THE EFFECT OF ORGANIZATIONAL CULTURE ON THE INNOVATIVENESS OF KENYAN COMMERCIAL BANKS

ELIZABETH MANGA

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DECLARATION

I declare that this dissertation has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

Elizabeth Wanjiku Manga

152479

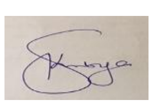
Signature:  Date: 18th May 2025

Approval

The dissertation of Elizabeth Wanjiku Manga has been reviewed and approved for examination by the following:

Dr. Stella Nyongesa

Lecturer- Strathmore University Business School

Signature:  Date: 28th May 2025

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LIST OF ABBREVIATIONS

CBK	Central Bank of Kenya
SPSS	Statistical Package for Social Sciences
CVM	Competing Value Model
KBA	Kenya Bankers Association
NPLs	non-performing loans
SMEs	Small and medium-sized enterprises
CVF	Competing Values Framework

DEFINITION OF TERMS

Culture: Shared understandings guiding actions to patterns of assumptions developed to address external challenges and internal integration in a group of people (De Witte and Van Muijen, 1999).

Organizational Culture: "The pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration that have worked well enough to be considered valid, and therefore to be taught to new members as a correct way to perceive, think and feel in relation to these problems" (Schein, 1984).

Innovativeness: "The process of generating, developing, and implementing new ideas and behaviors within an organization" (Johannessen et al., 2001).

Competitiveness: a fundamental concept indicating a company's ability to sustain its relevance amid fierce competition (Asisi et al., 2023).

ABSTRACT

Given the changing landscape of customer demands, regulatory changes, and general business uncertainties, Kenyan commercial banks encounter significant challenges that demand the formulation of efficient innovative strategies to boost their performance. The primary focus of the study was on how the organizational culture of Kenyan commercial banks influences their ability to innovate. The research was guided by four specific objectives: to determine the effect of market culture, to determine the impact of adhocracy culture, to determine the effect of hierarchy culture and to determine the influence of clan culture on the innovativeness of Kenyan commercial banks. The study was anchored on the Schein's organizational culture theory and the value-based innovation theory which define different aspects of organizational culture and drivers of innovativeness respectively. A descriptive research design was employed, and data was gathered through simple random sampling technique using structured questionnaires. To ensure the validity of the questionnaire, input from experts and the study supervisor was sought, and the questionnaire's reliability was assessed using Cronbach's alpha with all variables falling within the acceptable range. Ethical approval was obtained from Strathmore University Ethics Committee before initiating data collection. The study sample included 114 employees from senior management mid-level and junior staff across various commercial banks in Kenya. Primary data was collected through closed questionnaires focused on organizational culture and innovativeness in Kenyan Commercial Banks. The collected data was analyzed using the IBM SPSS Version 26, applying both descriptive and inferential statistics such as frequency analysis, mean, standard deviation and multiple regression. The results were presented in tables and models. The study results revealed that organization culture had a significant positive effect on the innovativeness of Kenyan commercial banks with Market culture having the highest effect and hierarchy culture having the least effect. The results largely confirmed the findings of previous empirical evidence with a slight deviation on the effect of hierarchy culture whose effect was dependent on the innovation phase. This study will contribute valuable insights into the relationship between organizational culture and innovativeness within Kenyan commercial banks, offering practical implications for enhancing innovation management strategies in the banking sector.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the contemporary dynamic and competitive business landscape, embracing innovativeness is indispensable for the success and longevity of businesses (Adamu et al., 2020). This strategic stance allows companies not only to attain a competitive edge but also to foster the development of new products and services, as well as the establishment of innovative markets and business models (Stoilkovska et al., 2015).

The embracement of innovation allows organizations to continually refine their business models and strategies, deliver higher value to consumers and achieve a distinct market position (França et al., 2017). Key innovation management practices, including continuous external environment scanning, cross-functional collaboration, a clear innovation strategy, and supportive leadership, are recognized as pivotal in driving successful innovation within organizations (Wierzbicki and Nowodziński, 2019). Moreover, adopting innovative strategies provides organizations with a safer pathway to build their market position and attain success (Zygmunt, 2017). As observed, innovation is pivotal for the development and competitiveness of both regions and businesses in an evolving business landscape.

Organizational culture, is key among other factors that have been established to significantly impact innovativeness in organizations. The social context and performance management context, when considered jointly, have the ability to enhance organizational innovation performance (Xanthopoulou and Sahinidis, 2022). Furthermore, transformational leadership acts as a moderator in the association between organizational culture and employee innovative behavior (Zhang and Guo, 2023). Khan (2021) identified several organizational factors that influence employee innovation, including organizational structure, corporate strategy, innovation process, and management and leadership (Luo et al., 2024). Moreover, another study discovered that factors such as vision sharing, student-centered values, and organizational optimism can influence organizational innovation in universities (Khan, 2020).

These findings collectively underscore that factor including social context, leadership, and organizational aspects beyond culture play a substantial role in influencing innovativeness in organizations. Recognizing the acknowledged importance of innovativeness, the specific influence of organizational culture on innovation outcomes within Kenyan commercial banks remains underexplored and yet as Okumu (2023) opine while studying product innovation and competitiveness in Kenyan banks that commercial banks in Kenya face pressure to introduce innovative products. Furthermore, existing research primarily focuses on the impact of innovation practices on the financial performance of Islamic banks in Kenya (Issak and Odollo, 2023). Another study by Njau and Kimencu, (2023) examines the impact of digital innovation on the organizational performance of Kenya Commercial Bank branches in Nairobi City County. Similarly, Mutisya et al. (2022) explore the influence of process innovation strategy on the performance of commercial banks in Kenya. Additionally, Ngaruiya et al. (2023) examine the extent to which organizational culture affects the organizational performance of pharmaceutical companies in Kenya. Furthermore, King'ori and Kipkebut, (2022) analyze the impact of organizational culture, including elements such as the organization's mission, consistency, adaptability, and employee involvement, on the organizational performance of commercial banks in Nairobi County. However, none of these studies specifically address the relationship linking organizational culture and innovativeness in Kenyan banks.

1.1.1 Organizational Culture

Organizational culture is defined as "the set of fundamental assumptions that a group has developed to cope with external adaptation and internal integration challenges, which have proven effective enough to be considered valid and are transmitted to new members as the correct way to perceive, think, and feel about these challenges" (Schein, 1984). It influences individuals' perceptions, thoughts, emotions, behaviors, and decision-making processes (Schein, 1990). Research indicates that organizational culture significantly impacts an organization's financial performance. Various cultural types such as bureaucratic, consensual or community, competitive, and entrepreneurial cultures influence an organization's profitability (Rashid et al., 2003). Additionally, organizational culture is recognized as a fundamental factor in enhancing performance (Rose et al., 2008). Studies have identified dimensions of organizational culture such as customer orientation, justice and professional ethics, and participation and cooperative cultures as influential in shaping customer orientation and organizational performance (Tedla, 2016). Furthermore, organizational culture plays a crucial role in the overall performance of an organization (Ojo, 2010). A comparative study of public and private sector hospitals in Turkey demonstrated that organizational culture impacts financial performance in both sectors. In both public and private hospitals, hierarchy culture was common and influenced service and financial performance solely in the public sector, while market culture affected service and financial performance in private sector hospital (Acar and Acar, 2014).

Organizational culture, a dynamic and multifaceted concept, thus seems to perform a pivotal role in shaping the achievement of most organizations including financial institutions. It encompasses structural design, compensation strategies, performance evaluations, and overall effectiveness, ultimately influencing employee behavior and organizational performance (Warrick, 2017). Organizational culture plays a crucial role in facilitating the attainment of organizational success, especially when confronted with changing business landscapes marked by elements like deregulation, technological advancements, competitive forces, economic fluctuations, and market volatility (Ademba, 2021).

The term "culture" has multiple meanings and has been defined variously. It encompasses a broad array of disciplines, including anthropology, sociology, management science, organizational behavior, and organizational communication. Several definitions exist, ranging from shared understandings guiding actions to patterns of assumptions developed to address external challenges and internal integration (De Witte and Van Muijen, 1999).

According to Cameron and Quinn's Competing Values Model (CVM) from 1983, organizational culture can be divided into four main types: clan culture, adhocracy culture, hierarchy culture, and market culture. Clan culture emphasizes employee-focused leadership, cohesiveness, participation, and teamwork. Adhocracy culture fosters innovation, creativity, and adaptability. Hierarchy culture depends on established rules and regulations for maintaining control. Market culture revolves around competition and goal attainment (Yu and Wu, 2009). These cultural distinctions offer valuable insights into how organizations operate, adapt, and compete in their respective environments.

Within commercial banks, culture serves as more than just a driver of financial success; it also shapes the decisions, behaviors, and overall image of the organization (Opoku et al., 2022). While achieving an optimal culture may not single-handedly resolve banking crises, a well-established culture can act as a cohesive force that unifies various components within an organization, ultimately contributing to its prosperity. Opoku et al. (2022) further contend that organizations that actively cultivate and uphold their core beliefs and values tend to foster a workforce that is deeply committed. Such firms experience elevated levels of employee satisfaction, minimal turnover rates, and heightened motivation among their staff.

The CVM serves as a versatile tool with various applications in organizational development and culture management. First, it can function as a blueprint to guide culture change and systematically map out organizational culture, as suggested by Gong et al. (2022). Additionally, when used in conjunction with Weisbord's Six-Box Model, developed in 1976, the CVM contributes to making organizations more effective, as highlighted by Hamid et al. (2011). The effectiveness of the CVM in promoting innovativeness and performance within organizations is evident in studies such as the one conducted at the Pakistan Electric Power Company (PEPCO), as demonstrated by Zeb et al. (2021). This underscores the practical applicability of the CVM model in fostering positive organizational outcomes.

Moreover, the Competing Values Model (CVM) has demonstrated its utility in examining the correlation between employee benefits and different organizational culture types. In this study, clan culture is linked with flexible scheduling and educational perks, adhocracy culture prioritizes referral programs and on-site recreational amenities, while market culture exhibits a favorable association with employee referral initiatives (Kaur et al., 2016). This application of the CVM provides insights into aligning employee benefits with specific organizational cultures. In the realm of small educational services enterprises, the CVM has been instrumental in identifying dominant organizational culture types, which tend to emphasize stability, control, productivity, and results, as highlighted by (Sánchez-Báez et al., 2020). This underscores the adaptability and utility of the CVM across diverse organizational settings, facilitating a nuanced understanding of organizational dynamics.

In the study, organizational culture was measured using the CVM as a variable whereby the researcher employed questionnaires as a quantitative method, as recommended by Leal-Rodríguez et al. (2023) in their examination of cultural fit measurement in organizations. These questionnaires were distributed to employees at different hierarchical levels within selected commercial banks incorporating the senior, mid-level and junior employees. The methodology aligned with the approach proposed by Elnagar et al. (2022) in their study of the impact of organizational culture on financial performance using the CVM. Additionally, Xanthopoulou and Sahinidis (2022) suggest incorporating questionnaire items that encompass dimensions of the CVM, such as teamwork, cooperation, fairness, equality, innovation, competitiveness, and emphasis on hierarchy.

1.1.2 Organizational Innovativeness

Innovation is broadly characterized as the sequence of generating, refining, and executing novel concepts and actions within an organizational setting (Johannessen et al., 2001). This encompasses innovations in products, services, production technologies, organizational structures, and business models (Kyrgidou and Spyropoulou, 2013). According to Dobni (2008), the concept of innovativeness is multi-dimensional and encompasses elements such as intention to innovate, operational behaviors affecting the market, infrastructure supporting innovation, value orientation, and an environment conducive to innovation.

Innovativeness within organizations is a critical factor in achieving success and enhancing competitiveness. It is widely recognized as a crucial factor for gaining a competitive edge, and it stems from a company's commitment to nurturing a culture that encourages innovation (Naranjo-Valencia et al., 2011). Factors such as transformational leadership, knowledge sharing and organizational culture play crucial roles in promoting innovativeness (Hult et al., 2004). Effective knowledge management leads to increased openness to innovation, positively impacting an organization's performance and overall improvement (Gunday et al., 2008). In the perspective of the banking sector, where services are intangible, knowledge capability becomes essential for continuous innovation.

Innovation can manifest in various forms, encompassing product and/or service innovation, process innovation, and innovation in the systems utilized for product development and delivery (Hult et al., 2004). Knowledge is a key output of the innovation process, consolidating an organization's resources, technologies, markets, and consumer insights (Hult et al., 2004). Another element of innovation includes the introduction of new values or qualities in various fields, particularly evident in business studies (Marchiori et al., 2021). It serves as a departure from tradition, where novel ideas and actions challenge established norms and customs. In the domain of information technology, innovativeness is characterized by an openness to new IT ideas and the willingness to embrace change within the organizational culture (Lubbad and Bin Bohari, 2016). Within organizations, employee innovativeness is nurtured by organizational culture, creating a supportive environment for the generation of new ideas and initiatives (Hab'Imana and Ssempebwa, 2020). The determinants of innovativeness encompass factors such as intellectual capital, organizational structure, barriers to innovation, organizational culture, , monitoring, and collaborations (Aktan, 2023).

Operational definitions of innovativeness vary across different contexts. For instance, in the field of business studies, innovativeness is examined through statistical analyses of books, articles, or other publications and is considered a central theme within the literature (Marchiori et al., 2021). In the study of non-human animal behavior, innovativeness is regarded as an emergent property stemming from a wider range of traits that have evolved to adapt to environmental variability (Griffin, 2016). Concerning service delivery, innovativeness is regarded as a critical factor in establishing service innovation and enhancing customer satisfaction (Truong et al., 2020). In operations teams, innovativeness is actively promoted as a means to improve quality and contribute to cost reduction (Isaar and Navon, 2016). In the realm of religious architecture, innovativeness is seen as a way to develop and adapt tradition while preserving its core elements (Kryvoruchko, 2019).

To operationalize the variable of innovativeness, this study adopted the method proposed by Siddiquee et al. (2015), which suggests that the innovativeness of a firm is directly linked to its Research and Development (R&D) activities and can be assessed through various indicators such as innovation conversion, knowledge capabilities, R&D infrastructure, R&D capabilities, marketing capabilities, and manufacturing capabilities. They further proposed the utilization of the Analytic Hierarchy Process (AHP), advanced by Saaty (1982), which employs pairwise comparison questions to generate a matrix of judgments regarding the relative preference between each pair of alternatives concerning each attribute, as well as a matrix of judgments concerning the relative importance of each pair of attributes.

To assess innovativeness, this study utilized the framework proposed by Aldianto et al. (2021) in their case study of Indonesian companies on the Technological Innovativeness Measurement Framework. This framework consists of three phases: the initiation phase (generating ideas and gathering information, then converting it into knowledge), the development phase (validating the knowledge and assessing its suitability), and the diffusion phase (obtaining user feedback and scaling up). Therefore, the study focused on variable indicators such as frequency of creation of new products, investment in the latest technologies, frequency of engagements to develop new ideas, incorporation of innovations to improve products and processes, among other variable measures that aided in understanding of the extent and frequency of application of all the three stages of innovation.

1.1.3 Commercial Banks in Kenya

Banking institutions around the globe are facing intense competition due to shifting market dynamics, changes in consumer socioeconomic conditions, and continuous technological advancements (Asisi and Egessa, 2023). The McKinsey Global Banking Annual Review of 2022 notes that the global banking sector is currently dealing with challenges such as increased inflation, rising interest rates, and market volatility. These challenges are linked to the resurgence of geopolitical instability and the ongoing disruptions caused by the COVID-19 pandemic (McKinsey Global Institute, 2022). The report emphasizes that despite higher interest rates leading to increased revenue and margins, only 35 percent of banks worldwide were able to achieve returns above the cost of equity through margin increases (Asisi and Egessa, 2023). In the Ghanaian banking sector, banks are harnessing information technology trends to pursue products, processes, and services innovation development aimed at providing strategic services tailored to the unique needs of clients (Opoku et al., 2022).

According to the 2021 Kenya Bankers Association (KBA) report, the cost-to-income ratio, a critical measure of a bank's efficiency, experienced a significant increase, climbing from 60.2 percent in 2019 to 74.1 percent in 2020. To attain economies of scale, several banks found it necessary to pursue mergers and acquisitions, as highlighted by the Central Bank of Kenya between 2016 and 2022. Additionally, there has been a notable uptick in inflation, and the local currency, the shilling, has depreciated against the US dollar (CBK, 2022). The report also points out a deterioration in Asset Quality, evidenced by the increase in gross nonperforming loans (NPLs) from 14.0 percent in June 2021 to 14.7 percent in June 2022.

The trends and character of the commercial banks in Kenya are key in laying the foundation for understanding the contextual factors surrounding this study. Over time, the financial sector in Kenya has evolved into a bank-led environment, with commercial banks diversifying beyond traditional banking services. This expansion includes investments, insurance, microfinance, custodial services, private equity ventures, and participation in the capital markets (Beck, 2020). Evidence shows that these transformations have been driven by a need for long-term funding and sustained growth (Kariuki, 2020; Muraleedharan, 2014; Raubenheimer, 2019).

