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Strategy

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Abstract

Purpose: The general purpose of this study is to establish the influence of Transformational Leadership on Performance of Deposit Taking SACCOs in Nairobi city County, Kenya and more specifically establish the role of Organizational Culture on the relationship between transformational leadership and performance of the SACCOs.

Methodology: The research philosophy embraced by this study was positivism. The research design used was descriptive research design with Census Survey employed on the forty (40) deposit taking Savings and Credit Cooperative Societies (SACCOs) in Nairobi City County, Kenya (SASRA, 2019). The study relied on primary data that was collected using close-ended structured questionnaires.

Findings: The results obtained from this study reveal that transformational leadership has a significant influence on performance of DTSACCOs which is in line with transformational leadership theory that transformational leaders are able to articulate organizational goals and objectives in a bid to achieve the set objectives in organizations. At the same note, Organizational Culture was found to have a significant moderating role on the relationship between transformational leadership and organizational performance. The limitations of this study is that data was collected from at a snap short (one point in time) and hence limiting comparison.

Unique Contribution to Theory, Practice and Policy: The study recommends that policy makers grow the overall sustainability, competitiveness, attractiveness and performance of the deposit taking SACCOs industry by developing legislative framework that strengthens the culture of SACCOs for efficient and effectiveness in their performance. Further it recommends that SACCO leaders cultivate suitable cultures that promote attainment of organizational goals.

Keywords: *Leadership, Culture, SACCOs, Performance*

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INTRODUCTION

To explain why firms in the same industry and markets differ in their performance remains a crucial fix in management (Cabrilo & Dahms, 2018). There is no one fully accepted discourse on the variation in performance but all seem to point on several factors, key among them: leadership, and organizational culture as outlined by transformational leadership theory, Organizational Culture theory and contingency theory underpinings (Aboramadan & Kundi, 2020). Leadership and performance are facets that are dealt with concurrently in an attempt to explain why organizations in similar industries and markets contrast in their performance.

Organizational culture is defined as ways of interacting that contribute to the unique social and psychological environment of an organization (Xiong, Chang, Scuotto, Shi & Paoloni, 2021). This embraces, the underlying beliefs, assumptions and the values of the institutions. Organizational culture is also defined as a means of social control by which behavior and beliefs are shaped and determined. According to Undo & Agu (2012), transformational leadership empowers others to improve their capacity by providing opportunity for leaders and stakeholders to network, learn from and support each other in achieving organization goals for future.

There is a constant interplay between culture and leadership, because leaders create mechanisms for cultural developments and the reinforcement of norms and behavior expressed within the boundaries of the culture (Lok, 2004). Cultural norms arise and change because of what the leaders focus their attention on and how they react to crisis, the behavior they role model and whom they attract to their organizations (Xenikou, 2022). Despite the trigger role played by organizational culture to influence performance, several studies have reported inconclusive results on the role played by organizational culture in performance management.

Organizational performance refers to an organizations achievement as compared to the set goals and objectives which comprise the actual output or results as measured against its intended outputs (Ongeti, 2014). Kaplan and Norton (2008) defined performance as the ability of a firm to attain its goal by using its available resources in the most effective and efficient way. The fundamental purpose of every organization is to consistently outperform the competition and deliver sustained, superior returns to the owners while satisfying other stakeholders.

Several empirical studies have reported that transformational leadership has a positive impact on follower performance and firm outcomes and that transformational leadership behaviors are more positively related to subordinate effectiveness in a variety of organizational settings than are transactional behaviors. Performance measures used include financial performance, new products, services, or programs, organization effectiveness, ability to attract essential employees. Other measures of performance include improving competitive advantage through assessed through sales, profitability and operational effectiveness such as reduced operational costs, technological innovations for the purpose of performance improvements, market performance such as improving share prices, percentage of annual performance goal met by each business unit. Therefore, any of these measures can be used to assess organization performance depending on availability of market data to inform the research.

