Ch et al., 2013). Addressing this gap necessitates a focused exploration into how clan culture affects factors such as innovation, employee satisfaction, productivity, and overall organizational effectiveness, thus providing actionable insights for enhancing SME performance through targeted cultural interventions.

Market culture emphasizes competitiveness, achievement, and a focus on external market conditions and customer needs. SMEs with a market culture prioritize goals such as market share, profitability, and customer satisfaction (Yu & Wu, 2009). The interplay between market-oriented values, competition-driven behaviors, and strategic decision-making within SMEs remains underexplored. Investigating this gap entails a focused examination of how market culture influences competitive advantage, market responsiveness, product innovation, and financial outcomes, thus offering valuable insights.

On the other hand, adhocracy encourages and fosters creativity, adaptability, and the pursuit of new opportunities. The intricate relationship between adhocracy culture and SME

performance remains inadequately understood (Ubius, & Alas, 2009). Addressing this gap necessitates an in-depth investigation into how adhocracy culture influences aspects such as agility, new product development, creativity, and strategic flexibility within SMEs, thereby providing valuable insights for SME leaders aiming to harness the advantages of this culture type to enhance their overall organizational performance and competitiveness in dynamic markets.

This study aimed to close the gap in the literature by investigating the relationship between organizational culture, strategic management, and the performance of SMEs in Kisumu County. It focused into the intricate connections between strategic management practices and the prevailing culture within SMEs, it also sought to shed light on the mechanisms through which culture influences strategic decision-making and consequently, firm performance (Liu, & Almor, 2016). The study endeavored to provide insights that not only contribute to the theoretical understanding of these concepts but also offer practical implications for SME owners, managers, and policymakers.

### **1.1.1 Global Perspective**

Numerous investigations have been carried out about diverse facets of organizational culture. Organizational culture became increasingly popular in the late 1980s (Ojo, 2010). When management specialists investigated why American companies found it difficult to successfully compete with Japanese corporations. Denison (1984) carried out a quantitative investigation of the connection between performance and culture. He studied the success of 34 US organizations over a five-year period by analyzing data and looking at different aspects of organizational culture. Denison (1984) asserts that the capacity of Japanese



businesses to motivate employees with common core values, attitudes, and beliefs was the secret to their success over American businesses.

Ogbonna (2000) carried out a study on the relationship between organizational culture and performance. The study involved a sample of 1000 registered British companies using Financial Analysis Made Easy (FAME) database. Factors such as sales growth, customer satisfaction, market share, competitive advantage and sales volume were taken into account. The four dimensions of organizational culture used in the study were innovative (adhocracy), competitive (market), community (clan), and bureaucracy (hierarchy) cultures. The results indicated that all four dimensions were related to corporate performance in some way (Ali et al, 2017).

Garg & Ma (2005) conducted a study in China, revealing that cultural differences significantly influenced the performance of three different types of organizations: joint ventures, foreign-owned, and those owned and operated by the Chinese government. According to the report, foreign-owned businesses do better than joint ventures both culturally and operationally. There are a number of reasons which led to the greater success of foreign-owned businesses, including teamwork, accountability, and an effective management style emphasizing individualism. These organizations also prioritized stability and certainty, maintained a low degree of power structure variation, and employed an assertive managerial style characterized by a high level of masculinity. Conversely, Chinese-owned and operated organizations were more inclined towards autocratic management styles that did not prioritize teamwork, resulting in communication gaps and increased variation between employees and senior managers, as well as a higher degree level of uncertainty in

their management approach. This study underscored the significance of cultural differences on the performance of foreign-owned organizations.

### **1.1.2 Regional Perspective**

Researchers studying corporate culture have greatly broadened their global scope throughout the past 20 years (Hoskisson et al., 2013). Nonetheless, despite these advancements, little is known about organizational culture and performance in African nations (Peng & Woldu, 2015). According to Michalopoulos and Papaioannou (2013), there is still research to be done on the special impact that the African setting has on business success, as opposed to the Western context.

Context is essential for research and theory because it helps to create a more comprehensive understanding by connecting observations to relevant facts, events, or viewpoints (Fried & Rousseau, 2001). Beatrice (2014) investigated how organizational culture affected the performance of the public health system, concentrating on Tanzania's Ocean Road Cancer Institute. The main conclusion of the study was that task organization elements, like encouraging employee decision-making, clearly delineating roles and duties, and offering chances for interesting and engaging work, had a favorable impact on organizational performance.

In 2013, Kamugisha conducted research study of the National University of Rwanda to investigate how change management influenced the university's organizational culture. The primary objectives of this study was to determine the impact of change management on the university's culture. It was found that the institution's management encountered a major challenge in the form of strong staff resistance, which was attributed to the prevailing

organizational culture. Furthermore, the study found that culture hindered the adoption of performance contracting, which had a negative impact on organizational performance.

Anh & Nakiyaga (2017), undertook a study to examine how organizational culture affects the effectiveness of internal controls with a focus on top management. The research examined the case of the Uganda Revenue Authority, emphasizing the importance of robust internal controls in emerging economies susceptible to corruption. This research assessed the role of company executives in shaping the organization's culture. The findings of this study highlighted the significant influence of managers in aligning the company's culture with the desired objectives of internal controls.

### **1.1.3 Local Perspective**

Kenya wants to guarantee a good standard of living to everyone by 2030. In order to fulfill this ambition, the country must produce a human capital that is both versatile and adaptable enough to satisfy the demands of an industrializing economy. However, Vision 2030 highlights that the Kenya's public service delivery is still influenced by a culture, which fails to grasp the fundamental principle of public service, which is to assist citizens instead of imposing rules on them. The government has developed a plan to actively include citizens in determining policies and priorities in light of this challenge. In addition to supporting and encouraging different SMEs across the nation, this strategy aims to bring about a shift in morals and values.

### **1.1.4 Small and Medium Enterprises**

Different countries employ varying methods to classify SME sizes because each nation has its own system for establishing size criteria (Ogechukwu, 2009). The conventional

knowledge generally uses variables like sales turnover, full-time staff, and fixed asset value to classify SMEs (Cunningham, 2011). For example, the World Bank defines SMEs as companies with no more than 300 employees and \$15 million in revenue annually (Akingunola, 2011). SMEs are defined by the Nigerian Central Bank as companies with less than 50 employees (less than 100 for medium-sized organizations). According to the House of Lords (2000), SMEs are defined as businesses in the United Kingdom that employ less than 200 people and have an annual revenue of no more than £2 million.

According to the Asia-Pacific Economic Cooperation (APEC) forum, SMEs make up 95% of businesses in the Asia-Pacific region and employ 60% of the labor force. This industry accounts for 40% to 45% of the manufacturing output in value terms (APEC, 2010). China had 42 million small and medium-sized firms functioning as of 2008, accounting for 99% of all businesses there and employing 75% of city dwellers. They generated 62.3% of the value of exports and 60% of GDP, per People's Daily Online (2010). According to the Ministry of Economic Affairs, SMEs account for 98% of all companies, 77% of all jobs, and 17% of all export sales in Taiwan (MEA: Taiwan, 2010). Without including government employment, they account for 98% of all enterprises and 48% of all employment in Hong Kong.

SMEs make up 30% of the GDPs of New Zealand and Australia, 51% of the GDPs of the U.K, and U.S., 57% of the GDPs of Canada and Japan, and 76% of the GDP of Luxembourg (Ghobadian, 2012). It goes without saying that SMEs are a substantial source of entrepreneurial skills, innovation, and employment when they are effectively managed. SME-driven economies are common in the majority of developed countries due to the sector's significance as the cornerstone of strong economic growth. The SME sector has significantly improved living conditions through increasing employment opportunities, reducing poverty,

and other factors (Chadamoy, 2012). The bulk of workers in the economy are employed by SMEs.

The World Bank report in 2013 estimates that SMEs make up over 90% of business operations in Africa and contribute over half of the continent's GDP and employment, making them the main employer in both developed and developing nations. However, it is clear that SMEs struggle to properly run, manage, and develop their businesses to consistently and promptly deliver high-quality goods and services. Due to the numerous expensive and time-consuming organizational culture and structure changes that must be made by the majority of enterprises in developing countries, many owners end up overlooking several fundamental and important business practices. In Kenya, SMEs continue to grow and contribute to the country's GDP, but they face several challenges that keep them from expanding. Kenya's GDP is expected to increase by 6.4% in 2017, with SMEs contributing 3% of the growth.

A 2016 Deloitte report, the Kenya Economic Outlook 2016, SMEs are hindered by a lack of funding, restricted market access, inadequate infrastructure, and other difficulties due to a lack of experience and rapid technological advancement. Corruption and other unfavorable regulatory frameworks are further obstacles to the efficient operation of this significant economic component. A research titled "Barriers to Kenyan SMEs Growth and Investment" found that the main reasons Kenyan SMEs close within the first three years are a lack of the requisite abilities, effective governance, and financial resources.

In its 2017 National Economic Survey, the CBK reported that SMEs forms 98% of all business enterprises in Kenya, generating 30% of annual job opportunities, and contribute 3%

to the nation's GDP. An additional survey from 2014 revealed that 80% of the 800,000 jobs created that year belonged to the informal sector, which SMEs predominantly dominate. Furthermore, according to the Deloitte (2016) report about the Kenya's Economic Outlook, SMEs grapple with issues such as limited funding, restricted market access, insufficient infrastructure, knowledge gaps, and rapid technological advancements. The hindrances also encompass corruption and unfavorable regulatory frameworks, as detailed in the research study titled "Barriers to Kenyan SMEs Growth and Investment." The Kenya National Bureau of Statistics' 2020 survey disclosed that only slightly over 400,000 micros, small, and medium-sized enterprises manage to celebrate their second anniversaries, casting uncertainty over the future of this vital sector. Over the past five years, a staggering 2.2 million MSMEs have shuttered their operations, with 46% of them succumbing within their initial year. The majority of MSMEs ended up closing, according to the survey results.

In Kisumu County, SMEs constitute more than 60% of the GNP and contribute to 70% of employment, as indicated in the 2006 Economic Survey. Although SMEs often concentrate on meeting the demands of their target markets, they frequently prioritize short-term sales prospects over long-term supply chain expansion for financial reasons, according to Persona in 2006. Even though SMEs are very important to the Kenyan economy, three-fifth of them fail in their first five years of existence. The remaining entities face a four out of five failure rate in the subsequent four years and only 15% of them manage to achieve profitability, with the remainder barely scraping by (KNBS, 2017).

## **1.2 Problem Statement**

Organizational culture is often overlooked in many organizations, as they prioritize metrics like customer satisfaction, customer referral rates, and employee satisfaction to measure

performance. However, research suggests that organizational culture plays a critical role in both individual and organizational success (Wokoma & Iheriohanma, 2010). This is especially important for Small and Medium Enterprises (SMEs), which contribute significantly to economic growth and development. In Kenya, SMEs are growing and contributing to the country's GDP, but they face challenges that hinder their expansion.

Many SMEs struggle to achieve optimal performance due to inadequate attention to organizational culture (Wokoma & Iheriohanma, 2010). Organizational culture encompasses shared values, behaviors, and practices within an organization and significantly influences performance outcomes and employee engagement. Previous studies have shown that organizations with strong and positive cultures tend to have higher financial performance and productivity. SMEs with supportive and innovative cultures experience greater employee satisfaction and engagement, leading to improved performance outcomes.

Unlike previous research focusing on large-sized businesses with well-defined structures, policies, procedures, and work ethics, this study specifically examines the clan, market, and adhocracy cultures within SMEs, which often lack clearly defined structures. The study aims to enhance our understanding of how different aspects of organizational culture, including values, beliefs, behaviors, and practices, impact productivity and overall performance of small and medium-sized enterprises (SMEs). Despite the recognition of organizational culture as a crucial factor for success, many organizations tend to overlook its significance and instead prioritize other metrics.

The research gap exists in the limited academic literature exploring the relationship between organizational performance and organizational culture within the context of SMEs in Kisumu

County. This study seeks to analyze and explore the ways in which organizational culture influences the performance of SMEs operating in Kisumu County, Kenya. It addressed this gap by specifically examining the impact of clan, market, and adhocracy cultures within SMEs, which typically lack well-defined structures and work ethics.

### **1.3. Research Objectives**

#### **1.3.1 General Objectives**

To analyze the impact of organizational culture on SMEs performance in Kisumu County.

#### **1.3.2 Specific Objective**

- i. To examine the clan culture influence on performance of SMEs in Kisumu County.
- ii. To assess the effect of market culture on performance of SMEs in Kisumu County.
- iii. To explore the influence of adhocracy culture on performance of SMEs in Kisumu County.

### **1.4 Research Hypothesis**

**Ho1:** Clan Culture has no significant effect on SMEs performance in Kisumu County.

**Ho2:** Adhocracy has no significant effect on SMEs performance in Kisumu County.

**Ho3:** Market Culture has no significant effect on SMEs performance in Kisumu County.

### **1.5 Study Scope**

The study's target population of 1000 SMEs was limited to SMEs that were registered with the county administration and operated within Kisumu County between 2020 and 2022. The proprietors and staff of these SMEs were the particular focus of the study. It only looked at how SMEs' performance is impacted by organizational cultures. The application of clan, market, and adhocracy cultures—which were regarded as independent variables—and SME



performance—which was the dependent variable—helped the study achieve its goal. The purpose of the study was to identify the variables affecting SME performance and to show how organizational cultures might improve SME performance.