A well-developed financial sector, as highlighted by Beck and Levine (2000), has the potential to stimulate investments, thereby fostering economic growth. This assertion aligns with the broader perspective presented by Li and Ouyang (2019), who emphasize the significant contribution of financial institutions to the growth and development of economies worldwide. Specifically, commercial banks and other financial intermediaries play a pivotal role, as noted by Kiragu et al. (2019), by collecting deposits from customers and providing essential financial services to businesses and investors, ultimately driving economic progress.

However, the effectiveness of the banking sector in this regard hinges upon its performance, as emphasized by Ali and Puah (2019). Understanding the factors influencing bank performance is therefore crucial for both financial institutions and the overall stability of the economy. Building on this, Onyancha and Muturi (2023) reveal a pertinent insight: the positive relationship between Kenya's GDP growth rate and the financial results of commercial banks. This underscores the pivotal role of a robust banking sector in fueling economic advancement.

The current financial landscape in Kenya encompasses a diverse range of financial institutions, including the Central Bank of Kenya, 44 commercial banks, mortgage finance companies, microfinance institutions, representative offices of foreign banks, credit reference bureaus, and forex bureaus (Muthinja and Chipeta, 2018). The sector operates within a regulatory framework outlined by the Constitution of Kenya 2010, the Central Bank of Kenya Act, the Banking Act, the Microfinance Act, the Companies Act, and prudential guidelines established by the Central Bank of Kenya (Okeno, 2018). Banks are categorized based on shareholding or listing status on the Nairobi Securities Exchange, leading to distinctions between foreign-owned, government-participated, and locally owned banks.

This historical context demonstrates the sector's significance in contributing to Kenya's economic growth, fostering financial inclusion, creating job opportunities, and generating government tax revenue (Kariuki, 2020). Indeed, banks have played a crucial role in facilitating access to funding for small and medium-sized enterprises (SMEs), thus emphasizing their significant contribution to the economic prosperity of the country.

Given the increasing complexity of customer needs, the changing regulatory environment, and the uncertain business landscape, the main challenge confronting the industry is the need to develop effective innovative strategies that enhance competitiveness (Asisi et al., 2023). Competitiveness is a fundamental concept indicating a company's ability to maintain its relevance in the face of fierce competition. This is accomplished by delivering products and services that meet rigorous quality criteria while also ensuring cost-effectiveness, both domestically and internationally, compared to other firms operating in the same industry.

Studies on the challenges of innovativeness in Kenyan banks have been conducted across various domains. Malit et al. (2023) explored the impact of financial innovations on the loan portfolio of commercial banks in Kenya, revealing a positive and significant relationship between financial innovation and loan portfolio. This suggests that implementing more financial innovations could enhance the banks' loan portfolios. Additionally, Malit et al. (2023) concentrated on the effect of financial innovation on banks' return on assets (ROA) and return on equity (ROE), finding a positive and significant influence of financial innovations on both ROA and ROE. This indicates that increasing asset and equity levels through financial innovations could improve profitability. Furthermore, Kadima (2023) explored was the impact of product innovation on the competitiveness of commercial banks in Kenya, revealing a notable and positive effect. These investigations emphasize the importance of financial and product innovations in augmenting the performance and competitiveness of Kenyan banks.

1.2 Problem Statement

With the evolving landscape of customer demands, regulatory changes, and overall business uncertainties, Kenyan commercial banks face significant challenges that require the formulation of effective innovative strategies to enhance their performance. The 2021 Kenya Bankers Association (KBA) report underscores these challenges, indicating a significant rise, the report reveals an increase in the cost-to-income ratio—a pivotal measure of a bank's efficiency—from 60.2 percent in 2019 to 74.1 percent in 2020. The report also highlights a concerning deterioration in asset quality, as evidenced by the increase in gross nonperforming loans from 14.0 percent in June 2021 to 14.7 percent in June 2022. To survive in this uncertain and highly competitive environment, banks have to employ all mechanisms available to increase their competitive edge. In this context, the central concern revolves around how the organizational culture of Kenyan commercial banks shapes their capacity for innovation. Given the unparalleled difficulty confronting the sector, achieving an intricate understanding of the interplay between organizational culture and innovation becomes paramount. This is particularly crucial as a strategic measure in response to the growing need to address diverse challenges to maintain their competitiveness and operational resilience.

Analyzing research in this area, however, revealed several knowledge gaps. A study conducted by Liao et al. (2012), which examined was the relationship between organizational culture, knowledge acquisition, organizational learning, and organizational innovation within Taiwan's banking and insurance sectors, emphasizing the notable influence of organizational culture on the process of organizational learning. Despite the valuable insights gained from their study, which employed convenient sampling across 13 banking and 10 insurance companies in Taiwan, it became apparent that a more localized examination within the specific background of the Kenyan banking industry was essential. Firstly, the Kenyan banking sector operates under its unique industry dynamics, including regulatory frameworks, competitive landscapes, and responses to economic challenges (Moyo et al., 2014). Analyzing the industry-specific challenges and opportunities would allow for a more targeted understanding how organizational culture influences innovation in this specific context is crucial. Moreover, findings from a study conducted in Taiwan may not be directly applicable to Kenyan banks, given differences in economic conditions, market structures, and business practices. A localized examination ensures that the research outcomes are applicable to the challenges faced by Kenyan commercial banks.

Furthermore, the inclusion of insurance companies in the study, despite their distinct objectives, prompts the recognition of the necessity for a focused investigation exclusively within the banking sector. Even though both banks and insurance companies fall under the broader financial industry umbrella, a dedicated study concentrating on the impact of organizational culture on innovation within the banking sector is imperative. Limiting the study exclusively to the Kenyan banking sector is imperative for several reasons. First, banking and insurance companies often have distinct objectives and operating models, necessitating a focused examination to provide insights tailored specifically to the unique challenges faced by Kenyan commercial banks (Mwega, 2011). Secondly, the different dynamics, risk profiles, and regulatory requirements between these sectors make a concentrated investigation within the banking sector more relevant and aligned with the research objectives. By doing so, the study ensures that the exploration of how organizational culture influences innovation remains directly applicable to the specific context of Kenyan commercial banks.

In a separate study, Xanthopoulou and Sahinidis (2022) sought to deepen our comprehension of the correlation between culture and innovativeness by analyzing a sample of 110 Greek SMEs. The study gathered responses from a total of 504 participants via a questionnaire. The surveyed companies encompassed a spectrum of sizes, ranging from 20 to 250 staff members, and represented various market sections. The results unveiled an inverse association between the intensity of organizational culture and the innovativeness of the company, suggesting that strong cultures exert a detrimental effect on innovation. Despite applying the Competing Values Framework (CVF) theory to investigate organizational culture, the study did not exclusively assess culture based on the four types suggested by the theory. Instead, it used two categorizations, namely strong versus weak culture. Studying the four types of culture as suggested in the CVF framework is critical in revealing the specific effect of each cultural element for organizations to understand which elements of culture best promote innovativeness. This research aims to fill this gap by specifically examining the four culture types proposed by the CVF theory: market, adhocracy, clan, and hierarchy cultures.

Locally, several studies highlight substantial challenges faced by Kenyan commercial banks (Beck et al., 2010; Muriithi and Louw, 2017; Muthinja and Chipeta, 2018), posing an immediate threat to the sector's stability and overall performance. In response, banks have initiated strategic actions, such as mergers, acquisitions, and extensive restructuring. The efficacy of these strategies hinges on several factors, comprising the prevailing culture within a particular banking institution. Thus, there is a need to comprehensively explore how organizational culture influences the innovativeness of Kenyan commercial banks in the face of these adaptations. Previous research by Awino (2020), Owino and Kibera (2019), and Ngara (2018) recognizes the significant contribution of organizational culture in achieving sustainable competitive advantages within various multinational and financial organizations in Kenya. In particular, a study by Awino (2020) that sought to establish how various cultural dimensions affect the operational efficiency of multinational corporations in Kenya holds substantial importance. However, it is crucial to recognize that the applicability of the findings to the banking sector in Kenya may be limited, given the study's concentration on general enterprises engaged in the manufacture of a diverse range of goods and services. Therefore, a notable knowledge gap remains in comprehending how organizational culture distinctly impacts innovativeness in the specific context of Kenyan banking.

Various studies have demonstrated different effects of organizational culture on organizational performance across sectors. While some highlight its positive impact (Waithaka, 2023), others point out its moderating role in the relationship between strategic inputs and competitive advantage (King'ori and Kipkebut, 2022). Methodologically, research ranges from cross-sectional studies (Issak and Odollo, 2023) to descriptive designs (Govender and Maralack, 2022). In Kenya, research has focused on innovation practices' influence on financial performance in Islamic banks (Xanthopoulou and Sahinidis, 2022) internationally, research has investigated the favorable correlation between organizational culture and performance. However, there are gaps in understanding how organizational culture specifically impacts innovativeness in commercial banks globally, regionally, and in Kenya, warranting further research to address these conceptual and methodological gaps.

The Kenyan commercial banks present a unique context marked by specific challenges and opportunities, yet existing research often focuses on generic or global contexts, neglecting the nuances of the Kenyan banking sector (Hazem and Zehou, 2019; Scaliza et al., 2022). Addressing this contextual gap requires specialized inquiry into how organizational culture, within the specific background of Kenyan banks, impacts innovativeness. Recognizing the features of this context is crucial for a comprehensive and nuanced understanding of the dynamics at play. The research gap identified in this study revolved around the absence of in-depth analysis regarding the effect of organizational culture on innovativeness within Kenyan commercial banks, encompassing specific cultural dimensions relevant to innovation.

1.3 Research Objectives

General Objective

The overall objective of the study was to determine the effect of Organizational Culture on Innovativeness in the Kenyan Commercial banks

1.3.1 Specific Objectives

i. To determine the effect of market culture on the innovativeness of the Kenyan commercial banks.
ii. To determine the effect of adhocracy culture on the innovativeness of the Kenyan commercial banks.
iii. To determine the effect of hierarchy culture on the innovativeness of the Kenyan commercial banks.
iv. To determine the effect of clan culture on the innovativeness of the Kenyan commercial banks.

1.4 Research Questions

i. What is the effect of market culture on the innovativeness of the Kenyan commercial banks?
ii. What is the effect of adhocracy culture on the innovativeness of the Kenyan commercial banks?
iii. What is the effect of hierarchy culture on the innovativeness of the Kenyan commercial banks?
iv. What is the effect of clan culture on the innovativeness of the Kenyan commercial banks?

1.5 Scope of the Study

This study examined the relationship between organizational culture and innovativeness in Kenyan commercial banks, focusing on adhocracy, clan, market, and hierarchy cultures as independent variables. Using a descriptive survey design with a structured questionnaire, it aimed to understand how these cultural dimensions influence banks' innovative behavior. The theoretical framework includes Schein's Organizational Culture Theory for understanding shared values' role in organizational behavior and innovativeness, and Rogers' Diffusion of Innovation Theory for insight into idea spread. The study spanned four months, allowing for thorough data collection, analysis, and reporting, offering insights into how organizational culture shapes innovativeness in Kenyan commercial banks.

Through these well-defined parameters, the study aimed to deliver a comprehensive and exhaustive investigation into how organizational culture shapes innovativeness within the distinctive context of the Kenyan Commercial banks. The study adopted a comprehensive approach, considering specific cultural factors, geographical factors, and a rigorously defined methodology to offer valuable insights for both academic and practical applications.

1.6 Significance of the Study

The study bears significant theoretical, practical, and policy implications, addressing crucial gaps in comprehending the intricate relationship between organizational culture and innovativeness within Kenyan commercial banks. Its objective was to notably enhance the understanding of this complex interplay, thereby providing valuable insights that can contribute to both academic theory and practical applications.

The research findings will significantly enhance the theoretical comprehension of the role of organizational culture in fostering innovativeness within Kenyan commercial banks. While previous studies have examined the impact of organizational culture on overall performance and competitive advantage, this study dug deeper by pinpointing the particular cultural dimensions that either encourage or impede innovation. Drawing upon the well-established competing values framework proposed by Cameron and Quinn (2006), the research offers a nuanced perspective that can serve as a robust foundation for future research endeavors. Researchers and scholars, both within the realm of organizational culture and in specialized industries like banking, can leverage these findings to construct more comprehensive theoretical frameworks that elucidate the multifaceted relationship between culture and innovation.

The results of this study carry substantial practical implications for practitioners in the Kenyan commercial banks, offering actionable insights into how organizational culture can be harnessed to foster innovativeness. In an industry grappling with challenges such as negative Earnings Per Share

(EPS) growth and mounting non-performing loan ratios, the capacity to innovate is crucial for both survival and growth. Bank leaders, managers, and Human Resource (HR) professionals can use these insights to strategically shape their organizational cultures to encourage innovation. This may involve tailoring cultural elements to align with the industry's unique challenges and opportunities. Additionally, understanding which cultural dimensions are most effective for innovation can inform leadership development programs, performance evaluations, and recruitment strategies to cultivate a culture of innovation.

This study carries substantial implications for policymakers and regulatory authorities in Kenya, emphasizing the importance of organizational culture in the banking sector. Given the role of banks in the country's economic growth and financial stability, policymakers can consider incorporating culture-related metrics and assessments into their regulatory frameworks. This could involve developing guidelines or recommendations that encourage banks to prioritize cultural factors that promote innovation and long-term sustainability. By using this research, policymakers can make informed decisions regarding the sector's governance and oversight, ensuring that culture is considered an essential aspect of banking operations.

This study enriches the theoretical understanding of culture's influence on innovation, provides practical guidance for industry practitioners, and offers a basis for policy considerations to enhance the sector's resilience and competitiveness. Overall, this comprehensive study emerges as a cornerstone of knowledge enhancement, offering multifaceted contributions. It enriches the theoretical landscape by unraveling the complexities of culture's influence on innovation, provides pragmatic guidance for industry practitioners seeking to chart a course toward innovation excellence, and furnishes a substantive basis for policy deliberations aimed at fortifying the sector's resilience and competitiveness in the face of evolving challenges and opportunities.

1.7 Chapter Summary

This chapter introduces the research study by highlighting the critical role of innovation in today's dynamic business landscape. The chapter also presents the problem statement, focusing on the challenges faced by Kenyan commercial banks amidst evolving customer demands and regulatory changes. The research objectives are outlined, with the general objective being to determine the effect of organizational culture on innovativeness in Kenyan commercial banks. The scope of the study is defined, focusing on the relationship between organizational culture and innovativeness in Kenyan commercial banks. Finally, the significance of the study is discussed, emphasizing its contribution to addressing gaps in understanding the relationship between organizational culture and innovativeness. It is noted that the study carries implications for academic theory and practical applications, aiming to enhance organizational performance and competitiveness in the banking sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a thorough examination of existing literature by other researchers regarding the interaction between organizational culture and innovativeness. It elucidates the underlying theories that underpin this study. The empirical review is structured in accordance with the research objectives, and subsequently followed by an analysis of the research deficiencies. Furthermore, the chapter incorporates a conceptual framework illustrating the nature of the proposed relationships among the variables explored in the study.

2.2 Theoretical Foundation

This study was underpinned by two main theories. Schein's Organizational Culture theory as the anchoring theory and Value-Based Innovation theory as the support theory

2.2.1 Schein's Organizational Culture Theory

The theory of organizational culture, rooted in cultural anthropology, is extensively researched in fields such as organizational behavior, management, and marketing (e.g., (Giorgi et al., 2015; Homburg and Pflesser, 2000; Schein, 1996). Various definitions of organizational culture exist, but this study will use Schein's 1996 description, which refers to organizational culture as the values and beliefs that set standards for expected behaviors among employees, forming the basis of organizational culture. Schein (1996) views organizational culture as a potent yet mostly invisible social force. Research demonstrates that organizational culture substantially impacts market-oriented behaviors, employee attitudes, knowledge management, and organizational effectiveness (Giorgi et al., 2015; Homburg and Pflesser, 2000). It surpasses formal control systems and procedures, influencing employees' behaviors and contributing to desired organizational outcomes (O'Reilly III et al., 1991).

This model is structured across three levels, with the outermost layer consisting of artifacts and behaviors. According to Schein (1996), elements within this category represent cultural aspects that are observable to stakeholders within the organization. These attributes are frequently physical and readily noticed by employees, encompassing tangible aspects like furniture, communication systems, displays, dress codes, procedures, and management practices. Progressing inward, the intermediate level of the model includes espoused values and beliefs. According to Schein (1996), these components involve personal ethical principles, standards, and norms adopted by both employees and the organization collectively. They are not immediately observable and are communicated within the organization, significantly shaping its conduct.

Ultimately, the innermost stratum of the model comprises core cultural elements that are not immediately apparent but play a crucial role in distinguishing cultural differences among organizations, particularly when culture is utilized as a tool for policy and strategy. These elements encompass subtle, unconscious, intangible behaviors that are frequently overlooked and assumed, yet they constitute the essence of corporate culture and exert significant influence over cultural dynamics.