The context of the study is deposit taking SACCOs in Nairobi County. The DTSACCOs are facing challenges emanating from factors such as globalization, competition and technological changes which mean that the sector requires innovative ways to survive (Lenkume, 2019). The leadership of DTSACCOs in Kenya is based on a democratic manner where members elect a

board of management which in turn is responsible of determining the managers who run the day-today activities of the DTSACCOs. Most of these leaders who take up the positions have low managerial qualifications and experience hence difficult to have leaders with transformational leadership characteristics.

Problem Statement

There have been various ways in which Transformational Leadership, Organizational Culture and Performance have been conceptualized and operationalized which brings into play the conceptual difference among many scholars. The DTSACCOs play a vital role in the economic and financial dimensions of many households, not mentioning its role in helping in the achievement of vision 2030. Given that the SACCOs are characterized by a culture of nepotism which is manifest in the employment procedures and hence most employees have low qualifications and expertise which makes them less committed to deliver the services effectively (Talibong & Simiyu, 2019).

DTSACCOs in Kenya have also been found to retire their employees early in order to evade the salaries they should be paid following their experience and expertise (Karanja, 2013). Many qualified leaders leave management and leadership to the young inexperienced persons which make the DTSACCOs to be viewed as organizations which operate locally and characterized by inefficiency (Talibong, & Simiyu, 2019). The Kenyan DTSACCOs sector has been known to be conservative to these traditional undertakings and this draws attention to harness the leadership and deal with any disruptive module by filling this contextual gap.

The operationalization of the key variables: Transformational Leadership, Organizational Culture and Performance varies widely across studies resulting in divergent interpretations and inconsistent findings hence a conceptual gap. Contextually the variables vary significantly across different regulatory, economic, political and cultural settings leading to diverse empirical outcomes. This gives the greater need to research on the most appropriate operationalization of the study variables.

On methodological aspect, many studies have been undertaken and there is no convergence in the empirical findings on the linkage between Transformational Leadership, Organizational Culture and Performance due to mixed findings. Secondly some of the empirical evidence show negative and others neutral outcome of the same study as well as others showing positive relationship. On methodology, differences in estimation models, economic specification and time periods lead to inconsistencies in findings affecting the comparability, and reliability of results across studies.

LITERATURE REVIEW

The study is based on three theories which include: transformational leadership theory, organizational Culture Theory, and contingency theory.

Transformational Leadership Theory

Transformational leadership theory argues that transformational leader identifies the needs of their supporters and tries to fulfill them for their performance towards the organizational goals to be achieved. Transformational leader's forms an integral part of the process of establishing cultures, processes, and structures that promote performance by increasing the effectiveness of companies, which is critical in today's setting where there is competition.

Organizational Culture

The organization culture argument is grounded in the organizational culture theory which proposes that an organization has implicit assumptions that define how it identifies and reacts to its many settings (Ogbonna & Harris, 2000). Irrespective of the organizational culture, leaders should be able to align the organizations' core standards with the expected organizational performance (Ogbonna & Harris, 2000). Thus, the reason why culture is used in the pursuit of improved performance is because culture may be matched to corporate goals (Jardioui, Garengo, & El Alami, 2019). The effect of transformational leadership in facilitating change in culture among the nursing staff of a Sydney metropolitan in-patient mental health ward was investigated in Slade's (2009) research (Slade, 2009). It was discovered that there were advantages of practicing transformational leadership and development leadership in terms of producing change in culture and encouraging good teamwork on the inpatient mental health ward, according to the findings presented. In order to fill the research vacuum identified, a study in other companies that may need person-centered services may be conducted.