## **1.6 Study Justification**

The study holds significant implications. It fills a research gap by examining the relationship between organizational culture and performance in the context of SMEs in Kisumu County. By deepening our understanding of how organizational culture influences SME performance, it provides valuable insights and recommendations for SMEs in the region. Furthermore, the study has policy implications, informing policymakers and stakeholders about the importance of considering organizational culture in supporting SME growth. The findings can lead to the formulation of policies and initiatives that foster a conducive culture for SME success. Additionally, the study's economic impact is noteworthy, as it provides strategies for enhancing SME performance, leading to increased productivity, job creation, and overall economic prosperity in Kisumu County. Furthermore, the study's findings can be applicable beyond the region, serving as a reference for other areas facing similar challenges, thereby fostering knowledge transfer and contributing to the broader field of SME management and organizational culture.

### **1.6.1 Researchers and Scholars**

Researchers who aim to explore the relationship between SMEs performance and organizational culture derived benefit from both the study's results/findings and theoretical literature. Moreover, the establishment of other related fields of study empowered other researchers to perform similar investigations and enhance the knowledge base concerning the connection between performance and organizational culture along with other relevant areas.

### **1.6.2 Business owners and corporate executives**

This study offered company managers/corporate executive and business owner's valuable insights into how organizational cultures enhance organizational performance. Utilizing this knowledge, they may create and maintain a supportive workplace culture that celebrates individual uniqueness and commonalities. They may assist employees in realizing their full potential and making a greater contribution to the strategic goals and objectives of the organization by adopting these steps. As such, it improved and sustained organizational performance. Owners of businesses can also assess how well their companies use different facets of organizational culture to improve and sustain performance.

### **1.7 Conceptual Framework**

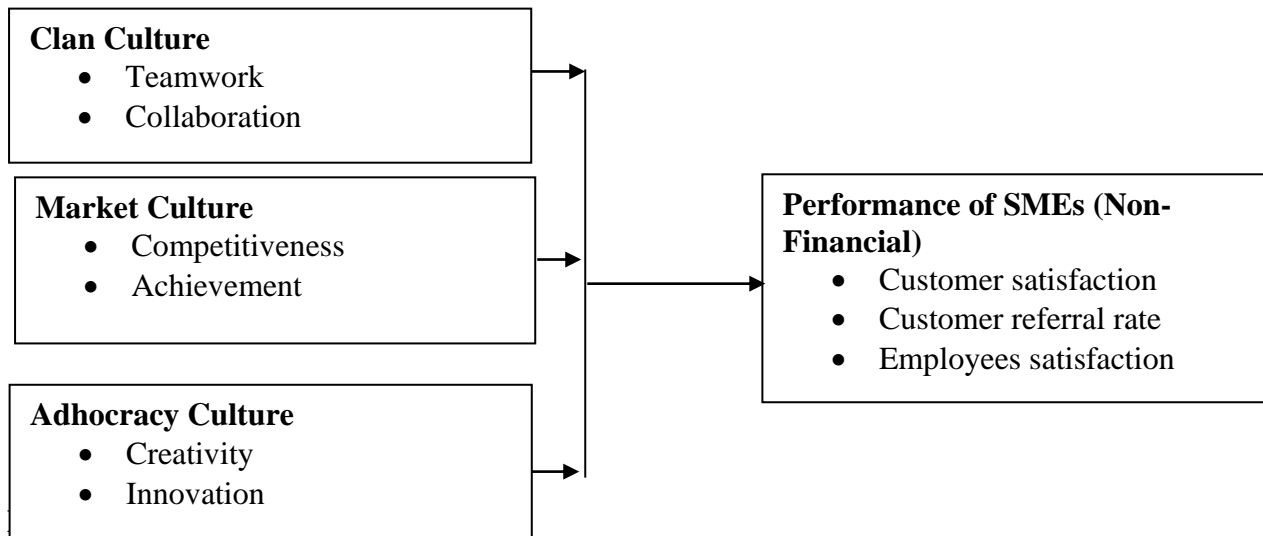
The conceptual framework serves as the study's cornerstone and road map by defining the link between dependent and independent variables (Ravitch & Riggan, 2016). The performance of SMEs was the dependent variable in this study, and the researcher's primary focus was organizational culture. The researcher specifically looked at three goals related to corporate culture: adhocracy, clan, and market cultures. The researcher used employee turnover and consumer satisfaction to gauge institutional well-being.

## Independent variables

## Dependent variable

### Organization Culture

### Performance of SMEs



**Figure 2.1: Conceptual Framework**

**Source: Adapted from Cameron *et al.* (2020)**

The foundation of understanding how SMEs can respond to internal and external environments lies in these four variables. Moreover, the framework helped in identifying the appropriate and flexible organizational cultures that foster SME performance. Tharp (2009) noted that organizational culture can provide a competitive advantage, emphasizing the importance of aligning these four competing variables with organizational goals to excel in the market.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on evaluating and synthesizing various literature related to the study variables- organizational culture factors and how they affect SMEs performance. The four culture elements of The Competing Values Framework are elaborated, and their relationship with performance as documented in the literature has been synthesized. Furthermore, it looks at empirical review of literatures with view revealing knowledge gaps.

#### **2.2 Theoretical Literature Review**

##### **2.2.1 Organization Culture Theory**

Kotter & Heskett (1992) populated this theory in early 1990s in their scholarly publications. The academics maintained that an organization's performance and overall success are significantly shaped by its organizational culture. They said that high levels of customer satisfaction, staff engagement, and financial performance are all correlated with strong and good cultures. The writers also emphasized how crucial it is to match an organization's beliefs and strategic goals with its culture (Kotter, & Heskett, 1992). The theory of organizational culture offers a framework for comprehending how. It focuses on the common norms, values, beliefs, and practices that influence how members of an organization behave and act. According to this viewpoint, employee interactions, behavior, and decision-making are influenced by culture. Three levels make up organizational culture: underlying assumptions, artifacts, and values. Visible and physical elements like dress regulations, office layouts, and communication methods are all considered artifacts. Values represent guiding principles like honesty, integrity, and customer service.

Fundamental underlying assumptions are deeply rooted, frequently unconsciously held attitudes and ideas about authority, control, and power. According to organizational culture theory, organizations frequently have deeply rooted cultures that are resistant to change. However, it also acknowledges that businesses can obtain a competitive advantage by fostering a strong and uplifting culture. Organizations can achieve their aims and objectives through the influence of culture on employee behavior and the development of a feeling of identity and purpose.

The study examining how organizational culture affects the performance of small and medium-sized enterprises (SMEs) in Kisumu County makes extensive use of the Organization Culture Theory. The idea offers a framework for comprehending how these SMEs' common values, beliefs, and actions affect their performance results. The study can evaluate how particular cultural elements, including as values, communication, leadership, and employee engagement, contribute to the performance levels of SMEs in Kisumu County by looking at their corporate cultures. This research can offer insightful suggestions and useful information for improving SME performance via efficient culture management.

### **2.2.2 Performance Measurement Model**

A useful tool for assessing organizational performance is the Balanced Scorecard (BSC) model developed by Norton and Robert (Lipe & Salterio, 2000). Various alternative models like as ROE, ROI, and ROCE have been documented by Taticchi et al. (2010) in the field of performance measurement research. Simons (2000) derivatives models are also useful for performance evaluation. Several tools are available for measuring organizational performance, including the Economic Value Added Model (EVA) by Stewart (2007), the Strategic Measurement Analysis and Reporting Technique (SMART) by Cross and Lynch

(1988), Customer Value Analysis (CVA) by Customer Value Inc. (2007), the Supportive Performance Measures (SPA) by Keegan et al. (1989), and Kaplan & Norton's Balanced Scorecard (BSC) from 1992.

A range of corporate executives assess the performance of their organizations by combining goal-related metrics with financial accounting information from four main sources: internal business processes, customers, financial, and learning and growth (Lipe & Salterio, 2000). These four viewpoints are included in the BSC model, which was first presented by Kaplan & Norton (1993) in a January–February 1992 article published in the Harvard Business Review. The BSC model provides a thorough framework for assessing and controlling organizational performance. The BSC model was first presented by Kaplan and Norton (1993) as a way to evaluate the performance of businesses in the 1990s. It included factors related to internal company processes, learning and growth, customers, and finances. They emphasized the significance of monitoring several facets of the organizational environment by drawing a comparison between this strategy with how pilots keep an eye on several instrument panels in an airplane cockpit. According to Selman et al. (2003), one of the most important management innovations of the 20th century is the Balanced Scorecard.

In order to analyze how organizational culture affects the performance of small and medium-sized enterprises (SMEs) in Kisumu County, Kenya, performance measurement models are a valuable tool. These models provide structured frameworks and metrics for assessing and evaluating the performance of organizations. Incorporating performance measurement models into the study, helped to objectively measure and quantify the performance outcomes of SMEs in Kisumu County. This allowed for a more systematic analysis of the relationship between organizational culture and performance, enabling the identification of specific areas

where culture positively or negatively influences performance. The findings can then inform recommendations and strategies for leveraging or modifying the organizational culture to enhance SME performance in Kisumu County.

## **2.3 Empirical literature review**

Analyzing the influence of organizational culture on performance of SMEs has been the subject on various research. Here are a few of the initiatives that have been completed.

### **2.3.1 Organization Culture**

Extensive research has been done on organizational culture, which includes the underlying values that influence how individuals and groups behave inside an organization. The results of these investigations have produced contradictory findings. While some studies have found negative correlations, others have demonstrated a substantial positive relationship between corporate culture and performance. In a study conducted by Gulali (2018), 215 managers from 11 universities participated in order to examine the impact that organizational culture has on the performance of public institutions in Kenya.

Using the Contingency Theory of Organization Structure, the study discovered a statistically significant relationship ( $r=.804$ ,  $p<.05$ ) between organizational culture and the universities' performance. It found that the overall design of organizational culture had a great impact on organizational performance ( $r=.804$ ,  $p.000$ ), explaining 64.6% of its variance. As a result, the study recommended implementing strategies to enhance and uphold quality management systems based on the existing culture in order to foster positive perspectives that could ultimately improve organizational performance (Gulali, 2018).

Owino & Kibera (2015) conducted a study on Kenyan microfinance institutions to examining the organizational culture impact on project performance. They found a positive relationship between the variables especially among that mature industries with diverse customer needs. Njugi & Agusioma (2014) focused on non-financial entities, specifically World Vision Kenya, to assess the effects of organizational culture on performance. The researchers discovered a statistically significant direct link between organizational culture and project success through linear regression analysis, with improvements in work atmosphere, organizational philosophy, and stability, and meeting performance targets.

Wairimu, (2013) conducted a research on analysis of organizational culture affects Kenya's Wartsila-Kipevu II Power Plant's performance, organizational values were found to exert a stronger influence on job performance than on overall organizational performance. On a related note, Eker, & Eker (2009) conducted a study examining the relationship between organizational culture and performance within the Turkish manufacturing sector. They examined a sample of 122 companies among the top 500 manufacturers and employed regression analysis to assess the data. Their findings revealed that companies with flexible cultures tended to underperform financially, whereas those with controlled cultures effectively utilized performance measurement systems.

Shah et al. (2011) studied Pakistani organizational culture and firms 'performance comparing them with organizational performance to leadership effectiveness. They found a strong correlation between culture and performance. Aluko (2004) conducted a study of Nigerian textile businesses, comparing culture and organizational effectiveness. Cultural characteristics showed strong correlations with factors such as employee attrition, and commitment to work, but did not necessarily result in better organizational performance.



Lorraine et al, (2011) looked at corporate culture and performance management in the insurance sector. They found that there are connections between management practices and organizational cultures. However, the acceptability of performance management varies between different corporate cultures. Nikpour et al., (2019) examined the relationship between employee organizational commitment and organizational culture. The study found that organizational culture indirectly affected performance in various way.

Karyeija (2012) evaluated how culture impacts Africa's performance rating reforms and found a detrimental relationship. Similarly, Lo (2012) conducted a study on Chinese hotels, investigating the link between managerial skills and organizational culture and performance. The results disclosed an adverse correlation between corporate culture and financial performance. Furthermore, Ernst (2001) asserted that organizational culture can enhance job satisfaction and foster problem-solving awareness, ultimately influencing organizational performance positively. While some studies found a positive relationship between culture and performance, others suggest a multifaceted and context-dependent connection. Collectively, these studies underscore the significant influence of organizational culture on an organization's performance.

### **2.3.2 Clan Culture**

Clan culture focuses on teamwork, collaboration, and collectivism with employees being fully empowered and engaged. Clan culture places a strong emphasis on collaboration, teamwork, and collective decision-making. Employees within this culture often work closely together, share knowledge, and support each other's efforts. There is a sense of unity and shared purpose among team members (Cameron, & Quinn, 2006). In situations characterized by high uncertainty or complexity, clan culture can function as a mechanism to resolve such

challenges (Yu & Wu, 2009). In their study involving 188 hospitals across seven countries, Wagner et al. (2014) determined that clan culture predominated, constituting 33% of the sample.

Clan culture shows the strongest correlation with quality and positive attitudes among employees (Hartnell et al., 2011). In this culture, leaders encourage collaboration, teamwork, and long-term gains through serving as mentors. When faced with challenges or uncertainties, clan culture emphasizes a collaborative problem-solving approach. Teams work together to find creative solutions to complex issues. Clan culture fosters loyalty, and collaborative ways to accomplish tasks leading to positive impacts on organizational performance (Ogbonna & Haris, 2000)

Felipe et al. (2017) examined how a firm's cultural values influenced organizational agility in 172 enterprises located in Spain. Their research uncovered that the clan culture type had a favorable impact on enterprise performance. They utilized Denison, & Mishra (1995)'s cultural dimensions of consistency, adaptability, involvement, and mission (market). The study revealed that, concerning the cultural aspects that contribute to organizational performance, aside from the mission characteristic (market culture), the clan culture significantly predicted performance in SMEs, unlike the adhocracy culture and hierarchy culture characteristics.