Additionally, Schein (1996) restructured the identified cultural elements across three echelons into the four culture types outlined by Deshpandé et al. (1993): clan, adhocracy, bureaucratic, and market cultures. Each of the four culture types is associated with specific indicators derived from Schein's proposed elements. For example, clan culture is characterized by factors such as a personalized work environment, cohesion, and mentor-style leadership. Adhocracy culture emphasizes growth, innovation, and risk-taking, while bureaucratic culture is defined by rules, stability, and formalization. Finally, market culture is distinguished by competitiveness, goal-oriented leadership, competitiveness, and task accomplishment (Carlos et al., 2014).

Several studies have explored Schein's Organizational Culture Theory in relation to innovativeness. While some suggest that a strong organizational culture may hinder innovativeness (Xanthopoulou and Sahinidis, 2022), others indicate that organizational culture, combined with technological change, can enhance innovativeness (Veronica et al., 2020). Moreover, research underscores that different levels of organizational culture can foster innovative behaviors, which are essential for enhancing market and financial performance (Carmona et al., 2020). Additionally, the Denison Model has been utilized to investigate how organizational culture affects firms' Innovative Performance (IP), revealing that the organization's mission exerts a significant direct impact on IP (Vargas-Halabi and Yagüe-Perales, 2023). Overall, while perspectives on the relationship between organizational culture and innovativeness may vary, it is evident that organizational culture plays a substantial role in either facilitating or impeding business innovation (Maya et al., 2022).

In defining organizational culture, Schein acknowledges the existence of cultural attributes that range from the observable aspects to those that form the core cultural elements of culture in the organization and are difficult to observe. Consequently, Schein identified cultural elements that are present in the three cultural echelons to develop four types of organizational culture; market culture, adhocracy culture, hierarchy culture and clan culture. These four types of organizational culture were critical in the conceptualization of this study as it sought to break down organizational culture into the four different types and further rely on their different attributes to understand their application in different commercial banks and their contribution in promoting innovativeness.

2.2.2 Value-Based Innovation theory

Value-Based Innovation theory, as proposed by Michael Treacy and Fred Wiersema in 1993, emphasizes the delivery of superior value to customers through innovative business strategies (Treacy and Wiersema, 1993). The theory delineates three primary value disciplines that organizations can pursue to attain market leadership. Operational Excellence is one of these disciplines, focusing on providing customers with reliable products or services at competitive prices through efficient operations and processes. Organizations striving for operational excellence prioritize cost leadership and operational efficiency. Another discipline is Product Leadership, where organizations concentrate on developing innovative products or services that distinguish them from competitors. They continually introduce new, cutting-edge products, features, or functionalities to meet or surpass customer expectations. The third discipline is Customer Intimacy, which prioritizes building strong, long-term relationships with customers by understanding their specific needs, preferences, and challenges. Organizations tailor their products, services, and interactions accordingly, aiming to deliver personalized solutions and exceptional customer service.

Value-Based Innovation theory underscores the necessity for organizations to make strategic trade-offs among these value disciplines. Attempting to excel in all three simultaneously can lead to inefficiencies and resource dilution (Treacy and Wiersema, 1993). Instead, organizations must prioritize and invest in the discipline(s) most relevant to their target market and competitive positioning. Furthermore, the theory stresses the importance of aligning all aspects of the organization, including strategy, operations, culture, and capabilities, with the chosen value discipline(s). This alignment ensures that the organization's resources and efforts are directed toward delivering value consistently and coherently (Treacy and Wiersema, 1993).

Continuous innovation across all areas of the organization is crucial according to the theory. Innovation extends beyond product development to processes, systems, customer experiences, and business models. Organizations must innovate continuously to maintain their competitive advantage and adapt to changing market dynamics. Performance measurement should reflect the organization's ability to deliver value in alignment with its strategic priorities (Treacy and Wiersema, 1993). Key performance indicators (KPIs) should be tailored to the chosen value discipline(s).

When linking Value-Based Innovation theory to organizational culture and its variables, different cultures contribute differently to the success of a company's value discipline strategy. Clan Culture, which prioritizes employee engagement, collaboration, and a strong sense of belonging, supports customer intimacy by encouraging employees to build strong relationships with customers and understand their needs deeply. Adhocracy Culture, with its emphasis on innovation, risk-taking, and flexibility, facilitates product leadership by encouraging experimentation and the development of cutting-edge products or services (Deal and Kennedy, 1982). Market Culture, which emphasizes competitiveness, results, and customer focus, aligns well with operational excellence by emphasizing efficiency, cost reduction, and responsiveness to customer demands. Hierarchy Culture, which prioritizes stability, structure, and efficiency, though it may pose challenges for innovation, can support operational excellence by ensuring consistent processes and quality standards (Deal and Kennedy, 1982). Integrating Value-Based Innovation theory with these organizational culture variables highlights the importance of aligning culture with strategic objectives to effectively deliver the chosen value proposition. Each culture type can contribute differently to the success of a company's value discipline strategy.

2.3 Empirical Literature Review

This section offers a summary of prior empirical research endeavors investigating the relationship linking organizational culture and innovativeness. The organization of this review is structured according to the research study objectives, offering a synthesis of findings and identifying gaps in the comprehension of the relationship between the dependent and independent variables.

2.3.1 Clan culture and Organizational Innovativeness

Research has shown that clan culture is linked to innovativeness in different situations. In Gulius's study titled "Clan Culture: Challenges and Potential for University During Transformation Period" in Russia in 2019, it was found that the university's clan corporate culture encourages collaboration and cooperation, helping to tackle challenges in the educational market and promote innovation (Gulius, 2019).

To understand the university's corporate culture, a mix of qualitative and quantitative sociological methods was used. This included surveys and focus groups involving administrators, managers, professors, students, and informal leaders of faculties and staff. The findings of the corporate culture diagnosis were presented at an international conference on HR trends, where recommendations were formulated following the identification of pertinent issues. The study highlighted the conflict between the traditional professorial university culture and innovation and market-oriented culture, emphasizing how clan culture can address modern challenges in the educational market. It also discussed how corporate culture can enhance competitiveness and trust within the university community.

The university delineated the configuration of its corporate culture through a hybrid approach integrating qualitative and quantitative sociological methods. An annual diagnosis of corporate culture configuration was undertaken utilizing three information-gathering techniques: the qualitative projective self-diagnostics method known as "Metaphor," surveys targeting administrators, managers, professors, and students, and focus groups involving informal leaders from faculties and staff.

The findings of the corporate culture configuration diagnosis were presented at an international conference on Human Resource trends, attended by key personnel from the principal's office and strategic management. Subsequently, recommendations were formulated based on the identified problem areas within the configuration field.

However, the study had limitations. It did not explore potential drawbacks of clan corporate culture in universities, nor did it discuss alternative management tools or cultural approaches. Additionally, it lacked empirical evidence or case studies to support its claims about clan corporate culture's effectiveness in preserving the university community and identity. Future research should delve deeper into university corporate culture using methodological tools from various social sciences. It should also include empirical evidence and case studies to validate the effectiveness of clan corporate culture in preserving the university community and identity.

In their study titled "Relationship Between Clan Culture and Performance of Public Secondary Schools in Turbo Sub County, Kenya," Mgumba et al. (2023) identified a notable and favorable relationship between clan culture and the performance of secondary schools in Turbo Sub County. They adopted a correlational research approach, involving 181 teachers from 31 public secondary schools selected via stratified random sampling. Data collection comprised self-administered questionnaires centering on attitudes and sentiments, alongside document analysis to assess school performance over a five-year period. Descriptive and inferential statistical methods, such as Pearson's product-moment correlation and regression analysis, were employed to analyze the data and investigate the association between clan culture and school performance.

The study's results suggest a positive association between clan culture and secondary school performance in Turbo Sub County, implying that schools should encourage and adopt clan cultural characteristics to enhance their performance. However, it's crucial to acknowledge that the study solely focused on the correlation between clan culture and school performance and did not consider other potential influencing factors. Additionally, the correlational research design employed does not establish causation, allowing for the possibility of other factors affecting the observed relationship. Longitudinal studies could offer valuable insights into the enduring effects of clan culture on school performance and track changes over time. Future research endeavors could also explore the impact of variables such as leadership styles, teacher-student relationships, and parental involvement on the nexus between clan culture and school performance.

In their 2014 study, Ashraf et al. investigated the interaction among organizational culture, innovativeness, and effectiveness within higher education institutions in Iran, with a particular focus on full-time faculty members of Islamic Azad University (IAU) in Pars Province. Using a survey research approach, they gathered data from 369 participants across five branches of IAU in Pars Province, employing one-stage cluster sampling. Questionnaires were utilized to assess organizational culture, innovativeness, and effectiveness, with quantitative analysis used to examine their relationships.

The study revealed a noteworthy positive association between clan culture and both innovativeness and effectiveness within organizations. Additionally, it addressed a gap in the current literature by exploring the mediating role of organizational innovativeness in the relationship between culture and effectiveness. Through this examination, the study offered valuable insights into faculty perceptions of organizational culture and its impact on effectiveness, underscoring the significance of cultivating an innovative culture within universities.

However, the reliance on survey research methodology raises concerns about potential response biases and the potential oversimplification of complex relationships. Additionally, the study did not explore other factors that could impact organizational effectiveness, such as leadership styles or external environmental factors, which could offer a more comprehensive understanding of the subject. For future research, the study suggests replicating similar investigations in diverse cultural and institutional contexts to increase the generalizability of findings. It also recommends exploring how different leadership styles may affect the link between culture, innovativeness, and usefulness, as well as examining the influence of external environmental factors on organizational effectiveness in higher education institutions.

In their 2023 study, Zhang et al. investigated the correlation between clan culture and corporate social responsibility (CSR) behavior within Chinese family firms. It discovered a notable positive impact of clan culture on CSR behavior in these enterprises, even when considering indigeneity. The study identified solidarity, mutual benefit, and moral restraint as pivotal mechanisms through which clan culture influences CSR behavior. Moreover, it was found that the impact of clan culture on CSR behavior was more significant in family-owned enterprises with heightened family engagement, decreased government interference, or principal shareholders who have experienced events like the Cultural Revolution or lack exposure to overseas environments.

The study utilized city-level genealogy density data to investigate the influence of clan culture on the corporate social responsibility (CSR) practices of family-owned firms. Furthermore, it explored the moderating effects of factors such as the experience of ultimate shareholders, family participation, and the institutional context on the relationship between clan culture and CSR behavior.

Future research avenues could delve into the specific mechanisms by which clan culture affects CSR behavior in Chinese family firms, including examining the role of cultural values, norms, and practices. Additionally, further studies could explore the influence of clan culture on diverse facets of organizational behavior and performance beyond CSR to develop a more comprehensive understanding of its influence in family firms. Longitudinal research could investigate the enduring the impacts of clan culture on the corporate social responsibility (CSR) behavior and performance of family firms, considering factors like intergenerational succession and changes in the institutional environment. Comparative studies across different cultural contexts could also be conducted to determine if the findings of this study are unique to Chinese family firms or applicable to family firms in other cultural settings. In the conceptualization of clan culture, this study relied on the indicators of clan culture in firms as enumerated by Gulius, 2019. These include social interactions among employees, social welfare, employees' engagement in decision making, feedback mechanism in the organization among other indicators.

2.3.2 Adhocracy culture and Organizational Innovativeness

The adhocracy culture fosters staff capability and advancement by promoting initiatives, experimentation, innovation, and the ability to adapt to external environmental shifts, ultimately striving to maintain a competitive edge (Boufounou and Argyrou, 2022). Multiple empirical investigations have underscored the favorable influence of adhocracy culture on innovativeness. (Duygulu and Özeren, 2009) discovered that adhocracy culture emerged as a consistent factor in elucidating firm innovativeness, while Muneera et al. (2021) demonstrated its significant impact on intellectual capital and incremental innovation. This was further supported by Yeşil et al. (2013) identified a positive correlation between adhocracy culture and innovation capability. These studies collectively suggest that adhocracy culture plays a critical role in fostering innovativeness within organizations.

In a study titled "Ethical leadership, adhocratic culture, and innovative work behavior: Drivers of company performance" published in the Journal of Enterprise and Development, (Aprilianty and Waskito, 2023) found that adhocratic culture does not have a noteworthy impact on company performance, suggesting its limited influence in this regard. However, innovative work behavior significantly contributes to overall performance, highlighting the importance of fostering a work environment that encourages creativity and idea generation.

The study employed a quantitative approach, using questionnaires as a means of collecting research data. It followed a positivist perspective and utilized a quantitative research method to examine pre-established hypotheses. The sample size consisted of 70 permanent employees selected from the Social Security Agency on Health (BPJS) in Surakarta, selected through purposive sampling. The Likert scale was used as the research instrument, with 21 question indicators included in the questionnaire. Descriptive analysis and Structural Equation Model (SEM) analysis with SmartPLS were employed for data analysis. However, the research relied on self-reported data through questionnaires, which could be subject to response biases and social appeal effects.

The study did not investigate the potential moderating effects of contextual factors or individual differences on the relationships between ethical leadership, innovative work behavior, adhocratic culture, and company performance, which could provide additional insights into the complex dynamics at play.

Yeşil and Kaya (2012) conducted a study in Turkey investigating the influence of organizational culture on innovation capability. The primary objective was to assess the impact of organizational culture on innovation capability, with a specific focus on examining the relationship between adhocracy culture and innovation capability. The study's results indicated a positive relationship between adhocracy culture and innovation capability.

Njagi et al. (2020) conducted a study titled "Adhocracy Culture and Strategy Implementation: An Application within Professional Bodies in Kenya." Their research design employed a descriptive approach, utilizing a structured questionnaire to gather data from 168 respondents representing 28 professional bodies. The study aimed to achieve several objectives: to ascertain the correlation linking adhocracy culture and strategy implementation within Kenyan professional bodies, and to undertake a descriptive analysis utilizing Cameron and Quinn's Competing Values Framework (CVF) and the McKinsey 7S Framework, and to test null hypotheses through regression ANOVA analysis.

Through their investigation, the researchers uncovered several gaps in existing literature and research. They noted a need for further surveys across East Africa to gauge the applicability of adhocracy culture in diverse organizational settings. Additionally, there was a scarcity of literature exploring the depth of adhocracy culture's impact on strategy implementation, with scholars expressing various criticisms and observations regarding its prevalence and effects. Furthermore, diagnosing and assessing organizational changes posed challenges, particularly when adhocracy culture dominated the organizational landscape.

In terms of future research directions, the authors recommended expanding similar surveys across the East African region to encompass a wider array of professional bodies. They also suggested delving deeper into establishing organizational structures that effectively integrate adhocracy culture and involving top managers and staff in strategic implementation processes to evaluate the efficacy of adhocracy culture in practice.

In an authored chapter titled "Impact of Adhocracy Organizational Culture on Effective Knowledge Management," Kiziloglu (2021) delves into the intricate association between adhocracy organizational culture and the facilitation of effective knowledge management. The study underscores a noteworthy positive correlation between an adhocracy culture and the effectiveness of knowledge management practices. It accentuates the pivotal role of cultivating a nurturing culture that fosters an environment conducive to idea sharing, risk-taking, and collaborative efforts among employees. This conducive atmosphere, the research contends, serves as a catalyst for amplifying creativity and innovation within the organizational framework.

Furthermore, the research recommends for organizations to place a premium on nurturing adhocracy culture as a strategic imperative. Doing so, according to the study, is essential for organizations striving to maintain competitiveness while cultivating and enhancing effective knowledge management practices. The paper strongly advocates for corporate entities to acknowledge and prioritize the significance of adhocracy culture in harnessing knowledge reservoirs and steering innovation within the organizational landscape. The researcher however adds that additional exploration within research endeavors may focus on expounding on the precise mechanisms through which adhocracy culture exerts its influence on knowledge management. This investigation could encompass examining the pivotal roles played by leadership dynamics, communication channels, and organizational structures in shaping the landscape of knowledge within an adhocratic framework. Subsequent studies might aim to comprehensively assess the ramifications of adhocracy culture on diverse dimensions of knowledge management, encompassing facets like knowledge creation, dissemination, and application. Such investigations would significantly contribute to a more nuanced and comprehensive comprehension of the intricate association between adhocracy culture and knowledge management.

Yasmina and Etikariena (2022) performed an empirical inquiry examining the intricate interplay between Adhocracy Culture and Innovative Work Behavior. Employing Convenience sampling as the sampling method, the study engaged 110 employees across diverse startup companies representing various industries as participants. The findings unveiled a nuanced relationship wherein job satisfaction emerges as a partial mediator in the correlation between adhocracy culture and innovative work behavior.

The authors advocate a strategic approach for organizations to bolster support for innovation while concurrently enhancing employee job satisfaction, fostering a conducive environment for innovative work behaviors that ultimately benefit the organizational landscape. The study explicitly asserts the existence of a substantial correlation between adhocracy culture and innovative work behavior, underlining job satisfaction as a key mediating factor in this relationship.