Contingency Theory

The Contingency theory proposes that there is no most ideal leadership approach to run an organization and that leadership that best adds to the achievement of organizational objectives vary in various circumstances or conditions (Enayat et al., 2013). The best approach is dependent on the setting and environment in which the organization operates. Xenikou (2022) researched leadership and corporate culture. The study investigated the nature of the relationship between leadership and organizational culture by first delving into the mechanisms that leaders have at their disposal to formulate, reinforce, and change their organization's culture depending on the stage of development in which the organization is currently at. In addition to the tools that leaders may use to embed culture, the research literature on the linkages between organizational culture, transformational leadership, and leader-member interchange was explored in depth. The literature review on various leadership styles and how they are theoretically and empirically associated with organizational culture revealed that the nature of the relationship between leadership and organizational culture empirically investigated focuses on; the interactive effect of leadership and culture on organizational outcomes, and leadership as an antecedent of organizational culture.

Borrowing from the above literature, this study proposed that the transformational Leadership will have an effect on the Organizational Performance of the Deposit Taking SACCOs in Nairobi City County, Kenya. Subsequently the investigation further proposes that the relationship between Transformational Leadership and Performance of the Deposit Taking SACCOs in Nairobi City County, Kenya will be moderated by the Organizational Culture of the said SACCOs.

It is against this scenery that the current study sets its objective to establish: *The effect of Organizational Culture on the relationship between Transformational Leadership and Performance of Deposit-Taking SACCOs in Nairobi City County, Kenya is not significant.*

Subsequently the study hypothesizes that: *There is no significant moderating effect of organizational culture on the relationship between transformational leadership and performance of Deposit-Taking SACCOs in Nairobi City County, Kenya.*

The management of SACCOs should be able to communicate effectively and define the corporate goals into detail. They should be able to incorporate cultural fit in recruitment and

selection criteria. More specifically the SACCOs should have accessible, authentic, open and transparent leaders who have strong communication tactics.

METHODOLOGY

The study adopted a positivistic approach and carried out a descriptive research design to survey the 40 Deposit Taking SACCOs in Nairobi City County. The study relied on primary data which was collected using a structured questionnaire with close-ended questions. The formants were top management officers from each of the surveyed DTSACCOs. According to Nachmias and Nachmias (2004) one respondent who is knowledgeable of issues regarding a study is well placed to give required information.

Measurement of Variables

The variables were operationalized to give deeper meaning and understanding where transformational leadership is the independent variable while organizational performance is the dependent variable and Organizational culture is the moderating variable. The variables are operationalized using indicators adopted and modified from previous studies. The operationalization of these variables was based on thorough review of both theoretical and empirical studies.

Data Analysis and Model Specification

The results are presented in terms of descriptive and inferential analysis. Descriptive analysis is used to summarize data sets and describe distributions on key variables of the research. The data is presented in form of frequency tables, pie charts, bar charts, mean scores, standard deviations and coefficients of variation. Inferential analysis focuses on testing of hypotheses which shows the magnitude of the relationships that exists among the variables. Diagnostic tests were also performed to check the viability of the data. The significance of the overall model and that of the effect of independent variables on the dependent variable was tested using the Fischer distribution test (F-test) and t-test respectively. Robustness of the model was evaluated using the R-squared and adjusted R-squared whichever applied. The p-value gave the option of accepting or rejecting the null hypotheses. A significant model or effect is one in which the P-value is less than

FINDINGS

This section presents the preliminary and the analytical models used to test the study hypotheses in order to establish the effect of transformational Leadership on Performance of DTSACCOs as well as the moderating role of Organizational Culture. The study sought to establish the effect of organizational culture on the relationship between transformational leadership and performance of deposit taking SACCOs in Nairobi City County, by looking into the hypothesis that: *There is no significant moderating effect of organizational culture on the relationship between transformational leadership and performance of Deposit-Taking SACCOs in Nairobi City County, Kenya.*

Hierarchical analysis was used to assess the moderation effect. The interaction term was obtained by multiplying the predictor variable with each of the indicators of the moderating variable. The moderation effect is confirmed when the effect of interaction term is statistically significant. The regression results in Table 1(a) shows three models which have been generated with the results showing that the standard error of the estimate keeps decreasing while the adjusted R² also keeps on improving implying that transformational leadership, organizational culture and the interaction term explains the greater performance outcome. This implies that

the regression model number 3 is therefore the most significant model since it has the inclusion of most transformational leadership and organizational culture dimensions (transformational leadership * organizational culture).