In a different study, Cameron, & Quinn (1999) examined the impact of clan culture on a firm's performance and success. The study discovered that, depending on the strategic direction of the company and the expectations of stakeholders, all four types of organizational culture elements could enhance organizational success. Thomas et al. (2002), evaluated

project culture of thirteen Australian construction projects based on Cameron, & Quinn (1999)' CVF model and OCAIs. The results showed a positive association of clan culture with quality outcomes. In another study (Fey & Denison, 2003), the Russian companies were compared to similar studies conducted in the US. The study found that the most relevant traits for effectiveness for the Russian companies were: Participation (Clan culture) Adjustability (Adhocracy culture) The mission (Market culture) was critical in the US context.

Cameron, & Quinn (1999) conducted research studies exploring the role of culture in performance and success. Their empirical literature review revealed that, depending on a firm's strategic direction and stakeholder requirements, each type of organizational culture factors in the CVF model contributes to organizational success. According to Libetinová et al. (2016), employees place a high importance on a dominant familial culture, which is an important aspect of clan culture Large-sized businesses with well-established organizational structures, policy procedures, and work ethics served as the backdrop for these research studies. In contrast, the goal of this study was to examine how clan culture affects the performance of SMEs, particularly start-up companies without clearly defined organizational structures.

### **2.3.3 Market Culture**

According to Cameron (2006), a market culture prioritizes competitiveness with the aim of obtaining the largest market share and optimizing profits. With values like productivity, goal fulfillment, performance, and achievement at the center of the culture, market orientation is considered a critical component of corporate culture. Numerous research works have examined the connection between organizational success and market orientation. Market culture has a positive impact on organizational performance, claim Fernandes et al. (2020).

A company with a market orientation promotes innovation, which results in improved performance, claim Han et al. (1998). They maintained that the company's culture, which forms the basis of its market orientation, can be strongly upheld in order to fulfill this objective. Chirac et al. (2015) discovered a strong correlation between an organization's market orientation culture and performance. Furthermore, Gallagher & Brown (2008) discovered that enhancing financial performance is significantly dependent on market culture. According to Ali et al. (2020), there is a strong correlation between market orientation and organizational success.

Fey & Denison (2003) compared the performance of Russian companies to those of the USA. They found that in the US context, market culture was the most crucial factor, while in the Russian context; flexibility (adhocracy) was the most important trait for effective organizational performance. In a study of Greek organizations, Xenikou, & Simosi (2006) discovered that attaining organizational norms and market cultures that encourage productivity, goal setting, and effectiveness were connected to excellent performance. Deshpande et al., (1993) looked at Japanese companies in Tokyo. They found that a market oriented organizational culture had directly and significantly improved business performance. Adhocracy type culture had a moderate positive correlation with improved firm productivity, whereas hierarchy and clan type cultures were associated with poor performance.

In Ghana, Dadzie et al. (2012) investigated competitive approaches, corporate culture, and organizational performance. The study looked at the impact of competitive strategies on firm culture, as well as the correlation between productivity and company performance across Ghana. The results showed that firms with market or clan-type cultures are more likely to have improved productivity. Companies with adhocracy-type culture, on the other hand, are

more indirectly related to performance, as long as they align with a differentiation/cost leadership strategy.

Haggalla and Jayatilake (2017) investigated organizational culture and intention to leave multinational information technology enterprises in Sri Lanka. According to their research, there is a correlation between an organization's culture and its decision to leave the Sri Lankan IT sector. Out of the four organizational culture types, market culture was found to be the most prevalent by the researchers. In a study on organizational culture and the SMEs performance in Uganda, Aketch et al. (2017) discovered that, in contrast to the adhocracy (adaptability) and hierarchy (consistency) types of cultures, the market culture significantly predicted SME performance.

#### **2.3.4 Adhocracy Culture's**

An organization with an adhocracy culture is better able to innovate and continuously adjust to changes in the outside world. This culture's leaders are innovative and creative thinkers (Cameron et al., 2006). When new objectives appear, an adhocracy culture may momentarily emerge (Yu, & Wu, 2009). This culture primarily aims to cultivate adaptability, creativity, and flexibility especially in situations characterized by information overload, ambiguity, or uncertainty. This organizational culture is highly entrepreneurial, encouraging risk-taking, innovation, openness to new ideas, and experimenting new things. It is often prevalent in industries like consulting, software development, and space exploration (Ubius, & Alas, 2009). Fitria, & Andriani (2020) argue that enterprises with an adhocracy culture aspire to develop products with the intention of becoming market leaders.

Khurohani et al. (2013) found a significant positive correlation between the promotion of an adhocracy-based culture and the moderation of work creativity. This suggests that the adhocracy culture promotes creativity and innovation in an organization by enhancing freedom as a fundamental value. Keskin *et al.*, (2005) observed that, organizational culture determines knowledge management strategy as a key precursor to knowledge management process. Adhocracy culture positively impacts the knowledge management strategy based on tacit-oriented knowledge. Of the four cultures examined, adhocracy culture had the strongest link with organizational success, according to Misigo et al.'s 2019 study. Adhocracy, market, and clan cultures showed a positive correlation with all performance variables and adhocracy culture was the most significant.

Adhocracy culture facilitates innovation within an organization (Naranjo-Valencia et al., 2011). Chan et al. (2004) investigated the role that corporate culture plays in mediating the link between effective human resource management and business performance. Four cultural dimensions' member conformance (hierarchy), policy adaptation (adhocracy), involvement (clan), and mission (market) were the focus of the study. According to the findings, engagement and adaptability cultures are directly related to organizational performance.

Tseng (2010), carried out a research on the impact of firm culture, particularly adhocracy culture, on organizational productivity through information change. In comparison to clan and hierarchical cultures, the study found that adhocracy culture increases production and knowledge conversion. In addition, Zhang & Zhu (2012) investigated the association between firm culture and productivity across different regions of China. They found that market and adhocracy cultures positively influenced business productivity and sales outcomes, while hierarchy and clan cultures had no significant effect on company efficiency.

A study by Naranjo-Valencia et al. (2016) looked at the relationship between firm culture, innovation, and performance at Spanish manufacturing firms. The study found that culture could either support innovation or impede it, depending on the culture's values. The most robust predictor of performance was adhocracy culture. Felipe (2017) found that adhocracy culture as a variable had a positive effect on firm productivity, confirming previous research highlighting the importance of adhocracy cultures in organizational performance success. Haffar (2014) looked at how the four different types of organizational culture influenced the IRFC factors involved in implementing Total Quality Management (QM) at Syrian manufacturing firms. A total of 350 manufacturing companies were surveyed. The results revealed that employee transition preparedness was significantly influenced by business culture.

### **2.3.5 SMEs performance**

Employees' ability to efficiently and effectively achieve their goals using organizational resources describes SMEs' performance. It not only measures their capacity to meet organizational objectives but also evaluates their willingness to align with the organizational culture (Diana et al., 2021). Performance in SMEs closely links to the quantity of output employees generate during a specific period within the organization. It plays a pivotal role in overall performance of an organization, making effective performance evaluation a necessary condition for success.

In strategic research, researchers often employ subjective measures of performance, which have demonstrated reliability and validity. Hakimpoor et al. (2011) argued that performance measurement in SMEs can be challenging. Respondents frequently hesitate to disclose information on indicators such as ROI, and profitability making it difficult to obtain objective

financial data (Tippins & Sohi, 2003). Consequently, experts generally recommend a subjective approach to measuring performance in SMEs. SMEs often refrain from providing their financial data (Esteve et al., 2008). Previous research has demonstrated a strong relationship between the objective performance indicators and the subjective assessments of (Love et al., 2002).

Empirical research widely uses subjective approaches for measuring organizational performance (Glaister et al., 2008). SME owners and managers give equal attention to both non-financial and financial measures when evaluating their business performance. Non-financial measures include market share, delivery time, customer satisfaction, customer referral rates, employee turnover, and waiting time, On the other hand, financial measures include gross profit and stock turnover (Chong, 2008).

Assessing firm performance can be done using a wide array of techniques, approaches, and measures (Suklev & Debarliev, 2012). Researchers can assess performance-using metrics such as sales growth, profitability, market share (Simpson et al., 2012). Studying profit growth, sales growth, and employee turnover rates can also be used to analyze organizational performance (Sulaiman et al., 2010). Past studies have measured performance as a dependent variable in several ways, including profit, sales, revenue, productivity, dividends, growth, stock price, capital, earnings per share, cash flow, return on investment, return on capital, and various financial ratios (Shrader et al., 1984). Integrated viewpoints, compared to competitors, include metrics such as customer satisfaction, market share, sales growth, competitive positioning, customer retention, and ROI (Kim, Park, & Yoon, 1997). Indicators like return on sales, and ROI can also evaluate organizational performance (Jusoh & Parnell, 2008).



The study did not employ the use of hierarchy culture because SMEs often operate in dynamic and rapidly changing environments. They need to be agile and responsive to market conditions, customer demands, and emerging trends. Hierarchy culture can hinder the ability to quickly adapt and make decisions, as information and decision-making authority are concentrated at the top of the hierarchy (Khan, & Shameem, 2020). In contrast, a more flexible and decentralized culture allows for faster decision-making and empowers employees to respond to changes in the business environment.

## **2.4 Knowledge Gap**

The research gaps identified in the section on organizational culture highlight the mixed findings and lack of consensus regarding the relationship between organizational culture and performance. While some studies have shown a positive connection, others have revealed negative associations. The existing research has examined this relationship in specific contexts, such as Kenya's public universities, microfinance institutions, and the Turkish manufacturing sector. However, there is a need for further exploration in different industries and organizational settings to gain a more comprehensive understanding. Additionally, the impact of organizational culture on job performance versus overall organizational performance needs to be clarified, as different studies have yielded varying results. Further investigation is required to determine the underlying mechanisms and explore the financial performance implications of different types of organizational cultures.

In the section on clan culture, the research gaps highlight the need for more comprehensive studies in diverse industries and geographical locations. Clan culture, characterized by teamwork, collaboration, and collective decision-making, has shown a positive correlation with quality outcomes and positive employee attitudes. However, the existing research has

primarily focused on large-sized businesses with well-established structures, policies, and work ethics. There is a particular need to examine the impact of clan culture on the performance of start-up companies and SMEs, which often lack clearly defined organizational structures. The ways in which various organizational cultures—such as hierarchy, adhocracy, clan, and market cultures—contribute to organizational performance in light of stakeholder expectations and the company's strategic goal also require more research.

The research gap in the section on market culture is the need for more investigation into the connection between organizational performance and market culture. There is a dearth of research analyzing this link in many industries and organizational contexts, despite prior studies showing a positive impact of market culture on organizational performance. Additionally, the specific impact of market culture on job performance versus overall organizational performance requires clarification. Furthermore, there is a need to delve into the underlying mechanisms and explore the financial performance implications of different types of market cultures. By addressing these research gaps, a more comprehensive understanding of the role of market culture in driving organizational success can be achieved.

The section on Adhocracy Culture identifies several research gaps. Firstly, there is a need for further investigation into the impact of adhocracy culture on organizational performance, particularly in different industries and geographical locations. Understanding how adhocracy culture promotes creativity, fosters innovation, and facilitates knowledge management within organizations is crucial. Moreover, exploring the relationship between adhocracy culture and different dimensions of performance can provide valuable insights. Filling these research gaps, organizations can gain a better understanding of how to cultivate adhocracy culture to drive innovation and improve overall performance.

The measurement and assessment of performance in small and medium-sized businesses is the focus of the research gaps in the section on SMEs Performance. There is a need for more research into subjective ways to performance monitoring given the difficulties in getting objective financial data from SMEs. The use of non-financial measures in evaluating SME performance, such as market share, customer satisfaction, and employee turnover, requires more attention. Furthermore, there is a need for broader research on different techniques, approaches, and measures to assess performance in SMEs, including sales growth, profitability, and market share. By addressing these research gaps, a more comprehensive understanding of SME performance can be obtained, enabling organizations to effectively evaluate and improve their performance.

## **2.5 Critique of Literature**

The critique of the evaluated empirical studies acknowledges certain limitations that impede drawing definitive conclusions regarding the causal relationship between organizational culture and productivity. It astutely points out procedural limitations such as the number and position of respondents, study design, and execution and interpretation of the research. These limitations have the potential to amplify the link between variables, thereby impacting the strength of the findings. The critique also highlights a flaw in the field of research concerning how organizational culture dimensions are calculated, often relying on a limited number of respondents, typically CEOs or management. However, the strength of the critique could be further enhanced by providing specific examples or evidence to illustrate the extent of the limitations and by providing more context or explanation when referencing the Denison and Mishra study. The critique demonstrates a discerning perspective, but it would benefit from additional support and clarification to strengthen its argument.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The methodical approach and collection of guidelines and strategies that researchers employ to carry out their investigations are known as research methodology. It offers a structure for organizing, carrying out, and assessing research, guaranteeing the validity, credibility, and reliability of the findings (Mugenda & Mugenda, 2013). Consequently, the techniques and methods employed to carry out this investigation were the main focus of this chapter. Research design, methodology, sample strategies, data collecting and analysis strategies, ethical issues, data reporting and presentation, and validity and reliability were the main areas of focus.