Consequently, the authors underscore the strategic imperative for organizations to prioritize the cultivation of an adhocracy culture. This entails fostering an environment conducive to flexibility, risk-taking, and innovation while simultaneously ensuring employees' contentment with their roles, thus nurturing an ecosystem primed for innovative work behaviors. Conversely, the authors add that exploring additional mediators that could potentially impact the correlation between adhocracy culture and innovative work behavior would offer significant insights. For instance, delving into factors like employee engagement or organizational support could shed light on their roles as potential influencers within this relationship. Investigating these supplementary variables could provide a more holistic understanding of how adhocracy culture interfaces with innovative work behavior, thereby enriching the depth of knowledge in this domain.

In their 2022 study, Gachagua and Kinyua (2022), investigated the relationship linking adhocracy culture and firm performance within Level Five Hospitals in Kenya. Their correlation analysis uncovered a statistically significant positive association between adhocracy culture and firm performance. Similarly, the regression analysis corroborated these findings, demonstrating a notable positive effect of adhocracy culture on firm performance.

Conclusively, the results of the study highlighted the substantial contribution of adhocracy culture to the performance of Level Five Hospitals. To leverage this influence, the authors recommended that hospital management streamline policies to bolster adhocracy culture within the organization. Additionally, they proposed initiatives aimed at enhancing adaptability and fostering individual initiatives among staff members.

Nonetheless, the study's limitations should be acknowledged. The research did not account for other potential influencers of firm performance, such as external market conditions or varied leadership styles. This absence might restrict the comprehensive understanding of the factors affecting performance. Furthermore, the study did not delve into the long-term implications of adhocracy culture on firm performance, limiting insights into its sustained effects and enduring impact over time. In the conceptualization of adhocracy culture, this study relied on the indicators presented by Boufounou and Argyrou, 2022. These included initiatives to promote creativity, support for new ideas, dynamism, risk taking among others.

2.3.2 Market culture and Organizational Innovativeness

Market culture has been identified as a significant driver of innovativeness across various industries, particularly through its emphasis on creativity and market impact. Deshmukh (2020) conducted a study titled "Understanding the Cultural Factors to Build Innovation in Organizations" in Miami, Florida, which underscored the importance of intra-firm knowledge sharing and market orientation in fostering radical innovation. The research highlighted cultural factors like learning capability, shared vision, and proactive market orientation as positively influencing radical innovation, although open-mindedness did not show a significant effect.

The study employed a quantitative research methodology, utilizing a survey administered through Qualtrics, a web-based software for survey creation and report generation. The survey included Likert scale questions to assess key cultural drivers of radical innovation. Analysis techniques such as descriptive statistics, correlation analyses, and exploratory factor analysis (EFA) were used to evaluate the dependability and dimensionality of the measures.

However, the study faced limitations, including a small sample size consisting of 50 pilot participants and 166 participants in the main study from diverse organizations and industries. While hierarchical linear regression was used to examine direct effects, the paper suggests that alternative statistical techniques or models could offer additional insights.

For future research, the paper recommends extending the study into a qualitative or hybrid approach to complement quantitative analysis. This could involve conducting open-ended conversations with participants to delve deeper into cultural factors influencing radical innovation. Additionally, exploring other factors like technological capabilities or external market conditions could provide a more comprehensive understanding of innovation drivers.

Viltard and Acebo (2018) argued in their paper titled "Corporate Culture: A Key to Stimulate Innovation in Argentina" that cultivating an appropriate business culture, including a market-oriented culture, is essential for fostering innovative performance. They emphasized that companies failing to develop innovation risk falling behind their global counterparts and underscored the importance of entrepreneurial cultures conducive to creating and leveraging novel ideas for sustainable competitive advantages.

Innovation, they asserted, is instrumental in honing qualities that distinguish companies from competitors and attract consumer preference. While adopting resources, technology, and intangibles from other companies can be an option, nurturing a corporate culture supportive of innovation is deemed the most effective approach. Values, behaviors promoting new ideas, and a willingness to challenge tradition are vital for nurturing innovation within an organization.

Their study employed an exploratory-descriptive approach with a qualitative methodology, primarily relying on a review of literature by subject matter experts. While referencing the Oslo Manual (2005) as a framework for understanding innovation, the paper did not detail the specific methods used for analyzing or gathering data from this source (Bloch, 2007).

Future research avenues could explore strategies and practices that leaders can employ to cultivate an innovative culture within their organizations, including examining successful case studies. Additionally, exploring the function of leadership in shaping and encouraging a culture of innovation, along with exploring the impact of various business cultures on innovation development, could provide valuable insights. Furthermore, studying the relationship between business culture and other factors influencing innovation, a good example being organizational structure and communication channels, could offer a comprehensive understanding of their interplay in driving innovation.

Boufounou and Argyrou (2022) conducted an investigation into the organizational culture within the Greek banking sector, aiming to understand its role in economic transformation. They identified the fundamental organizational culture in the sector as the market culture, aligning with findings from a prior study by Belias and Koustelios (2014), which also highlighted this market-oriented culture. Additionally, their research revealed significant disparities in organizational culture linking the public and private sectors, with the latter primarily embracing market culture principles while the public sector leaned towards a hierarchical culture. However, the study's scope was limited due to its focus on a small-scale organizations and sectors, prompting a call for further exploration by other researchers, particularly regarding inter-sectoral cultural differences.

Moving forward, Boufounou and Argyrou suggested avenues for future research, such as examining the influence of organizational culture on innovation across different company sizes, particularly comparing larger corporations with small and medium enterprises (SMEs). They also emphasized the importance of examining the influence of leadership on molding organizational culture and its consequent effects on promoting innovation. Furthermore, they advocated for exploring specific mechanisms through which organizational culture influences innovativeness, including communication, collaboration, and employee engagement.

The researchers utilized the Competing Values Framework (CVF) as a tool to gauge organizational culture, classifying it into four types according to flexibility as opposed to stability and external against internal focus. To evaluate the correlation between culture strength and innovation, Dispersion Analysis (ANOVA) was employed, supplemented by the Kruskal-Wallis test as a non-parametric option. Data pertaining to organizational culture and innovativeness were gathered via a questionnaire distributed among 110 Greek SMEs, garnering responses from a total of 504 participants. The survey's innovation scale exhibited high reliability.

In Liao's (2018) extensive investigation, a theoretical framework was developed to evaluate the influence of four specific corporate cultures—clan, adhocracy, hierarchy, and market—on a company's environmental innovation across three key facets: eco-organizational, eco-process, and eco-product. Furthermore, the research sought to ascertain the impact of environmental innovation on the financial performance of the firm. The results of the study revealed that adhocracy and market cultures were associated with favorable contributions to a firm's environmental innovation, whereas the hierarchy culture showed an adverse effect. Consequently, the study proposed recommendations to facilitate environmental innovation within firms. These suggestions encompassed fostering adhocracy and market cultures to stimulate environmental innovation, emphasizing attention to the external environment and market demands, and advocating against rigid organizational structures. Moreover, the study advocated for flexibility in business processes and the cultivation of an innovative culture encouraging environmental innovation. Leveraging external knowledge sources, continuously optimizing internal resource allocations, closely monitoring market opportunities, and promptly addressing stakeholder and customer demands were also highlighted as strategies to enhance financial performance.

However, limitations were noted within the study, primarily the absence of consideration for potential moderating variables, such as firm size and age. The author proposed that subsequent studies should explore and analyze the function of these variables in the relationship between corporate culture, environmental innovation, and financial performance.

Yildirim et al. (2017) embarked on a study aiming to explore the potential correlation between marketing culture and job satisfaction within banking firms. Employing a survey-based approach, the research was conducted among service industry personnel from private banks and insurance companies in Istanbul, Turkey. The assessment of marketing culture was conducted using Webster's (1990) model, comprising 34 items.

The outcomes underscored a significant and favorable association between marketing culture and job fulfilment. Particularly notable was the stronger effect of marketing culture factors on extrinsic gratification levels within banking firms. Noteworthy contributors to enhanced extrinsic satisfaction included attributes such as service quality, organizational structure, sales-related tasks, and innovativeness. Furthermore, the study highlighted how a marketing-oriented culture within firms could foster a more participative management system, aligning with previous research (Lok and Crawford, 1999; Silverthorne, 2004; Webster, 1991; Yildirim et al., 2017). Yildirim et al., 2017 provided a reliable mechanism for measuring market culture. Relying on the Webster’s 6 factor scale, the study evaluated the implementation of each factor on a 5-point Likert scale. This study relied on the same scale to establish the adoption of market culture in Kenyan commercial banks using indicators such as emphasis on good reputation, competition, reward mechanisms, cooperation vs competition and other key indicators.

2.3.3 Hierarchy culture and Organizational Innovativeness

Hierarchy culture is defined by the adherence to regulations, procedures, and hierarchical structures aimed at regulating individuals and groups while maintaining stability within the organization (Boufounou and Argyrou, 2022).

Jæger et al. (2023) define hierarchy culture as the presence of a hierarchical structure within an organization or society, influencing various aspects of human life such as social interactions, leadership relations, and organizational culture. Their study, titled "What Cultural Hierarchy? Cultural Tastes, Status, and Inequality in Denmark," published in the British Journal of Sociology, aimed to test the empirical propositions of the cultural hierarchy hypothesis. This hypothesis posits that cultural activities carry different status levels, and individuals from different socioeconomic positions (SEPs) perceive and participate in cultural activities based on their status alignment.

In their research conducted in Denmark, survey data revealed variations in the observed status of cultural activities, with opera being perceived as having higher status than flea markets. Furthermore, the study found similar status perceptions among individuals from both high- and low SEP groups, supporting the notion of misrecognition. Additionally, individuals tended to prefer and engage in cultural activities that aligned with the status of their SEP, demonstrating status similarity. These findings indicate the occurrence of a cultural hierarchy contributing to socioeconomic disparities in cultural preferences and participation. Future research could delve into exploring the cultural hierarchy across diverse cultural settings and societies to ascertain the universality of these findings.

In her study titled "Strategy Implementation: Does Hierarchy Culture Matter in Licensed Professional Societies in East Africa," Njagi (2021) identified a notable correlation between hierarchy culture and strategy implementation within professional bodies. Notably, dominant characteristics and effective employee management demonstrated positive influences on this relationship.

The study employed a descriptive design approach to gather data from professional bodies in Kenya, yielding 132 responses out of a targeted 168. The evaluation of strategy implementation, considered as the dependent variable, was conducted by examining policy implementation, motivation and resource assessment. Hierarchy culture, the independent variable, was evaluated based on dominant characteristics and employee management. A linear regression analysis was employed to assess the null hypothesis and ascertain the association between the dependent and independent variables. The coefficients obtained from the regression model were utilized to ascertain the regression model's values.

Future research endeavors should explore the relationship between strategy implementation and various aspects of organizational culture. Additionally, further investigation could delve into the influence of hierarchy culture on strategy implementation across diverse industries or countries, extending beyond professional bodies in Kenya. An examination of the specific mechanisms through which hierarchy culture impacts strategy implementation, particularly the role of leadership within hierarchical structures, would provide valuable insights for future studies.

In their 2019 study, Alalie et al. (2019) examined the intermediary function of empowerment strategies in relation to the effect of motivational factors on the sustainable competitive advantage of banks operating in Iraq. The findings revealed that hierarchy culture had an adverse impact on all facets of sustainable competitive advantage. Furthermore, the study observed that empowerment strategies acted as a moderating factor, addressing the adverse effects of a hierarchical culture on the sustainable competitive advantage of banks.

Naranjo-Valencia et al. (2011) carried out a study focusing on significance of organizational culture in fostering innovation. Their findings underscored the substantial influence of organizational culture on innovation strategies, highlighting how adhocracy cultures foster innovation while hierarchical cultures tend to encourage imitation. The consequences of these findings are noteworthy for practitioners, emphasizing the necessity of attentiveness to organizational cultures for successful implementation of innovation strategies, whether inclined towards innovation or imitation. However, it's crucial to interpret these results with caution, considering the study's limitations. Notably, the evaluation encompassed only four of the six attributes outlined in the competing value model, consequently limiting the number of defining factors or traits characterizing an organization's culture. Furthermore, data collection for the study was sourced from a singular origin, potentially impacting the breadth and depth of the study's insights. The assessment of hierarchy culture in this study relied on the indicators outlined in Boufounou and Argyrou, 2022. These included observance of procedures and regulations, clarity of chain of command, consistency and stability in operations among other indicators.

2.4 Summary of Knowledge Gaps

Several authors have conducted studies focusing on various aspects of organizational culture and its effect on different domains. Below is a summary of some of these studies across different industries:

Jæger et al. (2023) unveiled a significant relationship between cultural preferences, status, and inequality in Denmark. Their study uncovered variations in the perceived significance of cultural initiatives, with individuals across various socioeconomic position (SEP) groups demonstrating similar status perceptions. Additionally, individuals tended to favor and participate in cultural activities that aligned with their socioeconomic status.

Future research could delve into exploring the cultural hierarchy across different cultural contexts and societies to ascertain the universality of these findings. Investigating the mechanisms through which hierarchy culture influences strategy implementation, particularly the role of leadership within hierarchical structures, would provide valuable insights for future studies.

In a study conducted by Njagi (2021), a notable correlation was identified between hierarchical culture and strategy implementation within licensed professional societies in East Africa. Positive impacts on strategy implementation were noted particularly in relation to dominant characteristics and effective employee management.

Future research could explore the connection linking strategy implementation and other facets of organizational culture. Investigating the role of leadership within hierarchical structures and its influence on strategy implementation could provide additional insights.

Alalie et al. (2019) revealed that hierarchy culture had a negative impact on all dimensions of sustainable competitive advantage for banks in Iraq. Nonetheless, the study found that empowerment strategies acted as a moderating factor, alleviating the detrimental impacts of a hierarchical culture on sustainable competitive advantage.

Naranjo-Valencia et al. (2011) emphasized the significant effect of organizational culture on innovation strategies, with adhocracy cultures fostering innovation while hierarchical cultures tended to encourage imitation.

Data collection for the study was sourced from a singular origin, potentially impacting the breadth and depth of the study's insights. Future research could address these limitations by incorporating a more comprehensive assessment of organizational culture and gathering data from multiple sources to enhance the study's robustness and generalizability.

These identified gaps collectively underscore the necessity for further research to enhance understanding of the complexities surrounding organizational culture's influence on various aspects of innovativeness and performance within different organizational contexts and sectors.

Table 2.1: Summary of Knowledge Gaps

Author	**Study Objectives**	**Methodolog y**	**Findings**	**Gaps**	**Focus of Current Study**
Gulius (2019)	To investigate the link between clan culture and innovativeness in a Russian university during a transformation period.	Qualitative and quantitative sociological methods including surveys and focus groups.	Clan culture in the university encourages collaboration and cooperation, addressing challenges in the educational market and promoting innovation.	**Empirical** Lack of exploration of potential drawbacks of clan corporate culture in universities, absence of empirical evidence or case studies.	Delve deeper into organizational culture using methodological tools from various social sciences and include empirical evidence and case studies.
Mgumba et al. (2023)	To identify the correlation between clan culture and the performance of public secondary schools in Turbo Sub	Correlational research approach involving surveys and document analysis.	Positive association between clan culture and secondary school performance in Turbo Sub County.	**Theoretical** Focus solely on relationship between clan culture and school performance, absence of consideration of other	Conduct longitudinal studies to track changes over time.

	County, Kenya.			potential influencing factors.	
Ashraf et al. (2014)	To investigate the interaction among organizational culture, innovativeness, and effectiveness within higher education institutions in Iran.	Survey research approach with quantitative analysis.	Positive association between clan culture and both innovativeness and effectiveness within organizations.	**Methodological** Reliance on survey research methodology, Contextual Absence of exploration of other factors impacting organizational effectiveness.	Replicate similar investigations in diverse cultural and institutional contexts and explore the influence of different leadership styles.
Zhang et al. (2023)	To investigate the correlation between clan culture and corporate social responsibility (CSR) behavior within Chinese family firms.	Employed city-level genealogy density data and examined moderating influences.	Clan culture in Chinese family firms has been positively linked to CSR behavior, with solidarity, mutual benefit, and moral restraint identified as pivotal mechanisms underlying this association.	**Empirical** Limited exploration of specific mechanisms by which clan culture affects CSR behavior in Chinese family firms.	Delve into specific mechanisms of clan culture affecting CSR behavior and explore its influence on diverse facets of organizational behavior beyond CSR.