Table 1 (a): Model Goodness of Fit on Moderation of Organizational culture on the Relationship between Transformational leadership and Organizational Performance

Model Summary ^d										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.75 ^a	.57	.56	.40	.57	154.82	1	30	.00	
2	.86 ^b	.74	.73	.40	.01	.58	2	29	.45	
3	.87 ^c	.75	.73	.19	.01	1.64	3	28	.21	2.14

a. Predictors: (Constant), Transformational leadership

b. Predictors: (Constant), Transformational leadership, Organizational culture

c. Predictors: (Constant), Transformational leadership_organizational culture interaction

d. Dependent Variable: Organizational performance

Table 1 (b) documents the results of analysis of variance (ANOVA). The analysis of variance of the regressions shows that model 1, 2 and 3 are significant. There is an increase in the F values from 31.26 to 90.927. The F-statistic value in model 1 is 31.26 and p – value of 0.00. In model two, the results produced an F-significance value of 45.18, $p < 0.05$. In model 3, the F-statistic is also significant based on the p-value [$F=90.93$, $p < 0.05$. Although all the models are significant in explaining the SACCOS performance, the third model the interaction term is added has a greater significance in comparison to the other two models.

Table 1 (b): Model Overall Significance on Moderation of Organizational culture on the Relationship between Transformational leadership and Organizational Performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.68	1	14.68	31.26	.000 ^b
	Residual	5.33	30	.16		
	Total	20.01	31			
2	Regression	14.77	2	7.39	45.18	.000 ^c
	Residual	5.23	29	.16		
	Total	20.01	31			
3	Regression	15.04	3	5.01	90.93	.000 ^d
	Residual	4.97	28	.16		
	Total	20.01	32			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Transformational leadership

c. Predictors: (Constant), Transformational leadership, Organizational culture

d. Predictors: (Constant), Transformational leadership_organizational culture interaction

Table 1 (c) presents regression coefficients of the transformational leadership, organizational culture and interaction term as the predictor variables used in each model. In model 1 where organizational performance was regressed on transformational leadership, the constant value reported is .19, a standardized beta coefficient of .86, t-value of 9.54 and $p < 0.05$. This shows that a unit change in transformational leadership accounts for 0.86 change in organizational performance and that transformational leadership is significant in explaining the surveyed SACCOS performance.

In model 2 where organizational performance was regressed on transformational leadership and organizational culture, the constant reported is .29, a standardized beta value of .88, t-value of 9.26 and p-value =000 for transformational leadership and a standardized beta value of .07, t-value of .76 and p-value =.05. This shows that a unit change in transformational accounts for 0.88 change in organizational performance and a unit change in organizational culture accounts for .07 change in organizational performance. Both transformational leadership and organizational culture are significant in explaining the surveyed SACCOs performance.

In model 3 where the interaction term was introduced, the reported coefficient is .41 with a t-value of 1.28 and p-value of 0.00 which is less than .05 which means the interaction term is significant in explain the change in the surveyed SACCOs performance. In summary, the value of the interaction term (TL * OC) had a significant influence ($\beta = .405$, $t = 1.28$, $P < 0.05$) thus confirming a moderation effect of organizational culture and this leads to rejection of the null the hypothesis that Organizational culture has no significant moderating influence on the relationship between transformational leadership and performance of DTSACCOs.