#### **3.2 Research Design**

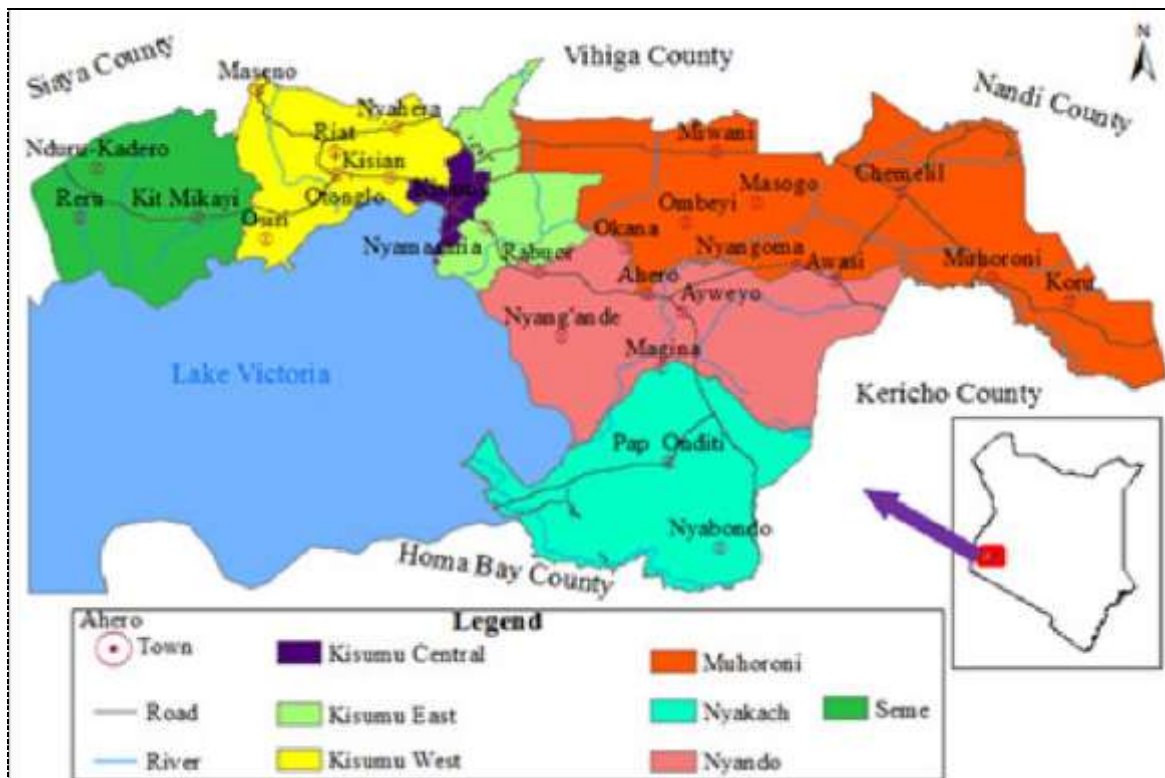
The applicability of a research design is dependent upon the goals and nature of the investigation, according to Mugenda (2008). A mixed study design was used in the research. Within a single study or research endeavor, mixed research—also referred to as mixed methods research—combines qualitative and quantitative research approaches. The process entails gathering, evaluating, and combining qualitative and quantitative data in order to fully comprehend the study problem or subject. The research determined that this design was suitable for the study since it made it easier to collect data on the specifics of the current circumstances within the organization.

#### **3.3 Area of Study**

Kisumu County, one of Kenya's 47 counties, was the sole subject of the study. According to the 2019 KNBS census, the county had a population of about 1.2 million, with 51.46% of the

population being female and 48.54% being male. According to Creswell & Daly (2015), a population is the total set of individuals or organizations that a researcher plans to assess. The registered SMEs in each of the county's sub-counties were the focus of the study.

Because Kisumu County presents an intriguing and pertinent case for examining the influence of organizational culture on SME performance, the county was chosen for the study based on unique economic, social, and cultural characteristics. It was determined to be a representative or noteworthy site to investigate, in the Kenyan setting, the connection between organizational culture and SME performance. The County's rapid economic expansion and high population density also make a substantial contribution to Kenya's GDP.



**Figure 3.2: Study Area Map**

### **3.4 The Target Population**

According to Cooper and Schindler (2014), a population is the entire set of elements from which a researcher hopes to derive conclusions. The target population, according to Mugenda & Mugenda (2003), is the larger group of individuals or components that the researcher is interested in learning more about or drawing conclusions about from the study's findings. Incorporating a thousand SMEs that are registered with Kisumu County was the aim of this study. A random sample of 285 SMEs was selected for the study from this population.

### **3.5 Sampling and Sample Size**

Etikan et al. (2016) defines a sample as a group of subjects from which researchers collect data. On the other hand, O'Mahony (2017) argues that a sample serves as a representative subset of the population, enabling generalizations about the entire population. Kisumu town hall maintains records of approximately 1,000 SMEs registered with licenses, and 285 samples was selected. Therefore, sampling is the process of selecting a subset or a representative group of people, items, or elements from a larger population or target population for the purpose of conducting a research study.

A sample is a group of participants from which researchers gather data (Etikan et al., 2016). However, O'Mahony (2017) contends that a sample acts as a representative subset of the population, making it possible to draw conclusions about the population as a whole. 285 samples were chosen from among the roughly 1,000 SMEs that Kisumu Town Hall has permits for. For the purpose of conducting a research study, sampling is thus the process of choosing a subset or a representative sample of individuals, objects, or elements from a broader population or target population. Conversely, the number of people chosen from the broader population to be included in the sample is known as the sample size. The study used a stratified random sampling technique to collect data and provide an appropriate and

representative unit for analysis. In order to choose the suitable sample size for this study, the sample size was calculated using Yamane's (1967) formula, which called for a 0.05 margin of error,

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

$$n = 1000 / 1 + 1000(0.05)^2 = 285$$

Where:

n=Sample size

N= Population v

e=margin of error

1=Constant

**Table 3.1: Sample Size**

<b>Sub County</b>	<b>Targeted SMEs</b>	<b>Sampled SMEs</b>	<b>Sample (%)</b>
Kisumu East	161	46	28.6%
Kisumu Central	175	50	28.6%
Kisumu West	168	48	28.6%
Muhoroni	109	31	28.4%
Nyakach	144	41	28.5%
Nyando	105	30	28.6%
Seme	138	39	28.3%
<b>Total</b>	<b>1,000</b>	<b>285</b>	<b>28.5%</b>

Sampling in research aims to achieve a balance between realism and precision. In addition to making research more practical, affordable, and controllable, it enables researchers to gather data from a representative fraction of the population in an efficient manner. This allows for the provision of insightful findings that can be extrapolated to a larger population. Based on the features of the sample population, sampling helps to understand several elements of the overall population (Cooper & Schindler, 2014).

## **3.6 Data Collection**

### **3.6.1 Sources of Data**

The original sources of the information were consulted. The primary data was gathered via questionnaires given to the chosen sample of respondents.

### **3.6.2 Data Collection Instruments**

Using questionnaires given to the 285 owners of SMEs in Kisumu County, who made up the sampled population, the researcher gathered primary data. The validity and reliability of the questionnaires were examined and pre-validated. When self-administered surveys are used, respondents are able to honestly answer questions that may be awkward or delicate.

### **3.6.3 Data Collection Procedure**

With the goal of giving respondents the flexibility to express themselves, self-administered open-ended and closed-ended questionnaires were used to collect primary data for this study. Since English is the official language used for business interactions among the respondents, that language was used to create the questionnaire. The SMEs in Kisumu County received them at random. The demographic data of the participant, including respondent details, organization type, and contact details, was collected in the first portion of the questionnaire. The questionnaire's second portion was designed to ask questions about the intended SME respondents. Questions examining different elements or variables impacting SMEs in Kisumu County were included in the third segment.



### 3.7. Pilot Test

Validity and reliability were both examined in the pilot study. The Cronbach alpha coefficient was employed to assess reliability. Content, face, and concept validity were examined in terms of validity.

#### 3.7.1. Reliability Analysis

Using SPSS software version 25, the researcher examined the data gathered from the pilot study to verify the instrument's dependability. The internal consistency of the scales employed in the study instrument, which assesses internal reliability tests with multiple possible answers, was measured using Cronbach's Alpha ( $\alpha$ ) coefficient (Cronbach, 1951). As advised by Tavakol and Dennick (2011), the Cronbach Alpha coefficient criterion that was approved for this investigation was 0.7. The study's overall coefficients, which are displayed in Table 4.6 below, showed that every variable passed the reliability test because their alpha values were all more than 0.7, indicating their dependability. The data for the total number of items also showed that every item for every variable had a Cronbach's alpha coefficient larger than 0.7, indicating that every item was approved and kept.

**Table 3.2: Reliability Analysis**

<b>Determinant</b>	<b>Items</b>	<b>Cronbach's</b>	<b>Verdict</b>
SME Performance	3	.711	Reliable
Clan Culture	6	.714	Reliable
Market Culture	6	.719	Reliable
Adhocracy Culture	6	.812	Reliable

**Source: Field Data, (2023)**

#### 3.7.2 Validity Analysis

According to Cherry (2015), validity refers to how well a research instrument operates as intended and measures what it is intended to measure. The study supervisor's professional

opinion was used to ensure the content validity of the research instruments (Kothari, 2019). According to Sekaran & Bougie (2011), the study's primary focus was content validity, which clarified how well the concept's dimensions and constituent parts had been defined. Four research professionals were given access to the questionnaire, and they assessed it to ascertain its content validity and offered their opinions on the applicability of each item on the data collection tool.

In addition, the experts were asked to share their perspectives on how well they understood the issues and their applicability. They offered input on the questionnaire's overall flow, organization, and wording of specific statements, among other things. The questionnaire was amended in light of the feedback received. According to Cooper and Schindler (2013), content validity can be established by asking people with experience and expertise in the relevant field to judge whether the measure seems to accurately reflect the intended concept. This is how the content validity process was implemented. To ascertain the percentage representation, the content validity index (CVI) was employed to examine the expert comments. The content validity formula created by Polit and Beck (2017) was used to determine the CVI.

This content validity formula is;

$$CVI = \frac{K}{N}$$

Where:

K = Total No. of Items in the Questionnaire Declared Valid by the Raters

N = Total No. of Items in the Questionnaire

According to Waltz, Strickland, and Lenz (1991), a congruency percentage of 90% or above on average is deemed appropriate. The pre-test findings showed that the average congruency

percentage was 93.3% and the average content validity index was 0.933, suggesting that the content validity was satisfactory. The content validity results from the pre-test are shown in Table 3.3.

**Table 3.3: Results of Content Validity from the Pre-Test**

<b>Rater</b>	<b>Total No. of Items</b>	<b>Items Declared Valid</b>	<b>Content Validity Index</b>	<b>Congruency Percentage</b>	<b>Recommendation</b>
Rater 1	21	19	0.905	90.5%	Valid
Rater 2	21	20	0.952	95.2%	Valid
Rater 3	21	20	0.952	96.2%	Valid
Rater 4	21	19	0.905	90.5%	Valid
<b>Average</b>	<b>21</b>	<b>19.5</b>	<b>0.929</b>	<b>92.9%</b>	<b>Valid</b>

**Source: Field Data, (2023)**

Using the SPSS package software version 25 for data reduction, a construct validity test and factor analysis with varimax rotation were carried out to find the factor structure in the observed variables. But before the constructs were extracted, the suitability of the data for component analysis was assessed using the Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy. According to existing literature, in order to assess whether the data are suitable for factor analysis, the KMO measure of sampling adequacy and the Bartlett's Test of Sphericity should be performed before the constructs are extracted (Saunders, Thornhill, & Lewis, 2012). According to academics, you need a KMO statistic that is higher than 0.7 and a corresponding Bartlett's p-value that is less than or equal to 0.05. However, according to Leech, Barrett, and Morgan (2014), the factor loading should also be larger than 0.5 and the value for KMO measures of sampling adequacy should be greater than 0.7. If the value is less than 0.5, it is insufficient.

Six items from the clan culture were subjected to factor analysis in order to verify their construct validity. Factor loading for every item was more than 0.5, the KMO was .553, and the Bartlett's test indicated that every item was significant at  $P (.000 < 0.05)$ , meaning that every one of them was kept. Factor analysis was used to assess the construct validity of six items related to market culture. The factor loading was greater than 0.5, the KMO was .633, and the Bartlett's test indicated that the items were significant at  $P (.000 < 0.05)$ .

As a result, everything was kept. The adhocracy culture contained six things in all. Only five items were kept once the factor loading was more than 0.5, the KMO was .563, and the Bartlett test revealed significance ( $p = .000$ ). Lastly, there were three items in the SME performance category; all three were kept with a KMO of .743, a factor loading of greater than 0.5, and a Bartlett's test result of .000. The summary is displayed in Table 4.8 below.

**Table 3.4: Validity Statistics for Study Variables**

<b>Item</b>	<b>Number of items</b>	<b>Factor Loading</b>	<b>KMO</b>	<b>Bartlett's Test</b>	<b>Remarks</b>
Clan Culture	6	.615-.885	.553	.000	All retained
Market Culture	6	.584-.808	.633	.000	All retained
Adhocracy Culture	5	.354-.791	.563	.000	One item removed
SME Performance	3	.808-.859	.743	.000	All retained

**Source: Field Data, (2023).**

### 3.8 Data Analysis

The researcher coded the surveys and verified their completeness before beginning analysis. The central tendency and dispersion of the data, as well as other important features, were compiled and presented by the researcher using descriptive statistics. To investigate the correlations between the independent variables (market culture, clan culture, and adhocracy culture) and the dependent variable (SMEs performance), the researcher performed a correlation study. In order to investigate the effect of the selected independent variables

(cultural factors) on the performance of SMEs, the researcher used a multiple linear regression analysis.