Apriliantyand Waskito (2023)	To examine the impact of adhocracy culture on company performance and innovative work behavior.	Quantitative approach with questionnaires and structural equation modeling.	An adhocratic culture does not show a significant influence on company performance, but innovative work behavior significantly contributes to overall performance.	**Empirical** Lack of investigation into potential moderating effects of contextual factors or individual differences.	Explore potential moderating effects on the relationship between adhocracy culture, innovative work behavior, and company performance.
Boufounou and Argyrou (2022)	To understand the role of market culture in fostering innovativeness in the Greek banking sector.	Utilized Competing Values Framework and conducted surveys.	Fundamental organizational culture in the Greek banking sector identified as market culture, with disparities between private and public sectors.	**Contextual** Limited scope due to focus on small-scale organizations and sectors, absence of exploration of other potential influencers of firm performance.	Explore how organizational culture impacts innovation across various company sizes and analyze the influence of leadership on shaping organizational culture.
Jæger et al. (2023)	To test the empirical propositions of the cultural hierarchy hypothesis in Denmark.	Survey data analysis to examine variations in the perceived status of cultural activities.	Variations in the observed status of cultural activities in Denmark, indicating the existence of a cultural hierarchy contributing to socioeconomic disparities in cultural preferences	**Contextual** Absence of exploration of the cultural hierarchy across diverse cultural contexts and societies.	Delve into the cultural hierarchy across diverse cultural contexts and societies to ascertain the universality of findings.

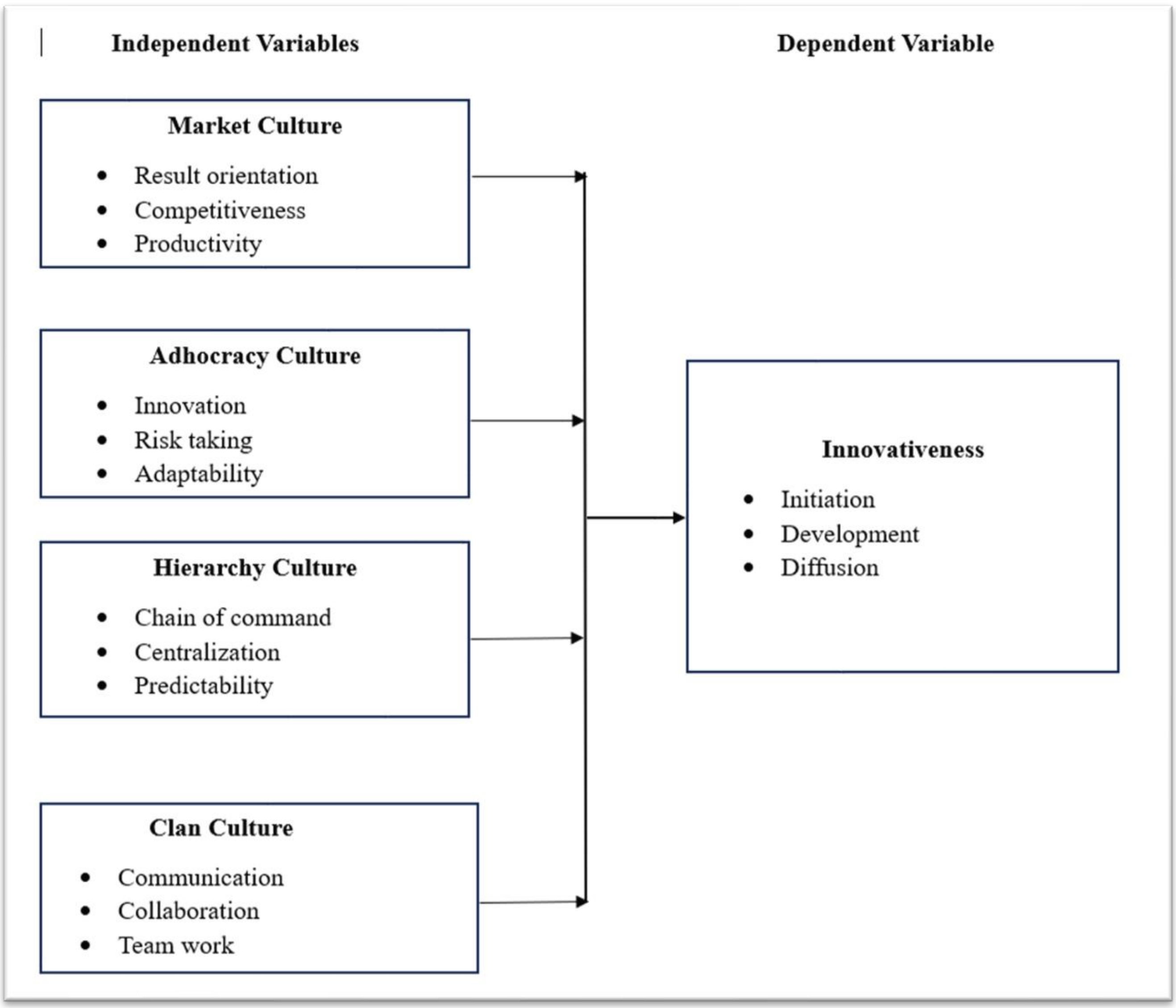
			and participation.		
Njagi (2021)	To identify the correlation between hierarchy culture and strategy implementation in professional bodies in Kenya.	Employed a descriptive design approach with linear regression analysis.	A significant correlation was observed between hierarchical culture and strategy implementation within professional bodies, with dominant characteristics and effective employee management playing positive roles in this relationship.	**Empirical** Lack of exploration of the connection between strategy application and other facets of organizational culture.	Explore the connection between strategy application and other facets of organizational culture and investigate the specific mechanisms through which hierarchy culture impacts strategy implementation.

Source: Researcher (2025)

2.5 Conceptual/Analytical Framework

Based on the insights gained from the literature review, the researcher formulated the idea that the innovativeness of commercial banks in Kenya is shaped by the prevailing organizational culture within these institutions. This conceptualization is visually represented in the framework presented below:

Figure 2.1: Conceptual Framework



Source: Researcher (2025)

This conceptual framework delineates the correlation between organizational culture and innovativeness. Within the scope of this research, organizational culture is delineated through four distinct dimensions: adhocracy culture, hierarchy culture, market culture, clan culture. The technological innovation process comprises three phases: the initiation phase (involving idea generation, information acquisition, and knowledge transformation); the development phase (focused on validating knowledge and assessing its suitability), and the diffusion phase (obtaining user feedback and scaling up).

Table 2.2: Operationalization of study variables

Construct	Adopted Definition	Measurement	Supporting Literature
Clan Culture	Clan culture fosters collaboration, cooperation, and innovation within organizations. It encourages a sense of community and collective identity, addressing modern challenges effectively.	- Qualitative and quantitative sociological methods, including surveys, focus groups, and corporate culture diagnosis. - Qualitative projective self-diagnostics method.	Gulius (2019) Misoi and Githinji (2023); Alalie et al. (2019); Naranjo-Valencia et al. (2011)
Adhocracy Culture	Adhocracy culture promotes innovation, experimentation, and adaptability within organizations. It encourages creativity and idea generation, ultimately enhancing competitiveness.	- Quantitative approach utilizing questionnaires. - Descriptive analysis and Structural Equation Model (SEM) analysis.	Waskito (2023); Kaya (2012); Muraguri et al. (2020); Yasmina and Etikariena (2022); Gachagua and Kinyua (2022)
Market Culture	Market culture emphasizes market impact and creativity within organizations. It promotes intra-firm knowledge sharing and proactive market orientation, fostering radical innovation.	- Quantitative research methodology using surveys and Likert scale questions. - Descriptive statistics, correlation analyses, and exploratory factor analysis (EFA).	Pires (2023); Viltard and Acebo (2018); Boufounou and Argyrou (2022); Liao (2018)
Hierarchy Culture	Hierarchy culture is characterized by a hierarchical structure within organizations, influencing social interactions and leadership. It can have adverse effects on innovation and strategy implementation.	- Various research methodologies including surveys, linear regression models, and case studies.	Jaeger et al. (2023); Njagi (2021); Alalie et al. (2019); Naranjo-Valencia et al. (2011).

Innovativeness	The innovativeness of a firm is positively associated with its Research and Development (RandD) efforts and can be assessed using diverse indicators including knowledge capabilities, innovation conversion, RandD infrastructure, RandD capabilities, marketing capabilities, and manufacturing capabilities.	The Analytic Hierarchy Process (AHP), introduced by Saaty (1980), employs pairwise comparison questions to create a matrix of judgments concerning the relative preference between each pair of alternatives for each attribute. Furthermore, it generates a matrix of judgments regarding the relative importance of each pair of attributes.	Jain et al. (2010), Saaty (1980)

Source: Researcher (2025)

2.6 Chapter Summary

This chapter explored the theoretical foundations that underpin the study, along with the empirical investigations conducted by prominent scholars in various industries regarding organizational culture and innovativeness. The research deficiencies identified from these empirical studies were succinctly outlined and summarized in a condensed table. Subsequently, a conceptual framework was developed to illustrate the interconnectedness of variables.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is crucial for systematically exploring a specific issue, as emphasized by (Kothari, 2017). The author further explains that research involves systematically formulating theories and generalizations, with the choice of methodology depending on the research problem and data characteristics. This section describes the methodology employed to examine the influence of organizational culture on the innovativeness of commercial banks in Kenya. It covers the research design, demographic characteristics of the target population, sample design, data acquisition methods, and analysis procedures, incorporating quantitative techniques. It also emphasizes the research philosophy, design, context, validity, reliability of instruments, and the methodologies used for data collection and analysis in the study.

3.2 Research Philosophy

A research philosophy reflects a researcher's perspective on how data should be collected, analyzed, and utilized (Mays and Robson, 2018). Common approaches include positivism, pragmatism, interpretivism and realism (Saunders et al., 2003). This study employed a positivist philosophy, emphasizing the pursuit of objective and verifiable knowledge. Unlike interpretivism, where subjectivity plays a role, positivism prioritizes researcher objectivity and neutrality to minimize bias in findings (Willis, 2023). In contrast, pragmatism emphasizes the practical application of knowledge, potentially incorporating multiple research methods (Creswell and Creswell, 2017).

Positivist research typically utilizes quantitative methods to produce measurable data through deductive reasoning (Brannen, 2017)). Ghauri et al. (2020) highlights that positivist research often produces statistically quantifiable and observable findings, aiming for generalizable laws. This study adopted a positivist research philosophy to determine the effect of organizational culture on innovativeness in Kenyan commercial banks. Data collection, analysis, and predictions were guided by established theories (Bell et al., 2022).

3.3 Research Design

The methodology for this study was a quantitative approach, specifically utilizing a descriptive cross-sectional research design to comprehensively investigate the effect of organizational culture on the innovativeness of commercial banks in Kenya. As emphasized by Kothari (2017), integrating study components seamlessly within the research design is crucial for offering a logical solution to the problem statement. By utilizing a descriptive analysis framework, the study sought to evaluate both the strength and direction of relationships between independent and dependent variables within the banking sector, aligning with the study's timeframe and resource availability. Through data collection from Kenyan commercial banks using the cross-sectional survey technique, the study enabled the examination of multiple outcomes on the influence of each independent variable, ensuring a comprehensive understanding of the dynamic relationship between organizational culture and innovativeness.

3.4 Population of the Study

A population, as defined by Kothari (2017), encompasses a collection of individuals, services, components, or activities within a study's scope. De Vaus and de Vaus (2013) elaborate on the population of interest as the complete assembly of components from which a researcher aims to derive conclusions. In defining the target population, this study focused on a population of 42 commercial banks licensed by the Central Bank to operate in Kenya. The study specifically focused on head office banks within Nairobi City to facilitate data collection and analysis.

3.5 Sampling Design

Sampling refers to the process of selecting a segment of individuals from a population to make statistical inferences (Taherdoost, 2016). In this research, simple random sampling was used in the first sampling stage to ensure equal opportunities for participation among the different commercial banks in Kenya. The sampling frame consisted of the 42 licensed commercial banks operational in Kenya (Appendix II) as of 2024, where a sample size of thirty-eight banks was derived using Yamane's formula depicted below. The unit of analysis from the banks were individual employees across the three ranks in each commercial bank. The study therefore applied a stratified sampling technique in the second stage of sampling to ensure that each cadre in the organization was represented in the study (Etikan & Bala, 2017). The respondents were sourced from all cadres of the bank ranging from senior management, mid-level and junior staff of the bank. Therefore, three respondents per bank were targeted, thereby bringing the total number of respondents to 114 allowing for a systematic selection process to thoroughly explore the correlation between organizational culture and innovativeness within the commercial banking sector in Kenya.

The formula is outlined below, assuming a 95% confidence level and an alpha of 0.05:

$$n = {}^{N}/_{[1 + N(e)^2]}$$

Where:

n is the sample size
N is the study population
e is the margin of error.

Hence;

$$n = {}^{42}/_{[1 + 42(0.05)^2]}$$

$$n = 38$$

3.6 Data Collection Methods

Research tools refer to the various methods, materials and resources used to gather information (Taherdoost, 2016). In this study, closed questionnaires served as the primary data collection instruments, offering a versatile means to gather information on all variables of interest. This choice was grounded in their ability to accommodate a large sample size while being participant-friendly. This tool offered advantages such as objectivity and efficiency compared to other methods like interviews. Structured questionnaire items enabled easy tabulation and analysis of data, with sections dedicated to capturing demographic information, perceptions of organizational culture and insights innovativeness from employees.

Moreover, they facilitated data collection without requiring physical presence, making them adaptable to various platforms including online mediums (Rowley, 2014). This approach ensured anonymity for participants, who were not obliged to meet the researcher or disclose personal details. The questionnaire employed a five-point Likert scale to measure responses across three main sections: individual profile, dimensions of the independent variable (organizational culture), and innovativeness. The questionnaire consisted of two sections: the first (Section A) focusing on demographic information and the second (Section B) delving into specific aspects of organizational culture influencing innovativeness in Kenyan commercial banks. Data collection was conducted between October 2024 and November 2024, ensuring a comprehensive understanding of the study variables within the specified timeframe. A total of 114 questionnaires in form of Google forms were distributed to the target respondents across the sampled commercial banks.

To assess organizational culture, the study utilized the Competing Values Framework (CVF), a widely recognized model introduced by Cameron and Quinn (1999), which categorizes cultures into four types: adhocracy, clan, market, and hierarchy, based on dimensions like flexibility, discretion, stability, control, external focus, internal focus, and integration. This model is extensively employed in organizational culture research due to its significance and applicability. The CVF combined these dimensions with six organizational aspects to create a comprehensive understanding of organizational cultures. Additionally, to measure innovativeness, the study adopted a tool originally developed by Russell and Russell (1992), engaging respondents to rate their level of agreement on a five Likert scale questions, capturing their perceptions of business norms related to innovation.

3.7 Research Quality

3.7.1 Reliability

Reliability, a cornerstone of research quality, ensures that measurement tools produce consistent and stable results over time and across different conditions. In this study, reliability testing was undertaken to assess the internal consistency of the research instrument. The Cronbach's Alpha coefficient, a widely recognized measure of reliability, was employed to evaluate the consistency of responses to questionnaire items. According to established guidelines, a Cronbach's Alpha value equal to or greater than 0.7 signifies satisfactory reliability (Mugenda and Mugenda, 2003). A high alpha value signifies a high level of reliability and vice versa. The results were as shown below:

Table 3.1 Cronbach's Alpha reliability test

Variable	Cronbach's Alpha	Critical Value	Conclusion
Market Culture	0.733	0.700	Reliable
Adhocracy Culture	0.784	0.700	Reliable
Hierarchical Culture	0.816	0.700	Reliable
Clan Culture	0.799	0.700	Reliable
Innovativeness	0.855	0.700	Reliable

Source: Primary data (2024)

The above results indicate a Cronbach's Alpha score of above the critical value of 0.7, thereby proving that the data collection tool was reliable to conduct the study.

3.7.2 Validity

Ensuring the validity of research is crucial for maintaining its quality, guaranteeing that the measurement tools accurately capture the intended constructs (Kimberlin and Winterstein, 2008). In this study, various validity measures will be utilized to confirm the precision and suitability of the research instrument. Content validity, which evaluates whether the questionnaire items adequately represent the constructs of interest, was established through expert validation. Experts knowledgeable in quality management practices within the banking sector were consulted to evaluate the research tool to confirm its relevance and comprehensiveness. The tool was also discussed with the supervisor to assess its suitability in answering the research question. Input from both expert and supervisor opinion was included in the tool to ensure validity of the tool.

3.8 Diagnostic Tests

Statistical assumptions were tested before performance of descriptive and inferential analysis. This was necessary to determine whether the data met the assumptions of normality, linearity and serial correlation (Shapiro, 1999). This study therefore conducted tests for normality, linearity and multicollinearity and independence as discussed in the sections below.

3.8.1 Test for normality

Since the data required application of regression analysis, the test for normality was conducted to test for the assumption of normal distribution. This test is critical for studies intending to conduct simple and multiple regression analysis (Khatun, 2021). The research applied the Shapiro-Wilk test to test the data collected for normality. The test utilizes skewness and or kurtosis results to establish the normality of the data. Data is regarded to be normally distributed if the test results have a significance value of more than 0.05 (statistically insignificant). Table 3.8 shows the normality test results.