Table 1 (c): Regression Coefficients on Moderation of Organizational Culture on the Relationship between Transformational Leadership and Organizational Performance

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.19	.37		.52	.60
	Transformational leadership	1.07	.11	.86	9.54	.00
2	(Constant)	.29	.73		.40	.69
	Transformational leadership	1.10	.12	.88	9.26	.00
	Organizational culture	.15	.20	.07	.76	.05
3	(Constant)	.19	.73		.26	.80
	Transformational leadership	1.58	.39	1.26	4.05	.00
	Organizational culture	.09	.20	.04	.44	.03
	Transformational leadership, organizational culture interaction	.52	.41	.41	1.28	.02

a. Dependent Variable: Organizational performance

$$OP = a + \beta_1 TL + \beta_2 OC + \beta_3 TL * OC + \epsilon$$

Based on the results, the regression model is substituted as follows:

$$OP = .19 + 1.26 TL + .04 OC + .41 TL * OC$$

Where;

OP= Organizational Performance

TL=Transformational Leadership

OC=Organizational Culture

TL*OC=Transformational leadership organizational culture interaction

The results show that organizational culture is significant in moderating transformational leadership and organizational performance relationship. It is evidenced that a unit change in transformational leadership results to 1.26 changes in organizational performance and when an interaction term is subjected in to the equation performance further changes by .41 implying a significant moderation of organizational culture since the significance value also showed significance at 0.05 thresholds.

Discussion

The objective of this study was to establish the moderating role of organizational Culture on the relationship between transformational leadership and performance of Deposit-Taking SACCOs in Nairobi City County.

The objective of this research was to determine the effect of organizational culture on the link between transformational leadership and performance of Deposit-Taking SACCOs in Nairobi City County, Kenya. The findings reveal that organizational culture has a moderate mean implying that the culture in the surveyed SACCOs played a moderate role in determining the performance. More specifically involvement dimension of organizational culture recorded the highest mean (mean=3.18), followed by consistency with a mean of 3.17 and Adaptability with a mean of 2.99 and Mission recording the least mean of 2.96. However, all the means were above average which implies that all the four dimensions of organizational culture have a significant impact on the surveyed SACCOs performance. With regard to inferential statistics the surveyed SACCOs culture has a very strong relationship with the SACCOs performance ($R=0.842$). Transformational leadership and the SACCOs culture show a very strong association with the surveyed SACCOs performance ($R=0.86$). Similarly the interaction between transformational leadership and organizational culture makes the relationship stronger ($R=0.87$).

Generally, the results of this study show strong evidence that organizational culture has substantial impact on the link between transformational leadership and the surveyed SACCOs performance. From the theoretical propositions, organizational culture theory suggests a simple and direct relationship between organizational culture and organizational performance. Theory presumes that in order to examine culture, one has to go to deeply held basic principles that followers in the group share and are mostly kept in the followers' unconscious realm. Irrespective of the organizational culture, firms should be able to bring into line central values with the general performance (Ogbonna & Harris, 2000). The results of this study indicate that the relationship between transformational leadership and the SACCOs performance is moderated by the predominant culture within the organization. The findings support a number of studies that demonstrate a significant relationship between transformational leadership, organizational culture and performance with the argument that leadership practices change the organizational culture to achieve the organizational objectives and goals (Shahzad et al., 2012; Prajogo & McDermott, 2011).

These findings compare with prior studies in Kenya. Mwangi (2014) studied the relationship between member's income and the Conduct of SACCOs regulated by SASRA and the results revealed that the conduct of SACCOs which is basically replicated in the culture played a role but was not intervening. Karanja (2013) examined the cost of efficiency of SACCOs and found that less efficient SACCOs had less Return On Equity (ROE). Kilonzi (2012) studied how SASRA laws affect SACCOs financial performance and established that SACCOs performance is greatly affected by leadership influence on SASRA. This shows that this study