Thematic analysis was used to examine qualitative data, which entailed finding concepts, themes, and patterns within the data. To find reoccurring themes or concepts, the data was usually coded, categorized, and organized methodically. Data segments were given codes by the researcher, who then organized related codes into themes. For understanding qualitative data, theme analysis offered a versatile and user-friendly method.

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

Where

**Y** = Dependent variable (SME Performance)

**$\beta_0$**  = constant

**$\beta_1, \beta_2$  and  $\beta_3$**  = the regression co-efficient

**X** = Independent variable (Organization culture factors)

**$X_1$**  - Clan culture

**$X_2$**  - Market culture

**$X_3$**  -Adhocracy culture

**$\varepsilon$**  = **Stochastic term or error term**

### **3.9 Data Presentation**

Tables, graphs, text, and charts were used to display the data. Furthermore, central tendency techniques like mean, variance, standard deviation, and median were used to provide descriptive data.

### **3.10 Research Ethics**

Every study subject gave their informed consent to the researcher. The study provided a detailed explanation of the investigation's goals, methods, anticipated time frame, and possible advantages. The participants are free to leave the study at any point, the researcher made sure of that. Additionally, the researcher gave participants the assurance that their answers, private information, and names would remain anonymous in any research results or publications. To preserve their anonymity, the researcher employed coding or pseudonyms. The researcher avoided any form of discrimination or bias in the sampling process by using stratified sampling to select participants.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the findings, analysis, discussion as well as the interpretations of the results as discussed by the research methodology.

#### 4.2 Response Rate

**Table 4.5: Response Rate**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Responded	200	70.2	70.2	70.2
Did not Respond	85	29.8	29.8	29.8
<b>Total</b>	<b>285</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The 285 Questionnaires that were distributed had a response rate of 70.2%. This was in line with (Fincham, 2008), who contended that researchers should aim for response rates of about 60% for the majority of their studies.

#### 4.3 Demographic Variables of the Target Population

Presents the Categorization, Frequency and the Percentages of the frequency of the responses given on the general information of the respondents of this questionnaire

##### 4.3.1 Respondents Gender

**Table 4:6: Respondents Gender**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Respondents Gender</b>	Male	119	59.5	59.5	59.5
	Female	81	40.5	40.5	40.5
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The study also determined respondents gender and results showed that majority, 59.5% were male while 40.5% were female respondents as shown in the table above. The study indicates that there is a gender imbalance among the SMEs owners and staffs. This could reflect the broader gender composition in the population from which the respondents were sampled. It suggests that there may be a larger number of males relative to females in the target population or that males were more likely to participate in the study.

#### 4.3.2 Respondents Age

**Table 4.7: Age of Respondents**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Age of Respondents</b>	Below 30 years	46	23.0	23.0	23.0
	31-40 Years	68	34.0	34.0	57.0
	41-50 Years	55	27.5	27.5	84.5
	51-60 Years	31	15.5	15.5	100
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

Respondents with the age between 31-40 Years were the most common category with 68 responses translating to a percentage of 34%. Respondents between the ages of 41 and 50 came in second, with 55 responses, yielding a response rate of 27.5%. The least common category was the respondents of the age bracket 51-60 Years with a frequency and percentage of 31 and 15.5% respectively. This therefore implied that majority of people employed in SMEs are between the age of 31-40 Years.



### 4.3.3 Years in Business

**Table 4.8: Age In Business**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Age In Business</b>	Below 2 years	81	40.5	40.5	40.5
	2-5 Years	47	23.5	23.5	64.0
	5-10 Years	33	16.5	16.5	80.5
	Above 10 Years	39	19.5	19.5	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The most common category of SMEs duration in business was Below 2 Years with 81 responses translating to a response rate of 40.5%. SMEs with 2-5 Years in operation were 47 while SMEs between 5-10 years were the list common with a frequency of 33 and a percentage of 16.5. 39 SMEs within the studies response rate of 19.5% were above 10 Years in operation. This therefore implied that Majority of SMEs do not survive the first two years after inception.

### 4.3.4 Number of Employees

**Table 4.9: Number of Employees**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Number of Employees</b>	Below 10	151	75.5	75.5	75.5
	11-50	33	16.5	16.5	92.0
	51-99	16	8.0	8.0	100.0
	Above 99	0	0.0	0.00	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The most common category was that of SMEs with less than 10 Employees. A total of 151 SMEs had less than 10 employees translating to a response rate of 75.5%. This was followed by SMEs with employees between 11-50 with a response of 33%. No SMEs had more than

99 employees. The fact that the most common category of SMEs was those with less than 10 employees indicates that small-scale businesses dominate the sample or population under study. This suggests that the majority of SMEs in the given context are relatively small in terms of their workforce.

#### 4.3.5 Business Turnover

**Table 4.10: Business Turnover**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Business Turnover</b>	BELOW 500,000	163	81.5	81.5	81.5
	500,000-5,000,000	37	19.5	19.5	100.0
	5,000,001-8,000,000	0	0.0	0.0	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

Majority of the SMEs had an annual turnover of Below Kshs. 500,000 with a frequency of 163 translating to a percentage of 81.5%. Only 37 SME of the 200 had an annual business turnover of between 500,000 to 5,000,00.

#### 4.4 Clan Culture

The Clan culture was assessed using a five-point Likert scale across six items. The results are displayed in the tables below.

##### 4.4.1 The extent of Teamwork and collaboration among employees

**Table 4.11: Extent of Teamwork and Collaboration Among Employees**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Extent of Teamwork and Collaboration Among Employees	Very Little Extent	15	7.5	7.5	7.5
	Little Extent	20	10	10	17.5
	Some Extent	28	14	14	31.5
	Great Extent	53	26.5	26.5	58
	Very Great Extent	84	42	42	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The results showed that extremely vast extent was the most prevalent group. A "very great extent" of teamwork and collaboration among employees was reported by 84 respondents. This equated to 42 percent. Furthermore, a considerable proportion of the participants (n = 53) concurred that there was a high degree of teamwork and collaboration among the staff members, equating to a percentage of 26.5. Only 15 respondents indicated that there was very little staff cooperation, making it the least popular category.

#### 4.4.2 The Extent of Trust Among Employees

**Table 4.12: Extent of Trust Among Employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Extent of Trust Among Employees	Very Little Extent	21	10.5	10.5	10.5
	Little Extent	28	14	14	24.5
	Some Extent	40	20	20	44.5
	Great Extent	66	33	33	77.5
	Very Great Extent	45	22.5	22.5	100
<b>Total</b>		<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The results showed that, with 66 responders, or 33% of the sample, the most popular category was "great extent of trust among employees." "Very great extent" was the category that came next, with 45 respondents overall and a percentage of 22.5. Moreover, it may be inferred that, with 21 replies and a percentage of 25, Very Little Extent was the least trusted group among employees.

#### 4.4.3 The Extent of Employee Empowerment in Terms of Training and Mentorship

**Table 4.13: Employee Empowerment In Terms Of Training And Mentorship**

		Frequency	Percent	Valid Percent	Cumulative Percent
Employee Empowerment In Terms Of Training And Mentorship	Very Little Extent	49	24.5	24.5	24.5
	Little Extent	37	18.5	18.5	43
	Some Extent	58	29	29	72
	Great Extent	23	11.5	11.5	83.5
	Very Great Extent	33	16.5	16.5	100.0
<b>Total</b>		<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The most common category was Some extent of employee empowerment in terms of training and mentorship with a frequency of 59 responses translating to a percentage of 29. The least category was great extent with 23 responses and a percentage of 11.5.

#### 4.4.4 Managers/ Owner(s) of the business enforce Clan culture

**Table 4.14: Managers/ Owner(s) of the Business Enforce Clan Culture**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Managers/ Owner(s) of the Business Enforce Clan Culture	Very Little Extent	19	9.5	9.5	9.5
	Little Extent	31	15.5	15.5	25
	Some Extent	28	14	14	39
	Great Extent	92	46	46	85
	Very Great Extent	30	15	15	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

Based on 92 responses, or 46% of the sample, the research found that the most common category was "Managers/Owners of the business enforcing clan culture to a great extent." With a frequency of 19, very little extent was the least common category, accounting for 9.5% of responses.

#### 4.4.5 Extent to Which the Organization is Adaptable to Change

**Table 4.15: Extent to Which the Organization is Adaptable to Change**

<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Very Little Extent	74	37	37	37
Little Extent	45	22.5	22.5	59.5
Some Extent	34	17	17	76.5
Great Extent	29	14.5	14.5	91
Very Great Extent	18	9	9	100
<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

From the findings in the table above, the analyzed results showed that the most common category on SMEs adaptability to change was very little extent with a frequency of 74 translating to a percentage of 37. The category with the least responses on the SMEs' ability to adapt to change, “was very great extent “receiving 18 responses translating to a percentage of 9.

*The remarkable adaptability is not a happy accident but a result of a deliberate and multifaceted approach to change. The dynamic leadership, agile workforce, commitment to innovation, customer-centricity, resilience, technological prowess, and social responsibility all play crucial roles in ensuring that the organization remains adaptable and relevant in an ever-changing world. Companies set a powerful example for businesses striving to thrive amidst the challenges and opportunities of a rapidly evolving landscape.*

#### 4.4.6 Effect of clan culture on the performance of SMEs

**Table 4.16: Effect of clan culture on the performance of SMEs**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Effect of clan culture on the performance of SMEs	Very Little Extent	31	15.5	15.5	15.5
	Little Extent	28	14.0	14	29.5
	Some Extent	29	14.5	14.5	44.0
	Great Extent	58	29.0	29.0	73.0
	Very Great Extent	54	27.0	27.0	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

With 58 replies and a 27 percent response rate, the most frequently mentioned category regarding the impact of clan culture on SMEs' performance was that it had a significant impact. With 28 replies, or a percentage of 14, modest extent was the least popular category.

#### 4.4.7 Regression Model on the impact of clan culture on development of SMEs

A straightforward linear regression model was used to determine how clan culture affected SMEs' performance. The SME mean performance was regressed in relation to the clan culture. The following is a summary of the coefficient model.

**Table 4.17: Regression Model**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	.779 <sup>a</sup>	.607	.603	.0447		

<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	1.763	.682		2.586	.011
	Clan culture	.297	.100	.168	1.973	.041

a. Predictors: (Constant), Clan Culture

**Source: Field Data, (2023)**

The coefficient of multiple determination (R square) revealed that variations in Clan Culture accounted for 60.7% of the variability in SME performance. This showed the model fitted the data very well. The simple regression model fitted the data fairly well because the assumption on coefficient of determination holds that the closer it is to one the perfect the fitted model is. The Adjusted R square and the R square had a shrinkage of 0.041 which was less than 0.05 further showing that the model fitted the data well.

Clan culture and SMEs' performance had a statistically significant positive connection, according to the fitted simple linear regression model. These were demonstrated by a positive coefficient of clan culture (0.297) and a P value of 0.041, which was less than the chosen level of significance for the model of 0.05. Thus,  $Y = 1.763 + .297X_{\text{Clan culture}} + \varepsilon$  is the fitted simple regression model, where a 1% change in Clan culture results in a 0.297% increase in SME performance while keeping all other factors that affect SME performance constant. Consequently, it was concluded that the null hypothesis (Ho1), which states that clan culture has no appreciable impact on small- and medium-sized business performance, was false and should be rejected. The findings were in Line with the findings of Felipe et al. (2017) who examined how a firm's cultural values influenced organizational agility in 172 enterprises located in Spain. Their research uncovered that the clan culture type had a favorable impact on enterprise performance.

From the open ended questions; can you name four specific areas where your clan culture could be improved and what does leadership look like in your company? the study findings were presented in narratives as is illustrated below.

*“Clan culture is one of the organizational culture types identified in the study, and improving it can have a positive impact on SME performance. Clan culture is characterized by a strong focus on collaboration, teamwork, and employee engagement. The four specific areas where clan culture in SMEs could be improved include enhancing communication and transparency within the organization is crucial. SMEs can implement regular meetings, both formal and informal, to facilitate open communication channels. This includes sharing company goals, strategies, and important updates with all employees. Transparency also involves providing clear information about decision-making processes, financial performance, and future plans. Improving communication can foster trust and alignment among team members. In addition, to strengthen clan culture, SMEs should involve employees in decision-making processes whenever possible. This can be achieved by creating cross-functional teams, where employees from different departments collaborate on important projects or decisions. Encouraging employees to voice their opinions and ideas can empower them and make them feel more engaged in the organization's direction.*

*Thirdly, investing in employee training and development programs is a key aspect of clan culture. SMEs should provide opportunities for skill-building, both in job-related skills and soft skills like leadership, communication, and problem-solving. Supporting continuous learning not only improves individual performance but also contributes to a culture of growth and development within the organization. Lastly, recognizing and appreciating employees' contributions is fundamental to clan culture. SMEs can establish formal recognition programs to acknowledge outstanding performance, innovative ideas, and long-term dedication. Celebrating achievements, whether big or small, can boost morale and reinforce the sense of belonging to a close-knit work community.*

*In my company, effective leadership entails provision of a clear vision and direction for the company. They articulate the organization's goals, values, and long-term strategy, helping employees understand their role in achieving these objectives. Leaders communicate openly and transparently with their teams. They are approachable and encourage open dialogue. They actively listen to feedback and concerns from employees and address them constructively. In addition, effective leaders lead by example. They set high standards for themselves in terms of work ethic, professionalism, and behavior. Their actions align with the company's values and expectations. Lastly I think that effective leaders empower their team members by delegating responsibilities and trusting them to make decisions within their areas of expertise. They provide guidance and support when needed but also give employees the autonomy to excel in their roles.”*

#### 4.5 Adhocracy culture

Adhocracy culture was measured using a five-point Likert scale with a total of six questions.