Table 3.2 Normality test results

Innovativeness	**Kolmogorov-Smirnov[b]**			**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Market Culture	.329	84	.400	.895	84	.406
Adhocracy Culture	.209	84	.200	.823	84	.237
Hierarchical Culture	.334	84	.300	.777	84	.344
Clan Culture	.274	84	.300	.791	84	.288

Source: Primary data (2024)

The normality test results in the table above showed that all the study variables had a significance value of more than 0.05, thereby indicating a normal distribution.

3.8.2 Test for linearity

Precise assessment of relationship between the study variables through use of regression analysis requires the assumption of a linear relationship between the study variables. In circumstances where variables under study have a non-linear relationship, the use of regression analysis to conduct the study yields misleading models due to under-estimation of the relationship (Bless &Wanke, 2023). In linear relationships as tested through regression analysis, a unit change in the independent variable prompts a change in the dependent variable as they lie on a straight line. The study applied the

ANOVA test of linearity whereby variables are considered to have a linear relationship if the significance value is above 0.05. The results of the linearity test are presented below:

Table 3.3 Linearity test results

Variables	F	Sig.
Market Culture	176.344	0.32
Adhocracy Culture	278.123	0.19
Hierarchical Culture	124.201	0.54
Clan Culture	214.902	0.15

Source: Primary data (2024)

The results above show that all the variables had a significance level of above 0.05, thereby confirming the existence of linear relationships between the independent variables and the dependent variable.

3.8.3 Test of Multicollinearity

This test was conducted to establish the existence of a high correlation between one or more independent variables with other independent variables. Multicollinearity occurs when there is high correlation between some independent variables which consequently affects their predictive capacity. One of the assumptions of regression analysis is the absence of multicollinearity, making it critical to confirm this by conducting a test using the Variance Inflation Factor and the tolerance (the reciprocal). A VIF factor of 10 or more indicates existence of severe multicollinearity which consequently affects the study findings. The test results are presented below:

Table 3.4 Test for Multicollinearity

Model	Collinearity statistics	
	Tolerance	VIF
Market culture	.74	1.35
Adhocracy culture	.54	1.85
Hierarchy culture	.71	1.41
Clan culture	.69	1.45

a. Dependent variable: Innovativeness

Source: Primary data (2024)

The results indicated that the VIF factor for all the independent variables ranged between 1.35 and 1.85 which was below the threshold value. There was therefore no multicollinearity between the independent variables.

3.8.4 Test of independence

To test for the independence of the error terms, the study applied the Durbin-Watson co-efficient test whereby a Durbin-Watson statistic of between 1.5-2.5 indicates that the observations are independent (Turner, 2020). The results of the test were as shown below:

Table 3.5 Test of independence

Variable	**Durbin-Watson**
Market Culture	1.589
Adhocracy Culture	1.786
Hierarchical Culture	2.045
Clan Culture	2.134

Source: Primary data (2024)

As demonstrated in the test results, all the variables had a score within the recommended range, thereby indicating that the observations were independent of each other.

3.8 Data Analysis

Initially, the data underwent processes including editing, coding, cleaning up, and tabulating to prepare it for analysis, as emphasized by (Mugenda and Mugenda, 2003). This stage also involved summarizing the data to draw meaningful conclusions and interpretations. The data analysis was performed using the IBM SPSS software Version 26. Descriptive statistics obtained served as a foundational analysis technique, wherein measures like mean and standard deviation were computed to understand the dimensions of organizational culture within Kenyan commercial banks. Moreover, methods such as frequency tables and percentages were utilized to analyze demographic characteristics and company biodata, providing insights into the profile of respondents and the factors under study. This phase of analysis, informed by Kothari (2017), sought to produce condensed summaries of data to assist in achieving a thorough comprehension of the study group.

Subsequently, the analysis conducted inferential statistics, particularly Pearson's correlation coefficient, to investigate the associations among variables, primarily focusing on the association between organizational culture and innovativeness within Kenyan commercial banks. This quantitative measure enabled the examination of the degree of relationship between continuous variables, such as different dimensions of organizational culture and innovativeness. Following correlation analysis, a multiple regression analysis was carried out to delve deeper into the hypothesized relationship model, considering various dimensions of organizational culture as independent variables influencing innovativeness. This model, as illustrated below, aimed at determining the relative contributions of each variable to the total variance in innovativeness, thus providing insights into the dynamics between organizational culture and innovativeness.

The Multiple regression analysis model adopted was as follows;

$Y = \beta 0 + \beta 1X_1 + \beta\ 2X_2 + \beta 3X_3 + \beta 4X_4 + \varepsilon$

Where:

Y= Innovativeness

$\beta 0$ = constant which refers to the value of the criterion variable when all the predictor variables are set to 0.

$\beta 1$, $\beta 2$, $\beta 3$, and $\beta 4$ are the coefficient function of the independent variables,

X_1= Adhocracy culture, X_2= Clan culture, X_3= Hierarchy culture, X_4= Market culture

ε= Error term of the regression

By adopting these analysis models, informed by prior research by scholars like Ademba, (2021), Adhiambo (2019) and Awino (2020), this study sought to elucidate the complex relationship between organizational culture and innovativeness within the framework of Kenyan commercial banks, thereby enriching the current understanding in this field of inquiry.

3.9 Ethical Considerations

In both qualitative and quantitative research, it is imperative to observe the ethical principles to safeguard the rights of participants and uphold the integrity of the study. In the study, various measures were taken to ensure ethical conduct, including implementation of an informed consent process, obtaining clearance from NACOSTI and the Ethics Review Committee, and following academic guidelines from Strathmore Business School. Strict confidentiality measures were also enforced to safeguard participants' privacy and ensure that research data was solely used for academic purposes. Ryen (2004) highlights the importance of adhering to ethical standards to protect all parties involved. Consequently, the study was conducted with authorization granted by the Strathmore University Ethics Review Committee, ensuring participants' full awareness and voluntary participation. Their privacy and confidentiality were guaranteed, and research data was used exclusively for the stated research objectives without any alteration, thereby maintaining the integrity and validity of the study.

3.9 Chapter Summary

This chapter has outlined the methodologies employed in conducting the study. The research adopted a quantitative approach, focusing on commercial banks in Kenya. Data was collected from these banks and analyzed using correlation and regression models, which are essential tools of inferential statistics. The reliability and validity of the data collection instrument was assessed to enhance the accuracy of the research findings. Throughout all stages of the research, ethical considerations were meticulously followed.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS

4.1 Introduction

The main aim of the study was to determine the effect of Organizational Culture on Innovativeness in the Kenyan Commercial banks. This objective was attained through the attainment of four major specific objectives focusing on the effect of clan culture, adhocracy culture, market culture and hierarchical culture on innovativeness in Kenyan commercial banks. This chapter presents the findings for both descriptive and inferential statistics. The chapter begins by presenting the descriptive statistics to give an overview of the respondents and the data collected. Later in the chapter, inferential statistics are presented to provide answers to the research questions.

4.2 Response Rate

The study was conducted through questionnaires with 5-point Likert scale whereby the respondents were required to indicate their level of agreement with the statements indicated in the tool. The target of the study was 42 licensed commercial banks in Kenya with a sample of 38 banks. Each bank was issued with three questionnaires targeting the three levels of employees; Senior, mid-level and junior members of staff. This totaled to 114 target respondents. However, the researcher received responses from 84 respondents representing 73.6% rate. This response rate as recommended in empirical research is considered fit for survey research whereby a 60% response rate is considered as good while 70% response rate is considered as very good (Mugenda & Mugenda, 2003). A 73.6% response rate indicated that the data collected from the respondents had high chances of representing the population under study. The high response rate can be attributed to the utilization of the introductory letters from the school and NACOSTI, Google forms which provided convenience to respondents and the huge response window granted to the respondents who were granted a whole month response period with bi-weekly reminders. A summary of the response rate is represented below:

Table 4.1 Response rate

Response	Frequency	Percentage
Returned	84	73.6
Unreturned	30	26.4
Total	114	100

Source: Primary data (2024)

4.3 Demographic profiles of respondents

The first section of the study was committed to understanding the demographic profiles of the respondents. The respondents were requested to indicate their gender, age, level of education and work experience. Collection of demographic data in research is important for various reasons. First, it aids in the elimination of false positives (Ray & Fellow, 2020). This is because the researcher will already have an understanding of the demographic profile of the respondents to ensure that the study does not inflate basic traits contained in the respondent sample. Collection of demographic information is also important in determining whether the sample is representative of the population (Ray & Fellow, 2020). This serves to ensure that the responses collected are not skewed because of the skewness of the respondents. The results of the demographic profiles of the respondents are shown below:

Table 4.2 Demographic profile of respondents

Gender	**Frequency**	**Percentage**
Male	34	40.5
Female	50	59.5
Total	84	100
Age	**Frequency**	**Percentage**
25 years and below	12	13.8
26-35 years	43	42.5
36-45 years	37	36.6
46-55 years	7	6.9
Above 55 years	0	0
Total	84	100
Education	**Frequency**	**Percentage**
Bachelor's degree	53	63.3
Master's degree	29	34.6
PhD	2	1.1
Work experience	**Frequency**	**Percentage**
Below 5 years	32	38.1
6-10 years	38	45.2
More than 10 years	14	16.7

Source: Primary data (2024)

The results as indicated in table 4.2 above indicate that majority of the respondents were female with a response rate of 59.5% while the male respondents were 40.5%. This shows that there were more female respondents than males but not with a huge disparity. The difference could be attributed to the slight dominance of women in the Kenyan banking sector as compared to their male counterparts (Alushula, 2024). The results further showed that a majority of the respondents were aged between 26-35 years (42.5%) closely followed by age group 36-45 years (36.6%). This could be an indication that a majority of the employees in Kenya's banking sector fall between the youthful and mid age. This could be further supported by the demographic information concerning the work experience of the respondents whereby most of the respondents (38.1%) had work experience of below 5 years while a sizeable proportion (45.2%) had work experience of 6-10 years. This range of experience and age group was best suited to respond to questions regarding innovation as the youthful population has been closely associated with innovative outcomes. A majority of the respondents (63.3%) had at least a university degree. This was an indication that the banks considered education attainment as a key element in hiring. It further indicated that the respondents would easily respond to the questionnaire. Overall, the study demographics were normally spread in terms of gender, age, work experience and education, meaning that the study findings would not be affected by a given dominant trait among the respondents.

4.4 Descriptive statistics

The study sought to establish the effect of organizational culture on the innovativeness of Kenyan commercial banks. Organizational culture was classified into market culture, hierarchy culture, adhocracy culture and clan culture. The respondents were issued with questionnaires with reliable 5-point Likert scale questions that would be used to measure the constructs. The scale ranged from 1 representing strongly disagree to 5 which represented strongly agree.

4.4.1 Descriptive statistics for Market culture

Cameron and Quinn (1983) described organizations adopting market culture as firms aware of their position in the market and are determined to enhance it. Therefore, the focus of market culture is majorly customers and suppliers since this in turn enhances their market position. The respondents were asked a set of 8 questions that would best gauge the implementation of market culture in the organization. The questions assessed factors including assessment of performance, leadership expectations, goal setting, internal competition, partnerships and alliances, remedial actions for non-performance and performance rewards. A summary of the statistics is provided below:

Table 4.3 Descriptive statistics for market culture

Items	N	Mean	Standard Deviation
Our Bank bases individual performance on achievement of tasks and goal attainment.	84	4.61	0.62
Our leaders have high expectations and incline more towards good reputation.	84	4.68	0.47
Our leaders set clear and specific goals for each employee.	84	4.72	0.55
Our employees present periodic progress reports to management.	84	4.55	0.60
Our Bank encourages competition across different departments/units.	84	4.43	0.91
Our Bank has forged partnerships, alliances and other business relationships in the past 3 years.	84	3.54	1.18
Failure to accomplish tasks on time leads to retribution.	84	4.66	0.51
Our employees are continuously aware of renewed expectations set by the organization.	84	4.38	0.89
Overall mean	84	4.44	0.71

Source: Primary data (2024)

The results above show an overall mean of 4.44 and a standard deviation of 0.71. This shows that the respondents agreed on the existence of attributes of market culture in Kenyan commercial banks. The aspect of clarity and specificity of goals in the commercial banks had the highest mean score of 4.72 and a standard deviation of 0.55. The statement on partnerships and alliances had the lowest mean of 3.54 and a standard deviation of 1.18. This therefore shows that from the perspective of the respondents, Kenyan commercial banks emphasize more on setting clear goals and objectives as the market centric tool as compared to forging partnerships and alliances. From the standard deviations, it is clear that respondents generally agreed on the goal setting aspect (SD=0.55) as compared to forging of partnerships and alliances (SD=1.18) which portrays a high level of variations in responses between those that disagreed with existence of partnerships and alliances and those that agreed. However, the overall standard deviation of 0.71 depicts a moderate deviation around the mean, showing that generally, respondents agreed to the existence of market culture attributes in their banks.

4.4.2 Descriptive statistics for Adhocracy culture

Cameron and Quinn (1983) described organizations adopting adhocracy culture as focused on flexibility and responsiveness. They therefore emphasize on risk taking and innovation in a bid to meet customer needs. To understand the extent to which Kenyan commercial banks implemented adhocracy culture, the respondents were asked to indicate the extent to which they agreed with a set of 7 Likert scale questions containing attributes that manifested implementation of adhocracy culture. A summary of the findings is presented below:

Table 4.4 Descriptive statistics for adhocracy culture

Items	N	Mean	Standard Deviation
Our Bank promotes creativity among employees.	84	4.53	0.70
Our leadership is supportive of new ideas.	84	4.36	0.67
There has been improved level of innovations in the Bank over the last three years.	84	4.64	0.62
Our Bank encourages Experimentation, risk taking and dynamism.	84	4.07	1.03
Our leaders prominently recognize failure as the first step to success.	84	3.72	1.08
Our Bank’s reward system accommodates new projects initiated by employees.	84	4.11	0.90
Our work environment is designed to prompt development of new ideas (color, graphics, music etc.)	84	4.11	0.89
Overall mean	84	4.20	0.84

Source: Primary data (2024)

The overall mean for adhocracy culture was 4.2, which demonstrated some level of agreement with the existence of aspects of adhocracy culture in their respective institutions. The mean standard deviation was 0.84, which was a moderate level of deviation depicting a moderate deviation of the responses between neutral responses and those that were in agreement for this attribute. Improvement in the level of innovation had the highest mean (4.64) and a standard deviation of 0.62. This indicates that the level of innovation across the commercial banks in Kenya had grown significantly, further demonstrating adoption of adhocracy culture. Recognition of failure as the first step to success had the lowest mean (3.72) and a standard deviation of 1.08. This could imply that a majority of the commercial banks in Kenya do not perceive failure as a stepping stone to success. The high standard deviation shows that the factor is a subject for discussion in the Kenyan commercial banks as the discourse is clear.

4.4.3 Descriptive statistics for hierarchical culture

Hierarchy culture exists where organizations are more inward looking and have their key focus as stability and control (Cameron and Quinn, 1983). The underlying assumption in this culture is that by focusing on internal factors within the organization, it is possible to drive efficiency and control. The respondents were therefore asked to indicate their level of agreement with the application of some key aspects of hierarchical culture within their banks. A summary of the responses is provided below:

Table 4.5 Descriptive statistics on hierarchical culture

Items	N	Mean	Standard Deviation
We understand well the rules, policies and guidelines of the Bank.	84	4.73	0.45
We share common goals with the Bank making operations seamless.	84	4.56	0.54
Our work environment is very procedural, structured and formalized.	84	4.63	0.54
Our Bank ensures clear instructions are availed to staff concerning their tasks and duties.	84	4.72	0.45
The success of the Bank is based on how smoothly various functional areas are run.	84	4.54	0.52
Our Bank values consistency and stability in its operations as opposed to uncertainty and ambiguity.	84	4.68	0.53
Overall average	84	4.64	0.50

Source: Primary data (2024)

As observed above, the overall average for hierarchical culture was 4.64 with a standard deviation of 0.50. This shows that in general, the respondents agreed to the existence of aspects of hierarchical culture in their banks. A standard deviation of 0.50 indicated a moderate deviation from the mean, thereby pointing to a general consensus regarding the adoption of hierarchical culture in the Kenyan commercial banks. The aspect of understanding the rules, policies and guidelines of the bank had the highest mean (4.73) and a standard deviation of 0.45. This could depict that the respondents from various banks adopt policy implementation as key in the adoption of hierarchical culture. A standard deviation of 0.45 is low, thereby indicating general agreement across respondents concerning the implementation of this hierarchical cultural aspect. The belief that success in the bank is dependent on the seamlessness of various functions recorded the lowest mean of 4.54 and a standard deviation of 0.52. This still indicated a general belief that structured implementation of functions was key in the success of the banks. This was further supported by the moderate standard deviation of 0.52.