aligns with prior studies in Kenya which suggests that leadership is a key factor in performance of SACCOs and that the SACCO leadership should be able to articulate a cohesive culture that positively embraces effectiveness and efficiency.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The findings showed that the surveyed SACCOs culture had a very strong relationship with their performance and showing the highest correlation in relation to the other two variables of this study. On the regression analysis transformational leadership had strong association with the SACCOs performance. Transformational leadership and the SACCOs culture show a very strong association with the surveyed SACCOs performance and similarly the presence of the interaction term makes the relationship stronger. Indeed, the interaction term had a moderate standardized beta coefficient and the effect was significant. Departing from theoretical propositions, organizational culture theory suggests a simple and direct relationship between organizational culture and organizational performance. Theory presumes that in order to examine culture, one has to go to deeply held basic principles that followers in the group share and are mostly kept in the followers' unconscious realm.

It is therefore critical for practitioners to understand that for SACCOs to be successful, leaders ought to appreciate how changes in the organizational culture setting develop and must formulate effective strategies to not only cope with changes in the culture of the organization but also outclass their competitors through leveraging and applying best culture to enhance employee commitment for success to be achieved.

SACCO leaders can implement this study recommendations in order to enhance performance of SACCOs by focusing on aligning organizational values, practices and behaviors with the organization vision. This can be achieved by having clear vision and values which are clearly defined. These may include actions such as transparency, members focus, collaboration and innovation. Similarly engaging stakeholders in the cultural change process is a great determinant of effectiveness and performance. This could be achieved by holding workshops, focus groups and open forums in order to gather feedback and suggestions on how to implement change. On the same note leaders can implement these recommendations by fostering a culture of accountability. This could be achieved by setting clear expectations, assigning responsibilities and establishing performance metrics tied to cultural values, setting up performance reviews, reward systems and regular check-ins to evaluate how well members align with the desired culture. Finally, the SACCO leadership should lead by example by demonstrating the values and behaviors they desire in others. Leaders should be role models for integrity, teamwork and service excellence

Recommendations

Several suggestions are made based on the results of this research, including extending prior models of transformational leadership and organizational culture in order to improve the performance of businesses, particularly deposit-taking DTSACCOs. The first advice from this research is that transformational leaders should understand their organizations' cultures, as well as endeavor to build beliefs and practices that are supportive to innovation. This may be impacted by a number of factors, including the views and experiences of its members, the attitudes and values of its leaders, and the organizational procedures in place. Employee beliefs play a critical part in attempts to modify a company's culture.

According to the findings of this research, in order for cultural transformation to be successful, it is necessary to modify workers' mindsets and views so that they absorb and identify with the new corporate reality. Making workers embrace corporate principles via coercion may result in the creation of reactive subcultures and countercultures. As a result, executives should make an effort to comprehend corporate culture before attempting to change it or control it directly. The identification of a set of primary mechanisms in the organizational climate through which leaders can communicate their assumptions is another recommendation.

The findings also reveal that changes in organizational culture should be addressed from a systems viewpoint, which recognizes the interconnection of its constituent elements. It may be necessary to make changes to the organization's strategy, structure, incentive system, reporting, and work practices in order to facilitate cultural transformation. The design and structure of organizations, as well as their systems, processes, their rites and rituals, and the design of physical space, may all act as culture reinforcers. Transformative leaders may assist their firms in being more responsive to changes in the external environment and become more lucrative by creating cultures that support innovation inside their enterprises

Worth noting is that data was collected using survey, which provided a single snapshot of the population under investigation and this does not provide temporal sequence of the variables, making it difficult to deduce causality. It would be possible to conduct more objective and thorough investigations of those complicated linkages if longitudinal research designs were based on more sophisticated transformational leadership models that specified the directions of effect as well as interactions among the many components. This research was done just in DTSACCOs, which is only one kind of the SACCOs, which is a restriction. The fact that this research focused on a single form of organization has its benefits, but it is unclear if the same findings would hold true in other types of SACCOs, such as ones that do not accept deposits. However, the findings of this research are relevant from both theoretical and practical viewpoints.

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