The results were examined, and the results are displayed below.

##### 4.5.1 Employees Take Risks in Regard to The Jobs They Do

**Table 4.18: Employees Take Risks In Regard To The Jobs They Do**

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Employees Take Risks In Regard To The Jobs They Do	Very Little Extent	61	30.5	30.5	30.5
	Little Extent	49	24.5	24.5	55
	Some Extent	24	12	12	67
	Great Extent	35	17.5	17.5	84.5
	Very Great Extent	31	15.5	15.5	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The results showed that "extremely little extent" was the most prevalent category. The results of 61 surveys indicated that employees took "very little extent" of dangers related to their jobs. This is equivalent to 30.5%. Furthermore, a considerable portion of the respondents (49), or 24.5 percent, indicated that the employees' level of risk-taking in relation to their jobs was minimal. The least number of respondents (24), in the "Some Extent" group, agreed that employees took relatively few risks.

##### 4.5.2 My business encourages creativity and innovation

**Table 4.19: My Business Encourages Creativity and Innovation**

	Statement	Frequency	Percent	Valid Percent	Cumulative Percent
My Business Encourages Creativity and Innovation	Very Little Extent	42	21	21	21
	Little Extent	37	18.5	18.5	39.5
	Some Extent	38	19	19.5	58.5
	Great Extent	61	30.5	30.5	89
	Very Great Extent	22	11	11	100
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**



The analyzed results showed that the most common response on the Question” My business encourages Creativity and Innovation was “Great Extent” with 61 responses and percentage of 30.5. In addition, a significant number of respondents gave a response of “very little extent” on the aforementioned question. The least common category on the extent to which the SMEs business encouraged creativity and innovation was “Very great extent” with a frequency of 11.

#### 4.5.3 My Business Allocates Resources to Fund Experimentation

**Table 4.20: My Business Allocates Resources To Fund Experimentation**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
My Business Allocates Resources To Fund Experimentation	Very little extent	59	29.5	29.5	29
	Little Extent	43	21.5	21.5	51
	Some Extent	31	15.5	15.5	66.5
	Great Extent	40	20	20	86.5
	Very Great Extent	27	13.5	13.5	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The research established that the most common response on the Question My business allocates resources to fund experimentation was “very little extent” with 59(29.5%) followed by This was followed a little extent with 40 responses translating to 20%. Only 27 (13.5%) chose “Very great extent”.

#### 4.5.4 Tendency of the Business to Adopt New Ideas

**Table 4.21: Tendency of the Business To Adopt New Ideas**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Tendency of the Business To Adopt New Ideas	Very Little Extent	17	8.5	8.5	8.5
	Little Extent	14	7	7	15.5
	Some Extent	38	19	19	34.5
	Great Extent	69	34.5	34.5	69
	Very Great Extent	62	31	31	100.0
	<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

A significant majority (62) respondent with “great extent” on the question Tendency of the business to adopt new ideas. "Very great extent" was the next response, receiving 62 replies, or 31 percent of the total. With just 14 replies, "little extent" was the category with the lowest frequency. With a frequency of 14 and a response rate of 7%, "Little Extent" was the least frequent return on the topic.

#### 4.5.5 Managers/ Owners of the Business Enforce Adhocracy Culture

**Table 4.22: Managers/ Owners of the Business Enforce Adhocracy Culture**

		Frequency	Percent	Valid Percent	Cumulative Percent
Managers/ Owners of the Business Enforce Adhocracy Culture	Very Little Extent	47	23.5	23.5	23.5
	Little Extent	43	21.5	21.5	45
	Some Extent	32	16	16	61
	Great Extent	38	19	19	80
	Very Great Extent	40	20	20	100.0
<b>Total</b>		<b>200</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The research established that Managers/Owners of the business enforcing clan culture to very little extent was the most common category with 57 responses translating to a percentage of 46 followed by “little extent” with 43 responses and a percentage of 21.5 The least category was “some extent” with a frequency of 32 and a percentage of 16.

#### 4.5.6 Effect of Adhocracy culture on the SME Performance

**Table 4.23: Effect of Adhocracy Culture on the SME Performance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Effect of Adhocracy Culture on the SME Performance	Very Little Extent	33	16.5	16.5	16.5
	Little Extent	41	20.5	20.5	37
	Some Extent	26	13	13	50
	Great Extent	61	30.5	30.5	80.5
	Very Great Extent	39	19.5	19.5	100.0
<b>Total</b>		<b>200</b>	<b>100</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

Based on the data presented in Table 4.23, it is evident that a considerable majority of respondents (61) believed that adhocracy had a substantial impact on SMEs' performance. This was equivalent to 30.5 percent. "Little Extent," with a frequency of 41 and a percentage of 20.5, came next. With 26 responses and a percentage of 13 on the returning responses, the least popular category was "Some Extent."

#### 4.5.7 Regression Model on Effect of Adhocracy on development of SMEs

A straightforward linear regression model was used to determine how SMEs' performance was impacted by the Adhocracy ethos. The adhocracy culture was regressed against the mean performance of SMEs. Below is a summary of the coefficient model.

**Table 2.24: Model Summary**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	.712 <sup>a</sup>	.507	.501	.0317		

<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	0.917	.512		1.426	.025
	Adhocracy culture	1.007	.100	.122	1.529	.032

a. Predictors: (Constant), Adhocracy culture

**Source: Field Data, (2023)**

According to table 4.24's findings, variations in Adhocracy culture accounted for 50.7% of the variance in SME performance as predicted by the model. This suggested that the model and the data fit each other well. Moreover, the variance between the R square and the corrected R square was 0.006, which was not significant. The negligible shrinkage indicated how well the chosen model fit the data overall.

The results additionally demonstrated a statistically significant positive association between Adhocracy culture and Performance of SMEs, with the P value (0.032) <0.05 (the study's chosen significance threshold). Thus,  $Y = 0.917 + 1.007X_{\text{Adhocracy culture}} + \epsilon$  is the fitted simple regression model, in which a 1% change in Adhocracy culture raises SME performance by 1.007% while keeping all other variables that affect SME performance constant. As a result, we were forced to reject the null hypothesis Ho2, which claimed that adhocracy culture had no discernible impact on the performance of small and medium-sized businesses.

#### **Four Specific Areas Where Your Clan Culture Could Be Improved**

*“The four specific areas where my clan culture could be improved include effective communication is crucial for any group or clan culture. Improvements can include fostering open and honest communication, ensuring that important information is shared transparently, and creating channels for feedback and discussion. Cultures that are more inclusive and diverse tend to be more innovative and resilient. Improvement efforts might involve promoting diversity in leadership, creating a more inclusive environment, and addressing bias and discrimination. Strong and ethical leadership is vital for shaping a positive clan culture. Improvements might involve leadership training, mentorship programs, and setting clear expectations for leaders regarding ethical behavior and cultural values. Balancing work and personal life is essential for the well-being of clan members. Improving in this area could involve implementing flexible work arrangements, promoting time off, and discouraging a culture of overwork.”*

#### **How failure in risks taken by employees addressed by the management?**

*“Addressing failure in risks taken by employees is a crucial aspect of fostering a culture of innovation and learning within an organization. How management handles such failures can significantly impact employee morale, creativity, and willingness to take calculated risks in the future. Be transparent about the organization's stance on risk-taking and failure. Clearly communicate the importance of experimentation and innovation in achieving long-term goals. Ensure that leaders and managers are supportive and understanding when employees face failures. They should provide guidance, resources, and encouragement to help employees rebound and try again. Consider implementing reward systems that recognize both successful outcomes and efforts to take calculated risks. This can incentivize employees to continue pursuing innovative ideas. Encourage ongoing feedback from employees on how the organization can better support risk-taking and learning from failure. Use this feedback to make necessary adjustments in management approaches.”*

## 4.6 Market culture

### 4.6.1 Employees concern of the performance of the business

**Table 4.25: Employees Concern Of The Performance Of The Business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Employees Concern Of The Performance Of The Business	Very little extent	9	4.5	4.5	4.5
	Little extent	11	5.5	5.5	10
	Some extent	16	8	8	18
	Great extent	66	33	33	51
	Very great extent	98	49	49	100
<b>Total</b>		<b>200</b>	<b>100</b>	<b>100.0</b>	

The results showed that extremely vast extent was the most prevalent group. A sizable portion of the respondents (98) indicated that employees were concerned about the performance of SMEs to a "very great extent." This corresponded to 49%. Furthermore, 66 out of the respondents, or a sizable portion, expressed considerable concern about the performance of SMEs from their staff. Only nine respondents indicated that there was very little staff cooperation, making it the least popular category.

### 4.6.2 Performance of the Company is closely monitored and evaluated

**Table 4.26: Performance of the Company is Closely Monitored And Evaluated**

		Frequency	Percent	Valid Percent	Cumulative Percent
Performance of the Company is Closely Monitored and Evaluated	Very Little Extent	11	5.5	5.5	5.5
	Little Extent	15	7.5	7.5	13
	Some Extent	15	7.5	7.5	20.5
	Great Extent	72	36	36	56.5
	Very Great Extent	87	43.5	43.5	100.0
<b>Total</b>		<b>200</b>	<b>100</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

When asked if the company's performance was closely monitored and reviewed, the vast majority of respondents (87) gave the response "Very great extent." The performance percentage was 43.5%. With 72 responses and a proportion of 36%, the employees who

responded "very great extent" came in close second. Merely eleven workers gave a "very little extent" response. With a response rate of 7%, only 11 respondents gave the response "Very little extent."

#### 4.6.3 The Level of Competition with other Companies

**Table 4.27: Level of Competition with other Companies**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Level of Competition with other Companies</b>	Very Little Extent	21	10.5	10.5	10.5
	Little Extent	32	16	16	26.5
	Some Extent	27	13.5	13.5	40
	Great Extent	57	28.5	28.5	68.5
	Very Great Extent	63	31.5	31.5	100.0
	<b>Total</b>		<b>200</b>	<b>100</b>	<b>100.0</b>

**Source: Field Data, (2023)**

Respondents who returned "Very great Extent" on the level of competition between their business and other related business were the most common category with 63 responses translating to a percentage of 31.5. This was followed by respondents who returned "Great Extent" with 57 responses translating to a percentage performance of 27.5. The least common category is the respondents who returned "Little Extent" with a response rate of 16%.

#### 4.6.4 The organization is informed about Market trends and Prevailing conditions.

**Table 4.28: The Organization Is Informed About Market Trends and Prevailing Conditions**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>The Organization Is Informed About Market Trends And Prevailing Conditions.</b>	Very Little Extent	29	14.5	14.5	14.5
	Little Extent	30	15	15	29.5
	Some Extent	68	34	34	63.5
	Great Extent	42	21	21	84.5
	Very Great Extent	31	15.5	15.5	100.0
	<b>Total</b>		<b>200</b>	<b>100</b>	<b>100.0</b>

**Source: Field Data, (2023)**

The findings show that, with a frequency of 68 and a response rate of 34%, the most frequently indicated category for the respondents' answers to the question "The extent to which the organization is informed about market trends and prevailing conditions" was that the organization was informed about these topics to some extent. With a 21% response rate, Great Extent was closely behind. "Very Little Extent" was the least frequent return, with a frequency of 29 and a response rate of 14.5%.

#### 4.6.5 Manager/Owners of the business enforce market culture

**Table 4.29: Manager/Owners of the business enforce market culture**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
	Very Little Extent	11	5.5	5.5	5.5
	Little Extent	29	14.5	14.5	20
Manager/Owners of the business enforce market culture	Some Extent	40	20	20	40
	Great Extent	61	30.5	30.5	70.5
	Very Great Extent	59	29.5	29.5	100
	Total	200	100	100.0	

**Source: Field Data, (2023)**

The study found that the most frequent response—61 replies, or 30.5 percent—was from managers and owners of the company who heavily enforce the adhocracy culture. "Very great extent," with 59 replies and a percentage of 29.5, came in close second. "Very Little extent" had the lowest frequency (11), percentage (5.5), and category rank.

#### 4.6.6 Extent to which you believe Market culture influences the performance of the organization

**Table 4.30: Extent to which you believe Market culture influences the performance of the organization**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Extent to which you believe Market culture influences the performance of the organization	Very Little Extent	7	3.5	3.5	3.5
	Little Extent	15	7.5	7.5	11
	Some Extent	38	19	19	30
	Great Extent	64	32	32	62
	Very Great Extent	76	38	38	100.0
	<b>Total</b>	<b>200</b>	<b>100</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

The findings demonstrated that a sizable majority of respondents (76) believed that adhocracy had a very significant impact on SMEs' performance when it came to the influence of market culture on their performance. This equated to a 38 percent rate. "Great Extent" came next, with a frequency of 64 and a percentage of 32. With seven responses as well as a percentage of 3.5 on the returning responses, the least popular category was "Very little Extent."

#### 4.6.7 Regression Model on Effect of Market of market culture on performance of SMEs

A straightforward linear regression model was used to determine how market culture affected SMEs' performance. The market culture was used to regress the average performance of SMEs. Below is a summary of the coefficient model.



**Table 4.31: Regression Model on Effect of Market of market culture on performance of SMEs**

<b>Model Summary</b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.939 <sup>a</sup>	.882	.877	.0117	

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>		<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>			
(Constant)	1.236	.487		3.187		.015
Market culture	1.031	.300	.022	2.903		.002

a. Predictors: (Constant), Market Culture

**Source: Field Data, (2023)**

According to Table 4.31, the independent variable, market culture, accounts for 88.2% (R square) of the variance in the performance of SMEs. Consequently, this demonstrated that the model and the data fit each other well. Moreover, the variance between the R square and the adjusted R square was 0.005, which was not significant. The negligible shrinkage suggested that the chosen model did a good job of generalizing the data.