4.4.4 Descriptive statistics for clan culture

Clan culture exists where there are shared objectives and values. The organizations adopting this type of culture inculcate an environment of mutual cooperation, collaboration coupled with employee capacity building (Yu & Wu, 2009). The respondents were asked to respond to several statements anchored around factors that would indicate existence and implementation of clan culture in their organizations. A summary of the responses is provided in the table below:

Table 4.6 Descriptive statistics for clan culture

Items	N	Mean	Standard Deviation
Our Bank is open and always keeps employees informed of any changes within.	84	4.49	0.58
Employee development is prioritized across the Bank.	84	4.18	0.83
I intend to invest in and maintain the relationship that I have with the organization.	84	4.27	0.68
We interact regularly with fellow employees.	84	4.42	0.60
The Bank's mission statement is geared towards social welfare.	84	4.41	0.64
We provide our opinion and views regarding the operations of the Bank.	84	4.25	0.70
Our Bank invites us to social interaction events for employees at least twice a year (seminars, cocktails, parties).	84	4.25	0.88
We take invites to interactive sessions seriously and show up.	84	4.34	0.71
I intend to remain in this organization as an employee because it offers me more than just financial benefits.	84	3.92	0.97
Overall average	84	4.28	0.73

Source: Primary data (2024)

As observed above, the overall average for clan culture was 4.28 with an average standard deviation of 0.73. This indicates that overall, the Kenyan commercial banks had adopted clan culture. A standard deviation of 0.73 was still within the range of moderate, indicating a moderate deviation from the mean. The aspect of interaction among employees had the highest average (4.42) and a moderate standard deviation of 0.60. This shows that regular interactions among employees was key in the inculcation of clan culture. Employee retention due to benefits that exceed financial benefits had the lowest mean (4.28) and a standard deviation of 0.97. This shows that despite valuing clan culture, employees in the Kenyan commercial banks still considered financial incentives as key in influencing their choice to stay in their current place of work. The standard deviation of 0.97 is close to high, indicating that responses were widely spread between respondents that agreed and those that disagreed with this statement.

4.4.5 Descriptive statistics for innovativeness

The general objective of the study was to establish the effect of organizational culture on the innovativeness of Kenyan commercial banks. This required understanding of the extent to which various aspects of innovation were being implemented in different commercial banks. The respondents were therefore required to indicate the extent to which they agreed with different aspects of innovativeness. This would assist in understanding the individual and organizational motivation to innovate. A summary of the responses is provided below:

Table 4.7 Descriptive statistics for innovativeness

Items	N	Mean	Standard Deviation
I often create new products that will provide value for customer	84	4.09	0.93
My bank has invested in latest innovations to improve product market performance	84	4.63	0.90
I regularly encourage development of employees' ideas for the purpose of business products	84	4.35	0.65
I regularly improve on the production process	84	4.28	0.64
I design our own unique new methods of production to remain competitive	84	4.03	0.67
Our bank has strong intention to encourage and stimulate process innovation	84	4.53	0.93
I always look for new market to target	84	4.52	0.63
I often find new ways to reach out to customers such as through social media	84	4.26	0.78
I always remain in the same business and target only the existing market	84	2.71	0.86
Overall average	84	4.15	0.83

Source: Primary data (2024)

As observed above, the overall average mean for innovativeness was 4.15 and a standard deviation of 0.83 indicating that the Kenyan commercial banks and their employees were generally innovative from an organizational and individual capacity. The moderate standard deviation indicated that the results were moderately spread around the mean. The aspect of banks investing in the latest innovations to improve product performance had the highest mean (4.63) and a standard deviation of 0.90. This indicated that the Kenyan commercial banks generally valued innovation as a tool to enhance their performance. A standard deviation of 0.90 was close to high, this could be attributed to the difference in size and operations of different commercial banks which consequently determines the capability to invest in the latest technologies. The attribute of remaining in the same business and market segment had the lowest mean (2.71) and a standard deviation of 0.86. This depicted a general disagreement with the statement, showing that the commercial banks generally sought to explore new markets and business lines, further supporting the conclusion of high level of innovativeness.

4.4.6 Overall descriptive statistics

The overall descriptive statistics for each of the variables under study are summarized in table 4.8 below:

Table 4.8 Overall descriptive statistics

Variable	**N**	**Mean**	**Standard Deviation**
Market culture	84	4.44	0.71
Adhocracy culture	84	4.20	0.84
Hierarchy culture	84	4.64	0.50
Clan culture	84	4.28	0.73
Innovativeness	84	4.15	0.83

Source: Primary data (2024)

The results above indicate that on average, the respondents agreed to the application of different types of organizational culture in their organizations. The respondents also agreed to the manifestation of different stages of innovation in their organization. These are evidenced by means of above 4 which represented agree in the Likert scale. Hierarchy culture was the most applied followed by market culture, clan culture and adhocracy culture took the second last and last position respectively. Adhocracy culture had the highest standard deviation, indicating that there was a high deviation in the responses as compared to hierarchy culture whose standard deviation was low, indicating a high consensus. Innovativeness also had a relatively high standard deviation of 0.83 indicating that the level of innovativeness and manifestation of its different phases significantly differed across the commercial banks.

4.5 Correlation analysis

Before carrying out regression analysis, it was important to establish the existence of significant associations between the study variables. The study applied Pearson's correlation to establish the degree of association. This was done by establishing the strength and direction of the relationship. The coefficients in Pearson's correlation range from -1 to +, whereby negative values indicate a negative relationship between the study values while positive values indicate the existence of a positive correlation between the study variables (Schober & Schwarte, 2018). A correlation coefficient of 0.3 or less indicates weak correlation, between 0.3 and 0.5 indicates moderate correlation while above 0.5 indicates a strong correlation. A correlation coefficient of 0 indicates that the two variables have no relationship (Schober & Schwarte, 2018). The study conducted a correlation analysis for the variables based on the responses on various aspects of organizational culture and the level of innovativeness in their organizations. The findings of the correlation analysis are summarized below:

Table 4.8 Correlation analysis

Correlations		
		Innovativeness
Market culture	Pearson Correlation	.617**
	Sig. (2-tailed)	<.001
	N	84
Adhocracy culture	Pearson Correlation	.607**
	Sig. (2-tailed)	<.001
	N	84
Hierarchy Culture	Pearson Correlation	.521**
	Sig. (2-tailed)	<.001
	N	84
Clan Culture	Pearson Correlation	.604**
	Sig. (2-tailed)	<.001
	N	84
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: Primary data (2024)

The above analysis shows that market culture, adhocracy culture, hierarchy culture and clan culture have a strong positive relationship with innovativeness in Kenya commercial banks. The relationship between each individual aspect of culture and innovativeness is statistically significant. Market culture had the strongest relationship with innovativeness (r=.617 and P<.001). This was closely followed by adhocracy culture (r=.607 and P<.001) and clan culture (r=.604 and P<.001) and finally hierarchy culture (r=.521 and P<.001). This shows that hierarchy culture as a component of organizational culture was ranked last in terms of its relationship with innovativeness. However, since all variables had a correlation coefficient of greater than 0.5, it is evident that there is a strong positive correlation between organizational culture and innovativeness.

4.6 Regression analysis

The main objective of this study was to establish the effect of organizational culture on innovativeness of Kenyan commercial banks. Organizational culture was broken down into market culture, adhocracy culture, hierarchy culture and clan culture (Cameron & Quinn, 1983). This resulted in four specific research objectives which were to: determine the effect of clan culture on innovativeness, determine the effect of adhocracy culture on innovativeness, determine the effect of market culture on innovativeness and determine the effect of hierarchy culture on innovativeness. This therefore required a regression analysis to establish the existence of a causal relationship between the study variables.

4.6.1 Relationship between market culture and innovativeness

This section presents a summary of the regression analysis for the first objective of the study. The aim was to establish the effect of market culture on innovativeness of commercial banks in Kenya. The respondents were asked to indicate the extent to which they agreed with statements indicating the application of market culture in their bank. They were also asked to indicate the extent to which they agreed with some statements indicating the level of innovativeness in their bank. This was done in a 5-point Likert scale whereby 1 represented strongly disagree and 5 represented strongly agree. This formed the basis for the overall regression analysis. A summary of the results is provided below:

Table 4.9 Relationship between market culture and innovativeness

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617[a]	.380	.374	.42612
a. Predictors: (Constant), Market culture				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.925	1	10.925	60.169	<.001[b]
	Residual	17.795	83	.182		
	Total	28.720	84			
a. Dependent Variable: Innovativeness						
b. Predictors: (Constant), Market culture						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.034	.175		5.345	<.001
	Market culture	.531	.026	.505	5.708	<.001
a. Dependent Variable: Innovativeness						

Source: Primary data (2024)

The above findings demonstrate that (R=.617) and a coefficient of determination (R^2=.380). this shows that market culture accounts for 38% of the variations in innovativeness of the Kenyan commercial banks while other factors not covered in this model account for 62%. The significance level (P<0.001) is less than the set limit of 0.05, thereby implying that the effect is statistically significant. Coefficient results show that a unit increase in market culture will lead to a .531 increase in innovativeness. The regression model for the effect of market culture on innovativeness can therefore be summarized as follows:

$Y=1.034+.531X_4+\varepsilon$, Where Y represents innovativeness and X_4 represents market culture and ε represents the error term of the regression model.

4.6.2 Relationship between adhocracy culture and innovativeness

The second objective of the study was to establish the effect of adhocracy culture on innovativeness of Kenyan commercial banks. The study used a 5-point Likert scale whereby respondents were asked to indicate the extent to which they agreed with selected indicators of adhocracy culture and innovativeness in their banks. This assisted in the determination of the causal relationship between the two variables. A summary of the findings is provided below:

Table 4.10 Relationship between adhocracy culture and innovativeness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.607[a]	.369	.362	.43008

a. Predictors: (Constant), Adhocracy culture

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.593	1	10.593	57.271	<.001[b]
	Residual	18.127	83	.185		
	Total	28.720	84			

a. Dependent Variable: Innovativeness

b. Predictors: (Constant), Adhocracy culture

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.098	.275		7.625	<.001
	Adhocracy culture	.487	.064	.607	7.568	<.001

a. Dependent Variable: Innovativeness

Source: Primary data (2024)

From the above findings, (R=.369) and the Coefficient of determination (R^2=.369). This means that adhocracy culture accounts for 36.9% of the innovativeness in the Kenyan commercial banks while other factors not covered in the model account for 63.1%. This is slightly lower compared to market culture which accounted for 38% of the innovativeness in Kenyan commercial banks. A P value of <.001 compared to the 0.05 threshold indicates that the relationship is statistically significant. The findings of the coefficients indicate that a unit increase in adhocracy culture leads to a .487 growth in innovativeness. This is lower compared to market culture whose unit increase leads to a .531 rise in innovativeness.

Based on the simple regression model results, the relationship between adhocracy culture and innovativeness can be written as:

$Y=2.098+.447X_1+\varepsilon$, Where Y represents innovativeness and X_1 represents adhocracy culture and ε represents the error term of the regression model.

4.6.3 Relationship between hierarchy culture and innovativeness

The third objective of the study was to establish the effect of hierarchy culture on innovativeness. The study therefore applied a 5-point Likert scale whereby respondents were asked to indicate the extent to which they agreed with statements derived from key indicators of adhocracy culture. Additionally, respondents were asked to indicate the extent to which they agreed with statements that sought to determine the level of innovativeness in their organization. This would be critical in ascertaining the effect of hierarchy culture on innovativeness. The findings of the regression analysis are summarized below:

Table 4.11 Relationship between hierarchy culture and innovativeness

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.521[a]	.272	.264	.46203
a. Predictors: (Constant), Hierarchy Culture				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.800	1	7.800	36.540	<.001[b]
	Residual	20.920	83	.213		
	Total	28.720	84			
a. Dependent Variable: Innovativeness						
b. Predictors: (Constant), Hierarchy Culture						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.446	.615		.725	.470
	Hierarchy Culture	.799	.132	.521	6.045	<.001
a. Dependent Variable: Innovativeness						

Source: Primary data (2024)

The findings above indicate that (R=.521) and (R^2=.272), depicting that hierarchy culture explains 27.2% of innovativeness in the Kenyan commercial banks while other factors outside the model account for 72.8%. This is lower than the findings of regression analysis for market and adhocracy culture, thereby indicating that the two aspects of organizational culture have a higher influence on innovativeness as compared to hierarchy culture in Kenyan commercial banks. A P value of <.001 compared to the set threshold of .005 showed that the results are statistically significance at 95% confidence level. Coefficient analysis results showed that a unit change in hierarchy culture led to a .799 change in innovativeness. This was higher than the changes expected from unit changes in market and adhocracy culture. From the findings, the simple regression equation for the relationship between hierarchy culture and innovativeness can be presented as follows:

$Y=.446+.799X_3+\varepsilon$, Where Y represents innovativeness and X_3 represents hierarchy culture and ε represents the error term of the regression model.

4.6.4 Relationship between clan culture and innovativeness

The fourth objective of the study was to establish the effect of clan culture on the innovativeness of Kenyan commercial banks. Using a 5-point Likert scale, the respondents were asked to indicate their level of agreement with the existence of the chosen aspects of clan culture in their organization. They were also asked to indicate their level of agreement with the existence of various aspects of innovativeness focusing on individual and organizational capacity. A regression analysis was conducted to answer the research question. The findings of the regression analysis are summarized below:

Table 4.12 Relationship between clan culture and innovativeness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.604[a]	.364	.358	.43158

a. Predictors: (Constant), Clan Culture

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.467	1	10.467	56.194	<.001[b]
	Residual	18.253	83	.186		
	Total	28.720	84			

a. Dependent Variable: Innovativeness

b. Predictors: (Constant), Clan Culture

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.216	.394		3.084	.003
	Clan Culture	.686	.092	.604	7.496	<.001

a. Dependent Variable: Innovativeness

Source: Primary data (2024)

The regression results (R=.604, R^2=.364), depicting that clan culture explained 36.4% of innovativeness while other factors not covered in the model accounted for 63.6%. A significance value of <.001 against the set .005 indicated that the results were statistically significant at 95% confidence level. This further indicated that among the four aspects of organizational culture, clan culture would be ranked third in terms of its effect on innovativeness in Kenyan commercial banks. The results of coefficient analysis (B=.686) depicted that a unit change in clan culture led to a change in innovativeness by .686. The simple regression model based on the findings can be represented as follows:

$Y=1.216+.686X_2+\varepsilon$, Where Y represents innovativeness and X_2 represents clan culture and ε represents the error term of the regression model.

4.6.5 Overall regression results for effect of organizational culture on innovativeness of Kenyan commercial banks

The overall objective of the study was to establish the effect of organizational culture on innovativeness of Kenyan commercial banks. Based on theoretical foundations and empirical literature, organizational culture was classified into market culture, adhocracy culture, hierarchy culture and clan culture. The study also used defined attributes of innovativeness to assess the level of innovativeness in Kenyan commercial banks. Previous sections have conducted regression analysis for the individual variables. This section presents the findings of regression analysis for a combination of the variables to establish their joint effect on innovativeness. A summary of the findings is presented below:

Table 4.13 Overall regression results for effect of organizational culture on innovativeness of Kenyan commercial banks

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.706[a]	.499	.478	.38918
a. Predictors: (Constant), Clan Culture, Market culture, Hierarchy Culture, Adhocracy culture				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.331	4	3.583	23.655	<.001[b]
	Residual	14.389	80	.151		
	Total	28.720	84			
a. Dependent Variable: Innovativeness						
b. Predictors: (Constant), Clan Culture, Market culture, Hierarchy Culture, Adhocracy culture						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.048	.566		-.084	.003
	Market culture	.458	.143	.342	3.207	.002
	Adhocracy culture	.124	.094	.154	1.310	.001

	Hierarchy Culture	.040	.161	.026	.246	.000
	Clan Culture	.341	.125	.300	2.740	.004
a. Dependent Variable: Innovativeness						

Source: Primary data (2024)

The results of the regression analysis indicate that overall, organizational culture (Market, adhocracy, hierarchy and clan culture) account for 49.9% of innovativeness while other factors not covered in this study account for 50.1%. This depicts that organizational culture is a critical factor in determining the innovativeness of commercial banks as close to half of innovativeness is attributed to it. This is further supported by a significance level of <.001 which is less than the set threshold of .005, thereby indicating that the relationship is statistically significant. The coefficient of beta results indicated that a unit change in market culture will lead to a .458 change in the level of innovativeness. The results also showed that a unit change in adhocracy culture will lead to a .124 change in innovativeness. Further, a unit change in hierarchy culture would lead to a .040 change in innovativeness while a unit change in clan culture would lead to a .341 change in innovativeness. Therefore, market culture change would lead to the most significant change in innovativeness while hierarchy culture would occasion the least change in the level of innovativeness in commercial banks in Kenya. A summary of the overall model is provided below:

$Y = 1.048 + .458X_1 + .124X_2 + .040X_3 + .341X_4 + \varepsilon$

Where:

X_1= Market culture, X_2= Adhocracy culture, X_3= Hierarchy culture, X_4= Clan culture

ε= Error term of the regression model

4.7 Chapter summary

This chapter has presented the analysis and findings of the study. The chapter started by presenting the demographic profiles of the respondents whereby the respondents were almost proportional in terms of gender although women formed the simple majority. Most of the respondents fell between the ages of 18 to 45 years with work experiences ranging from 0 to 10 years. The demographic profiles were followed by descriptive statistics whereby most of the respondents agreed with the application of various aspects of organizational culture though at varying points in the Likert scale. The chapter has also provided the inferential statistics of the study whereby organizational culture was found to have a strong positive correlation with innovativeness in Kenyan commercial banks. Results of the regression analysis showed that market culture, adhocracy culture, clan culture and hierarchy culture had a positive effect on the innovativeness in Kenyan commercial banks.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapter presented the major findings of the study. This chapter presents an in-depth discussion of the findings in relation to the study objectives, theoretical foundations and prior empirical evidence to derive theoretical and practical implications of the study. The main aim of the study was to determine the effect of organizational culture on the innovativeness of Kenyan commercial banks. The specific objective of the study was to determine the effect of market culture, adhocracy culture, hierarchy culture and clan culture on the innovativeness of Kenyan commercial banks. These objectives were formed in line with existing theoretical foundations and empirical evidence which yielded the formulation of a conceptual framework outlining the relationship between the variables under study. The focus of this chapter is therefore to discuss these findings, their points of convergence and divergence with the theoretical foundations and empirical evidence.