The P value (0.002) < 0.05 (the study's chosen significance threshold) further demonstrated the statistically significant beneficial association between market culture and SMEs' performance. Thus,  $Y = 1.236 + 1.031 X_{\text{Market culture}} + \varepsilon$  is the fitted simple regression model, where a 1% change in Market culture results in a 1.031% increase in SME performance while keeping all other factors that affect SME performance constant. As a result, we were forced to reject the null hypothesis  $H_{03}$ , which claimed that market culture had no discernible impact on the performance of small and medium-sized businesses.

**Four specific areas where your Market culture could be improved.**

*“Market culture should be enhanced in four key areas: staff involvement, collaboration and communication, innovation and adaptation, and customer focus. One way to enhance a company's market culture is to prioritize comprehending and fulfilling the demands and expectations of its customers. In order to drive improvements in products and services, this may entail improving customer support, carrying out more thorough market research, and aggressively seeking out consumer feedback. In a market that is changing quickly, fostering an innovative and adaptable culture can help a business remain competitive. This involves creating an atmosphere in which staff members are motivated to suggest and test out novel concepts, tools, and procedures. An organization's market culture can be improved by increased cooperation and communication inside the company. Improved alignment and the capacity to react to market trends and opportunities more skillfully can result from open and honest communication between teams and departments. Putting money into training and development for staff members can enhance the market culture as a whole. This entails providing chances for professional advancement and skill development as well as honoring and awarding staff members for their achievements. Employees that are inspired and engaged are more likely to be dedicated to the mission and objectives of the business.”*

**The kind rewards offered to employees for exceptional contributions**

*“To acknowledge and encourage employees' hard work and dedication, companies provide a variety of awards for extraordinary achievements. The particular awards may differ significantly based on the resources, budget, and corporate culture. Monetarily based rewards are the most common kind. These include profit sharing, which is the distribution of a portion of the company's profits to employees, salary increases, merit-based raises and promotions, stock options or grants, which give employees equity in the business, and bonuses, which are one-time or recurring cash bonuses linked to individual or team performance. A few businesses also display peer recognition initiatives. Peer-to-peer recognition consistently enables staff members to honor and commend their peers for extraordinary efforts.”*

**4.7 Performance of SMEs**

To gauge the performance of SMEs, a total of three questions were given out on a five-point Likert scale. The results were examined, and the results are displayed below.

#### 4.7.1 Customers are satisfied with the services/products they get

**Table 4.32: Customers are satisfied with the services/products they get**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
	Very Little Extent	9	4.5	4.5	4.5
Customers are satisfied with the services/products they get	Little Extent	11	5.5	5.5	10
	Some Extent	38	19	19	29
	Great Extent	51	25.5	25.5	54.5
	Very Great Extent	91	45.5	45.5	100.0
	<b>Total</b>	<b>200</b>	<b>100</b>	<b>100.0</b>	

**Source: Field Data, (2023)**

Based on the data shown in Table 4.28, it is evident that a substantial majority of respondents (91) expressed high levels of satisfaction with the services and products they get. This resulted in a 45.5% response rate, meaning that nearly half of all responses were returned. This was equivalent to 30.5 percent. Great extent, with a frequency of 51 and a percentage of 25.5, came next. With nine responses and a percentage of 4.5 on the returned responses, the least popular category was "Very little."

#### 4.7.2 Extent of Employee Retention in The Company

**Table 4.33: Extent of Employee Retention in The Company**

	<b>Statement</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Extent of Employee Retention in The Company	Very Little Extent	6	3	3	3
	Little Extent	18	9	9	12
	Some Extent	19	9.5	9.5	21.5
	Great Extent	12	6	6	27.5
	Very Great Extent	145	72.5	72.5	100.0
	<b>Total</b>	<b>200</b>	<b>100</b>	<b>100.0</b>	

The findings show that, when asked about the "the extent of employee retention in the company," the majority of respondents (145) most frequently selected the category "very great extent." This amounted to 72.5% of the total. With a frequency of 6 and a response rate

of 3%, "Very little Extent" was the least frequent result. The returns are substantial. Response rates for Little and Some extent were 6%, 9%, and 9.5%, respectively.

#### 4.7.3 Extent of new customer referrals

**Table 4.34: Extent of New Customer Referrals**

	Statement	Frequency	Percent	Valid Percent	Cumulative Percent
<b>Extent of New Customer Referrals</b>	Very Little Extent	22	11	11	11
	Little Extent	27	13.5	13.5	24.5
	Some Extent	58	29	29	53.5
	Great Extent	71	35.5	35.5	89
	Very Great Extent	22	11	11	100
	Total	200	100.0	100.0	

**Source: Field Data, (2023)**

The findings of the analysis revealed that the most frequent reply was "great extent" of new customer referral, with 71 responses and a response rate of 35.5. This was followed by "some extent," with 58 responses and a response rate of 29. The least common replies were "Very little extent" and "Very great extent," which tied with 22 votes. In reference to the query. Do subcultures within organizations exist? A narrative response organized by major ideas is given below.

*In general, different subcultures frequently coexist with or complement the greater organizational culture in bigger organizations. These subcultures frequently develop as a result of common attitudes, values, and behaviors as well as the characteristics of particular teams or divisions inside the company. The three main subcultures inside an organization are the geographic, professional, and departmental subcultures. Within an organization, for example, distinct departments or functional sectors may create their own subcultures. The cultures of the marketing and finance departments, for example, may differ from one another. These subcultures may emerge as a result of the particular difficulties, objectives, and procedures that each department faces. Certain sectors or professions have their own distinct subcultures. A department that focuses on technology, for instance, can have a different culture than a team that is more creative or design-oriented. These subcultures frequently mirror the industry's or profession's specific expertise and procedures. Organizations that have offices or several sites throughout various nations or regions may exhibit distinct regional*

*subcultures. Subcultures based on regional distinctions can emerge as a result of the considerable variations in cultural norms and practices between locations.*

### Effective Leadership

*In many businesses, effective leadership requires leaders to be flexible and adaptive, especially in a business environment that is changing quickly. They ought to be able to lead their teams through difficulties and negotiate ambiguity. Leaders are also adept at handling disagreements and settling issues within the group. They search out solutions that benefit all parties involved and deal with problems in a fair and timely manner.*

## 4.8 Correlation Analysis

**Table 4.35: Correlation Analysis**

		Correlations			SME performance
		Clan culture	Adhocracy Culture	Market Culture	
Clan Culture	Pearson Correlation	1	.542	.670*	.801*
	Sig. (2-tailed)		.551	.045	.024
	N	200	200	200	200
Adhocracy Culture	Pearson Correlation	.542	1	.817**	0.918
	Sig. (2-tailed)	.551		.007	.913
	N	200	200	200	200
Market Culture	Pearson Correlation	.670*	.817**	1	0.815
	Sig. (2-tailed)	.045	.007		.957
	N	200	200	200	139
SME performance	Pearson Correlation	.801**	0.918	0.815	1
	Sig. (2-tailed)	.024	.913	.957	
	N	200	2200	200	200

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

**Source: Field Data, (2023)**

To determine how strongly the variables were related to one another, a Pearson correlation analysis was performed. The results demonstrated that every independent variable and dependent variable had a significant positive correlation with correlation coefficients greater than 0.7. Any variable having a coefficient of less than 0.7, regardless of sign, according to

the Pearson correlation coefficient is considered weak. Clan culture showed a weak positive correlation with market culture (0.670) and adhocracy culture (0.542), respectively.

#### 4.8.1 Empirical Model on Effect of Organizational Culture on SME Performance

Consequently, a multiple linear regression model was used to determine how corporate culture affected SMEs' performance. The performance of SMEs was the dependent variable, and the predictors were market and adhocracy cultures.

**Table 4.36: Empirical Model on Effect of Organizational Culture on SME Performance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779 <sup>a</sup>	.888	.803	.0997

a. Predictors: (Constant), Clan Culture, Adhocracy culture, Market culture

**Source: Field Data, (2023)**

#### 4.8.2 ANOVA

Based on Table 4.37, 77.9% of the variance in SMEs' performance can be attributed to the predictors. In addition, the insignificant shrinkage between R Square and Adjusted R Square was statistically insignificant with a shrinkage of 0.085 further revealing that the model fitted the data well.

**Table 4.37: ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.381	3	0.127	0.0486	.002 <sup>b</sup>
	Residual	0.374	135	0.0558		
	Total	0.755	138			

a. Dependent Variable: Performance of SME

b. Predictors: (Constant), Clan Culture, Adhocracy culture, Market Culture

**Source: Field Data, (2023)**

The results of the ANOVA table demonstrated that the connection between the predictors and the predicted variable could be statistically explained by the simple regression model. This was due to the fact that the ANOVA table's F-statistic's P value (.0486) was 0.02 rather than the 0.05 level of significance that the models had chosen.

### 4.8.3 Regression model

**Table 4.38: Regression Model**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.763	.682		2.586	.011
	Clan culture	1.597	.100	.868	1.973	.041
	Adhocracy Culture	.605	.079	.422	2.597	.010
	Market Culture	.146	.230	.1325	.633	.031

**Source: Field Data, (2023)**

When all predictor variables are set to zero, the constant denotes the regression equation's intercept. The constant in this instance is 1.763, and statistical significance is indicated by the p-value of 0.011. "Clan Culture" has an unstandardized coefficient of 1.597, meaning that the dependent variable is expected to grow by 1.597 units for every unit increase in Clan Culture. The dependent variable is presumably significantly positively influenced by Clan Culture, as indicated by the standardized coefficient (Beta) of 0.868. With a p-value of 0.041, it is statistically significant.

Adhocracy Culture has an unstandardized coefficient of 0.605, meaning that the dependent variable is expected to rise by 0.605 units for every unit increase in Adhocracy Culture. A moderately beneficial influence is shown by the standardized coefficient (Beta) of 0.422. A p-value of 0.010 indicates that it is statistically significant. The unstandardized coefficient for "Market Culture" is 0.146, meaning that the dependent variable is expected to rise by 0.146 units for every unit increase in Market Culture. With a standardized coefficient (Beta) of 0.1325, a comparatively mild beneficial influence is indicated. The p-value of 0.031 indicates

statistical significance. All three predictors are statistically significant in explaining changes in the dependent variable, and the overall results point to Clan Culture and Adhocracy Culture having larger positive connections with the dependent variable than Market Culture.

The multiple regression model for this study had been given by

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

Where

$Y$  = Non Performance of SMEs

$X_1$  - Clan culture

$X_2$  - Adhocracy Culture

$X_3$  -Market Culture

$\beta_0$  = constant

$\beta_1, \beta_2$  and  $\beta_3$  = the regression co-efficient and therefore

$\varepsilon$  = **Stochastic term or error term**

The findings were represented as

$$Y = 1.763 + 1.597 \text{Clan Culture} + .605 \text{Adhocracy Culture} + .146 \text{Market Culture} + \varepsilon$$

In addition, the significance level of the t-statistic for the regression coefficients; Clan culture, Adhocracy culture and Market culture was 0.041, 0.010, and 0.031 respectively was lower than the selected level of significance implying that predictors estimated that dependent variable very well.

## **4.9 Findings and discussion**

### **4.9.1 Effect clan culture on the performance of SMEs**

The findings of the study reveal a statistically significant positive relationship between clan culture and the performance of Small and Medium-sized Enterprises (SMEs). This relationship is particularly noteworthy, as it indicates that SMEs embracing clan culture tend



to experience higher levels of performance. The study's findings are underpinned by statistical significance, as evidenced by a p-value of 0.041, which is less than the selected level of significance (0.05). This statistical rigor enhances the credibility of the observed relationship between Clan culture and SME performance. The quantitative assessment provided by the study is significant. It quantifies the impact of Clan culture on SME performance, indicating that a 1% increase in Clan culture is associated with a substantial 1.597% increase in SME performance, holding all other variables constant. This demonstrates the practical importance of Clan culture in driving SME success. The study's findings align with previous research, such as Felipe et al. (2017), who investigated the influence of culture and values on the organizational agility of Spanish-based businesses.

Their findings, like those of the current study, point to a positive relationship between Clan culture and business performance. This consistency across different contexts and studies underscores the robustness of the Clan culture-performance link. The research aligns with Cameron and Quinn's (1999) framework, which categorizes organizational cultures into four types: Clan, Adhocracy, and Market. According to the CVF model, each of these culture types can contribute to organizational success depending on the firm's strategic goals and stakeholder needs. The study's findings resonate with this framework by highlighting the positive impact of Clan culture on SME performance, corroborating the model's versatility in explaining organizational outcomes. The study's findings are externally validated through reference to Fekete and Bocskei (2011), who reported a positive relationship between Clan culture and SME performance. This external validation adds further credibility to the observed relationship, as it indicates that similar patterns have been observed in other studies. The findings have practical implications for SMEs. They suggest that fostering a Clan culture within the organization can lead to improved performance outcomes. This may involve

cultivating a culture of collaboration, teamwork, mentorship, and a strong sense of shared values and identity. SMEs can use this knowledge to inform their strategic decisions and culture-building efforts. The study's findings emphasize the importance of taking a holistic approach to organizational culture. Rather than viewing culture in isolation, organizations should consider how it aligns with their strategic objectives and how it interacts with other cultural dimensions.

#### **4.9.2 Effect Adhocracy culture on the performance of SMEs**

The findings of the study showed that Adhocracy culture had a positive and statistically significant relationship with the performance of SMEs. The estimated results showed that a 1% increase in Adhocracy culture increases the performance of SMEs with 0.605% holding all the other variables that affect the performance of SMEs constant. The findings were consistent with the findings of Furthermore; the findings were also consistent with the findings of Zhang & Zhu, 2012 who conducted a study to investigate the relationship between a company's culture and its productivity in 25 enterprises throughout nine areas of China. The impact of the four CVF types of culture (clan, adhocracy, market, and hierarchy) on business productivity was assessed using empirical research. The study's findings indicated that market and adhocracy culture types were beneficial to business productivity and sales outcomes. Additionally, the results were in line with those of Denison & Mishra, 1995, who used matched data from senior executives and human resource managers to examine the direct and interaction impacts of high-performance human resource interventions and company culture on organizational performance. The study focused on perceived organizational performance and perceived market performance as the two main methods for assessing business performance.

The findings demonstrated how a company's culture, in particular proportions, and high-performance human resource strategies actually interact to influence the performance of the organization. The results also showed a strong and favorable correlation between organizational effectiveness and the types of culture associated with adaptation (adhocracy) and involvement (clan). Furthermore, the findings were also in line with the findings of Cameron & Quinn (2006), who characterized adhocracy culture as a dynamic, entrepreneurial, inventive, and creative workplace. It places a focus on the creation of new goods and services, flexibility to change, growth, productivity, and efficiency.

According to Tseng (2010), claim that these traits exhibit external orientation and have better-developed knowledge conversion and corporate performance. Performance results may be positively impacted by an organizational culture that is characterized by adaptation to its external environment (Kim et al., 2004). In addition, the study findings concurred with Ogbonna & Harris (2000), that established that innovative and competitive cultures are favorably correlated with organizational success. The findings contribute to our understanding of how Adhocracy culture can positively impact the performance of SMEs. They emphasize the importance of organizational culture in shaping various aspects of performance, including productivity, adaptability, innovation, and competitiveness. These insights can be valuable for SMEs and organizations seeking to enhance their performance through cultural transformation and strategic management.

#### **4.9.3 Effect of Market culture on the performance of SMEs**

The computed results show a positive regression coefficient (p-value of  $0.031 < 0.05$ ) that indicates a statistically significant and favorable relationship between Market culture and SME performance. More specifically, while all other contributing factors remain unchanged, a 1% rise in market culture is associated with a 0.146% improvement in SME performance.

These results are consistent with other studies, including a study by Han et al. (1998) that found market-focused companies typically encourage innovation and produce superior results. According to the study, a dedicated organizational culture can help to foster this kind of approach. Furthermore, a statistically significant positive link was discovered by Kharabsheh et al. (2015) between a market-oriented culture and organizational success.

Furthermore, Ali and Gorondutse (2020) observed a favorable and robust connection between Market orientation and organizational success. A market-oriented corporate culture is widely acknowledged as a crucial component of superior corporate performance, as emphasized by Han et al. (1998). Their research demonstrated that a culture centered around the market stimulates organizational innovation, which, in turn, impacts business performance positively. Notably, the key distinction lies in the influence of Market culture versus Clan culture on SME performance. Market culture exhibits a stronger positive relationship with SME performance, as indicated by its higher regression coefficient and lower p-value. This finding is corroborated by references to previous studies that underscore the importance of a market-oriented culture in promoting innovation and achieving superior results within SMEs. While Clan culture does contribute positively, its impact on SME performance appears comparatively smaller, as suggested by the study's results. This contrasts Fernandes et al. (2020), who established that market culture has a favorable effect on organizational performances.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides an overview of the study's findings based on the conclusions and suggestions made for each research topic. It goes over the conclusions drawn from the goals and theories of the investigation. Finally, it makes recommendations for areas that warrant more research after outlining the study's shortcomings.

#### **5.2 Summary Findings**

The study's conclusions show a substantial and statistically significant positive correlation between several organizational culture components and the success of Kisumu County's small and medium-sized enterprises (SMEs).

##### **5.2.1 Clan Culture**

The study found that clan culture has a statistically significant positive influence on SME performance. Importantly, the null hypothesis (H01) was rejected, which means that clan culture significantly affects SME performance in a positive manner.

##### **5.2.2 Adhocracy Culture**

The research demonstrated that adhocracy culture also has a positive and statistically significant relationship with SME performance. The study rejected the null hypothesis (H02), indicating that adhocracy culture significantly contributes to SME performance.

### **5.2.3 Market Culture**

The study showed that market culture has a statistically significant positive relationship with SME performance. This is evident from a positive regression coefficient for market culture. The null hypothesis (H03) was rejected, suggesting that market culture significantly influences SME performance in a positive way.

### **5.3 Conclusion**

The study's conclusions led to the conclusion that clan culture is crucial to SME success. SMEs perform better when they uphold the elements of Clan culture. It was also shown that the success of SMEs in Kisumu is significantly impacted by market and adhocracy cultures. SMEs who uphold these facets of corporate culture see improvements in their operational efficiency.

The study's conclusions show a robust and statistically significant positive correlation between several organizational culture components and Kisumu County's Small and Medium Enterprises' (SMEs') performance. It has been discovered that market, adhocracy, and clan cultures have a big impact on SME performance. The performance of SMEs was found to be significantly impacted by these cultural characteristics, as evidenced by their positive coefficients of regression and low P-values. The study's findings emphasize how crucial it is to support an innovative, cooperative, and market-oriented corporate culture in order to improve the general performance and competitiveness of SMEs in Kisumu County.

In conclusion, the findings suggest that organizational culture plays a crucial role in shaping the performance of SMEs. The study's results provide valuable insights for policymakers, business owners, and practitioners seeking to improve SME performance. Therefore, promoting a conducive and positive organizational culture that embraces clan culture,

adhocracy culture, and market culture, stakeholders can create an environment that enhances the performance and success of SMEs in Kisumu County. These findings contribute to the growing body of knowledge on the significance of organizational culture in driving SME performance and offer practical implications for fostering a supportive culture within SMEs.

#### **5.4 Recommendations**

According to the findings, several conclusions can be made;

Based on the first conclusion, it is recommended that in order to increase the performance of SMEs in Kisumu County, this firms should improve on the focus on enforcing clan culture by ensuring employee empowerment in terms of training and mentorship, and insisting on Team trust, Teamwork and collaboration among the employees as it was seen to significantly and positively enhance SME performance.

The second conclusion was that Adhocracy culture is critical aspect of performance of SMEs in Kisumu County. It is therefore recommended that SMEs should have tendency to adopt new ideas, encourage creativity and Innovation in their employees by allocating funds for experimentation.

Additionally, as these elements of market culture have a large beneficial impact on SMEs' performance, they should continuously monitor and assess their performance, stay up to date on market trends and conditions, and compete favorably with other businesses.

#### **5.5 Limitations of the Study**

This study offers immense contributions to SME performance in Kisumu County. it is therefore essential to evaluate the results in the perspective of the study limitations.

Questionnaires administered to internal respondents who were majorly employees of these SMEs. Some responses might be biased and therefore would not provide true reflection of true practices on elements that specifically touched them. Thus, the main purpose maybe to cushion the facility from defamation or to give the firms unmerited publicity. However, the

purpose of the study which was purely academic was explicitly explained to the respondents to avoid any suspicion or biasness. In addition, some responses were given based on perception of the employees as they might not have had actual and true responses to those questions.

In addition, the research is based on Cross-sectional data and rather not Time series therefore Conclusions are typically constrained since they are gathered all at one point. The findings might not reflect the actual picture because of other variables outside the model that might have had an effect at this point in time which were cured by collecting data on several periods.

Furthermore, the study also employs three aspects of organizational culture namely Market, Adhocracy and Clan culture without considering Hierarchy culture and its effect on SME performance in Kisumu which might have influenced the model findings significantly.

### **5.6 Suggestions for Further studies**

From the findings of this study, the researcher suggested the following future research directions in subject relating to Organizational culture and the performance of SME

Current study is limited to a small area of firm's performance, future studies should expand beyond SME performance validate whether similar results can be substantiated for other areas like access to Microfinance, Provision of training and Advisory/services and marketing strategies.

In addition, a time series study should be conducted to provide to provide a more conclusive evidence on the study unlike the cross-sectional study the researcher Conducted. The same Study should also be replicated in Multi-nationals and large companies with clearly laid down organizational structures and policy procedures to identify effect of organizational unlike in SMEs where these research study was conducted.



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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

You are requested to participate in this study by filing this questionnaire. Kindly fill by ticking (√) in line with your agreement to the statement or questions. All data and information is for academic use only. Information from your responses will be treated with utmost confidentiality and the findings will be displayed in aggregates and averages.

#### SECTION A: GENERAL INFORMATION

1. Gender:

Male [ ] Female [ ]

2. Age:

Below 30 years [ ] 31-40 years [ ] 41-50 years [ ] 51-60 years [ ]

3. Years in Business:

Below 2 years [ ] 2-5 years [ ] 5-10 years [ ] Above 10 years [ ]

4. What is the number of employees in the business?

Below 10 [ ] 11-50 [ ] 51-99 [ ] Above 99 [ ]

5. What is your business turnover?

Below KES 500,000 [ ] KES 500,000-KES 5,000,000 [ ]

KES 5,000,001-KE 8,000,000 [ ]

#### OBJECTIVES ORIENTED QUESTIONS

##### SECTION B: CLAN CULTURE

Clan culture emphasizes teamwork, Collaboration and Employee empowerment. Employees in clan culture work closely together with a focus in fostering relationship and creating a sense of community.

Leaders in the clan culture, on the other hand, are more likely to be tolerant, altruistic, and kind. On the other hand, they are challengers who are audacious and strong.

Kindly tick (√) one box to indicate how you would rate the following activities

a)

No.	Clan Culture	Very great Extent (5)	Great Extent (4)	Little Extent (2)	Very little Extent (1)
CL 1	The extent of Team work and Collaboration among employees				
CL 2	There extent of trust among employees				
CL 3	The extent of employee empowerment in terms of training and mentorship				

CL 4	Manager/Owners of the business enforce Clan culture				
CL 5	Extent to which the organization is Adaptable to change				
CL 6	Extent to which you believe Clan culture influences the performance of the organization				

- b) Can you name four specific areas where your clan culture could be improved.....?
- c) What does leadership look like in your company? .....

**SECTION C: ADHOCRACY CULTURE**

Adhocracy culture is characterized by risk-taking creativity and innovation. Organizations with organization culture tend to be entrepreneurial and experimental. Adhocracy-based organizations are able to innovate and adapt to the ongoing change in their external environment. Leaders have a tendency to adopt new ideas and leading through creativity.

Kindly tick (√) one box to indicate how you would rate the following activities

a)

No.	Adhocracy culture	Very great Extent (5)	Great Extent (4)	Some Extent (3)	Little Extent (2)	Very little Extent (1)
CL 1	Employees take risks in regard to the job they do					
CL 2	My business encourages creativity and innovation					
CL 3	My business allocates resources to fund experimentation					
CL 4	Tendency of the Business to adopt new ideas					
CL 5	Manager/Owners of the business enforce Adhocracy culture					
CL 6	Extent to which you believe Adhocracy culture influences the performance of the organization					

b) Can you name four specific areas where your clan culture could be improved.....?

c) How is failure in risks taken by employees addressed by the management.....?

### SECTION C: MARKET CULTURE

The market culture places a strong emphasis on qualities like productivity, achievement, performance, and goal setting. Market culture prioritizes competitiveness and results. Business with market culture are high focused on factors like sales and profits. The purpose of firms that emphasize the market culture is to pursue and fulfill well-defined goals which is majorly both financial and non-financial success.

a)

No.	Market culture	Very great Extent (5)	Great Extent (4)	Some Extent (3)	Little Extent (2)	Very little Extent (1)
CL 1	Employees concern on the performance of the business					
CL 2	The performance of the company I work with is closely monitored and measured					
CL 3	The level of competition among the employees of the company					
CL 4	The organization is informed about Market trends and Prevailing conditions.					
CL 5	Manager/Owners of the business enforce Market culture					
CL 6	Extent to which you believe Market culture influences the performance of the organization					

b) Can you name four specific areas where your Market culture could be improved.....?

c) What kind of rewards are offered to employees for exceptional contributions.....?

**SECTION E: SME PERFORMANCE**

a)

No.	SME performance	Very great Extent (5)	Great Extent (4)	Some Extent (3)	Little Extent (2)	Very little Extent (1)
CL 1	Customers are satisfied with the services/products they get					
CL 2	Employee retention is very high					
CL 3	Extent of referral rate for new Customers					

b) Are there any organizational subcultures.....?

c) What does leadership look like in your company.....?

**END  
THANK YOU**

**APPENDIX II: WORK PLAN**

<b>Activity</b>	<b>March (2023)</b>	<b>April (2023)</b>	<b>May (2023)</b>	<b>June (2023)</b>	<b>July (2023)</b>	<b>August (2023)</b>	<b>September (2023)</b>
Discussing my research topic with my supervisor.							
Writing my Proposal with the guidance of my supervisor.							
Presentation of the proposal							
Proposal Correction, Data Collection, Analysis of data collected, discussion with supervisor and presentation							

### APPENDIX III: RESEARCH BUDGET

<b>Item</b>	<b>Cost(Kshs.)</b>
<b>Stationery</b>	
Notebooks	300
Printing, photocopying and binding	10,000
Internet	6,000
	16,300
<b>Communication</b>	
Airtime	2,000
	2,000
<b>Transport</b>	6000
	8,000
<b>Miscellaneous</b>	10,000
<b>Total Amount</b>	<b>34,300</b>