5.2 Summary of findings

The main objective of this study was to determine the effect of organizational culture on the innovativeness of Kenyan commercial banks. Descriptive and inferential findings were presented in the previous chapter to give insights into the responses and the strength, direction and causal effects of the relationships respectively. From the descriptive statistics, hierarchy culture had the highest mean of 4.64 and standard deviation of 0.50, followed by market culture with a mean of 4.44 and a standard deviation of 0.71. Clan culture was the third with a mean of 4.28 and a standard deviation of 0.73, while adhocracy culture took the last spot with a mean of 4.20 and a standard deviation of 0.84.

The results above indicate that in general, the respondents agreed with statements pointing to the presence of the four aspects of organizational culture. A score of above 4.20 indicated that the responses were between agree which was assigned a score of 4 and strongly agree which was assigned a score of 5. Hierarchy culture had the lowest standard deviation of 0.5 indicating a moderate deviation from the mean, meaning that the responses only deviated moderately from the 4.64 score. Adhocracy culture had the highest standard deviation of 0.84 representing a high deviation from the mean, thereby indicating that the responses were significantly spread from the 4.20 score.

Inferential statistics were generated through correlation and regression analysis. The results of the correlation analysis indicated that market culture had the strongest correlation with innovativeness

($r=.617$, $P<.001$), followed by adhocracy culture ($r=.607$, $P<.001$), clan culture ($r=.604$, $P<.001$) and lastly hierarchy culture ($r=.521$, $P<.001$). Since all the variables had a correlation coefficient of above 0.5 and a P value of less than 0.05, the results indicated that there was a strong positive correlation between the four types of organizational culture and innovativeness at 95% confidence level.

The regression analysis results reveled the causal relationships between the variables whereby market culture was found to explain 37.4% of the variations in the innovativeness of Kenyan commercial banks ($R=.617$, $R^2=.374$), adhocracy culture accounted for 36.9% ($R=.607$, $R^2=.369$), clan culture accounted for 35.8% ($R=.604$, $R^2=.364$) and hierarchy culture accounted for 27.2% ($R=.521$, $R^2=.272$). The results therefore revealed that market culture had the highest causal effect on innovativeness while hierarchy culture had the least causal effect on the innovativeness of Kenyan commercial banks. All model results had a P value of less than 0.05, indicating that they were all statistically significant at 95% confidence level.

5.3 Discussion of findings

5.3.1 Market culture and innovativeness

The first aim of this research was to establish the effect of market culture on innovativeness. This was achieved by assessing the application of several dynamics of market culture including competition across departments, partnerships and alliances, reward and retribution systems and goal setting and their resultant effect on innovativeness. Descriptive statistics indicated that on average, the respondents agreed to the presence of different aspects of market culture in their banks. Regression analysis revealed a significant positive relationship between market culture and innovativeness.

The findings of the regression analysis suggest that market culture is a key determinant of the level of innovativeness in Kenyan commercial banks. Market orientation has been empirically found to spur radical innovativeness in firms (Deshmukh, 2020). As established in the current study, market culture aspects such as shared vision and learning capability have a significant influence on radical innovation. Although Deshmukh (2020) did not consider other market culture aspects as outlined in this research, both findings serve to support the hypothesis that market orientation is a strong determinant of innovativeness. The findings of the current study further align with Viltard and Acebo (2018) whereby market culture orientation was found to be an essential driver for innovation in Argentinian firms.

Despite literature on market culture in banks being limited, Boufounou and Argyrou (2022) conducted an investigation into the organizational culture within the Greek banking sector. The findings of the study are a critical point of comparison to establish whether contextual differences could affect the extent to which market culture influences innovation. The study results confirmed that market culture was a key determinant of transformation within the Greek banking sector. the contextual disparities were further addressed by Belias and Koustelios (2014) whereby the study demonstrated a nexus between the public and private sector with regards to market culture and its effect on innovativeness. The findings further affirm that regardless of structural and contextual differences, market culture is critical in determining organizational outcomes. The findings of this study therefore support this supposition further by demonstrating the context of Kenyan banks and incorporating more aspects of market culture.

The findings of this study further advance the studies pertaining the impact of market culture on various organizational outcomes. As established by Liao (2018), market culture is key in driving a firm's environmental innovation. From the current study, it is evident that the impact of market culture goes beyond one facet of innovation to encompass other aspects of innovation touching on employee's individual innovativeness and consequently, the firm's level of innovativeness.

As demonstrated in Schein's organizational culture is comprised of different layers ranging from the visible, stated and underlying assumptions. Underlying assumptions were presented in the theory as having the biggest impact yet being the most difficult to change within an organization (Schein, 1996). This study laid great emphasis on these aspects as it focused on the assumed indicators of market culture including rewards and retribution, partnerships and alliances, intra-organization competition among others. These factors may be viewed as an end in themselves but they form part of the organizational culture. The findings of this study have served to confirm Schein's organizational theory by demonstrating the significant role played by market culture whereby it explained the innovativeness of Kenyan commercial banks to a significant proportion. Innovativeness as one of the organizational outcomes was established to be largely attributed to aspects of market culture across the three levels as outlined in Schein's theory ranging from the visible attributes to the innermost attributes not easily observed. The results therefore confirmed the underlying argument of organizational theory that organizational culture is a potent yet significantly invisible force in influencing organizational outcomes.

5.3.2 Adhocracy culture and innovativeness

The second aim of this study was to determine the effect of adhocracy culture on innovativeness of Kenyan commercial banks. The respondents were therefore asked to respond to a range of questions that would assist in establishing the existence of adhocracy culture in their banks. These questions were derived from literature on adhocracy culture and its manifestations. The questions therefore bordered aspects of creativity promotion, leadership support for initiative, organizational championing of risk taking and dynamism and the reward system for new ideas.

The findings of the study were that adhocracy culture had a significant positive relationship with innovativeness in Kenyan commercial banks. The regression results further indicated that innovativeness in Kenyan commercial banks is significantly affected by adhocracy culture. This could be attributed to the fact that adhocracy culture fosters capability development by promoting initiative, innovation and dynamism within the organization, thereby increasing the level of innovativeness ((Boufounou and Argyrou, 2022). Adhocracy culture further promotes incremental innovation through intellectual capacity development and creative capabilities (Muneera et al., 2021; Yesil et al., 2013). Therefore, this can be interpreted to mean that Kenyan commercial banks that promote adhocracy culture tend to increase their innovation capacities since the staff are more creative and have their leadership encouraging them to take risks.

Literature from prior studies has attempted to explain the interlink between adhocracy culture and innovation. Kiziloglu (2021) explains that adhocracy culture promotes knowledge management in organizations. Knowledge management comprises of both explicit and tacit knowledge whereby explicit is easily transferrable while tacit is domiciled in an individual and is difficult to transfer. The findings of the study indicated that adhocracy culture promotes knowledge management in both cases. Therefore, proper knowledge management leads to promotion of creativity and innovativeness in firms as confirmed by this study.

The findings of this study as relates to the banking sector contribute to an additional context by affirming the findings of studies performed in different industries that yielded similar results. Gachagua and Kinyua (2022) found a positive relationship between adhocracy culture and organizational outcomes in Kenyan level five hospitals. Yeşil and Kaya (2012) established a positive relationship between adhocracy culture and innovative capabilities of Turkish organizations. The current study serves to confirm that the impact of adhocracy culture on innovativeness transcends contextual barriers.

The relationship between the two variables has been established to be influenced not only directly but also through a moderating variable. Yasmina and Etikariena (2022) established that job satisfaction moderates the relationship between the two variables. Therefore, increased job satisfaction further enhances the impact of adhocracy culture on innovation. However, the findings of the current study differ with those of Aprilianty and Waskito (2023) who established that adhocracy culture did not have a noteworthy impact on innovation. The outcomes further lay emphasis on the need to incorporate more moderating variables in the study to account for the variations in research findings.

5.3.3 Hierarchy culture and innovativeness

The third objective of the study was to determine the effect of hierarchy culture on innovativeness. As with the previous variables, the research relied on empirically defined indicators of hierarchy culture. These included the respondents' understanding of the rules, policies and guidelines, existence of clear procedures and structures within the workplace, clarity of instructions and requirements, seamlessness of operations and the consistency and stability of operations. The findings of the study revealed a significant positive relationship between hierarchy culture and innovativeness. The study established that hierarchy culture accounted for a sizeable proportion of innovativeness in Kenyan commercial banks.

The findings largely differ with those of prior empirical evidence which largely established a negative impact of hierarchy culture on innovation. Alalie et al. (2019) assessed the impact of organizational culture on sustainable competitive advantage. The findings revealed that hierarchy culture had an adverse effect on all facets of sustainable competitive advantage. The findings were further supported by Naranjo-Valencia et al. (2011) who established that as opposed to other organizational culture aspects that promote innovation, hierarchy culture promotes imitation. Nevertheless, compared to all attributes of culture covered in this study, hierarchy culture had the least impact on innovativeness. This was also supported by the findings of the correlation analysis whereby hierarchy culture had the least correlation with innovativeness in Kenyan commercial banks.

Keum and See (2017) sought to shed more light into the relationship between hierarchy culture and innovativeness. The study employed and experimental research method on Colombian firms to understand the effect of hierarchy culture on innovation. The research established that the influence of hierarchy culture on innovativeness is based on the innovation stage that the culture is applied. Therefore, the influence of this aspect of culture on innovativeness is dependent on a thin line between two excesses. In the idea generation phase, hierarchy culture is detrimental to innovation. However, it is a significant contributor to innovation in the screening and selection stage of the innovation process (Keum & See, 2017). The results of the study are therefore useful in explaining the findings of this study and their deviation from prior empirical evidence. The study participants probably viewed innovation from a screening and selection phase as opposed to the idea generation phase.

5.3.4 Clan culture and innovativeness

The last objective of the study was to determine the effect of clan culture on innovativeness. The study applied the same approach across the study variables by selecting key indicators of clan culture to be used to establish the existence of clan culture in the organizations under study. These included openness and effectiveness of communication, prioritization of employees' development, extent of interaction among employees, emphasis on social welfare, frequency of social events, willingness of the employees to attend bank events and employees' intentions to remain in the institution. The study results revealed a significant positive relationship between clan culture and innovativeness. The results revealed that clan culture accounted for a sizeable percentage of innovativeness in Kenyan commercial banks.

The findings of the study aligned with those of past empirical studies on effect of clan culture on organizational outcomes. The findings were similar to those of Guliu (2019) which established that clan culture had a positive effect on collaboration and cooperation in the university. The findings further found that by fostering collaborative and cooperative approaches, clan culture promoted innovation in the Russian universities. The findings of this study further aligned with those of Mgumba et al. (2023) whereby clan culture was found to have a positive impact on organizational performance.

The findings of the previous studies have been spread across a wide range of organizational outcomes with minimal research conducted to understand the implication of clan culture on innovativeness. However, most of the prior studies appear to agree that clan culture has a positive effect on organization outcomes. This study therefore contributes in extending literature beyond the organization outcomes previously studied to incorporate innovativeness as an outcome. It is evident from the findings that innovativeness, just like other outcomes is positively related to clan culture.

5.4 Conclusion

The study sought to determine the effect of organizational culture on innovativeness in Kenyan commercial banks. Specifically, the study sought to understand the effect of market culture, adhocracy culture, hierarchy culture and clan culture on innovativeness of Kenyan commercial banks. The study established that market culture and innovativeness in Kenyan commercial banks. This largely aligned with prior literature which and the foundational literature in linking between Schein's organizational culture theory and the value-based innovation theory. The study also found that adhocracy culture had a positive effect on innovativeness in Kenyan commercial banks. This therefore meant that embracing of the culture of creativity, flexibility and adaptation in the banks had a positive effect on innovativeness. Thirdly, the study established that hierarchy culture had a positive effect on innovativeness. This meant that as commercial banks moved towards the culture of having a clear chain of command and reporting lines, innovation was significantly supported. However, this as highlighted in prior empirical studies was dependent on the innovation phase as hierarchy culture was previously found to be detrimental on the initiation phase of innovation. Lastly, the study found that clan culture and innovativeness in Kenyan commercial banks. This meant that organizations fostering the culture of collaboration and cooperation experienced higher levels of innovativeness.

5.5 Contribution of the study

The research sought to determine the effect of organizational culture on innovativeness. The research specifically sought to determine the effect of market culture, adhocracy culture, hierarchy culture and clan culture on the innovativeness of Kenyan commercial banks. The findings of the study therefore make a significant contribution to theory, practice policy.

The findings make a significant contribution to theory by enhancing the understanding of Schein's theory of organizational culture. This is especially by demonstrating the impact of the assumed values on organizational outcomes, in this case, innovativeness. The findings also extend the empirical findings, first, by providing a contextual understanding of the relationship between the study variables. As opposed to prior studies which have been conducted in different industries that have major structural and functional differences from the banking sector, this study offers answers to the nature of the relationship for the banking sector. Secondly, the study offers clarity to the understanding of the relationship between hierarchy culture and innovativeness. Prior research findings have found a negative association between hierarchy culture and innovativeness. However, the findings of the current study were that hierarchy culture has a positive impact on innovativeness. The findings were further elaborated by prior empirical findings that elaborated that the relationship is dependent on the innovation phase.

The study findings make a contribution to practice by emphasizing on the importance of inculcating organization culture aspects that promote innovativeness. As observed in the findings, organization culture has a positive effect on innovativeness. Additionally, the findings shed light to the practitioners on the influence of contextual factors on the relationship such as the stage of the innovation process and how that could influence the aspect of culture to adopt. From the study findings, it is evident that hierarchy culture does not necessarily have to bear a negative impact on innovation for as long as the practitioners get the stage right.

Lastly, the study makes a contribution to policy by laying emphasis on the role of culture in innovativeness of an institution. Therefore, policy formulations around organization culture ought not to view culture as an end in itself but a means to attaining positive outcomes such as innovativeness. Therefore, organizations should seek to formulate policies that promote the development of positive culture which will consequently yield positive organization outcomes.

5.6 Recommendations

The study findings suggest that organization culture has a significant positive relationship with innovativeness. The study therefore recommends that policy formulators emphasize on the role of culture in the formulation of policy statements, standard operating procedures, among other policies. These should go beyond mere statements to actionable steps that will ensure that different aspects of culture are inculcated in the employees, not only during on-boarding but also periodic reviews.

Secondly, the research recommends that organizations lay emphasis on culture as a tool to promote innovativeness. Therefore, strategic shifts in culture would consequently influence the direction that the organization takes regarding innovativeness. As this is done, the study recommends that organizations pay keen attention to the phases of innovation as these would determine the size of the effect. It is also clear that the nature of culture is a key determinant of the effect size. Therefore, organizations should seek to adopt cultural aspects that maximize the effect size.

Thirdly, the study recommends further studies be conducted especially focusing on other factors influencing innovativeness, mediating or moderating the relationship between organizational culture and innovativeness. The studies should also focus on the efforts made by different firms to ensure that they live their culture and how such differences in implementation affect innovativeness. This would call for application of different methodological approaches such as interviews, observation, focused group discussions, among others.

5.7 Limitations of the study

Despite the contributions of this study to theory, practice and policy, it is not without limitations. First, the study focused on the relationship between organizational culture and innovativeness without considering the moderating and intervening effects that could affect the relationship. One of the major moderating variables discussed in previous studies was job satisfaction. Focusing on such variables could shed more light in the relationship and the interplay of factors. Secondly, the study did not focus on different phases of innovation and the implication of different aspects of organization culture on different stages of the innovation process. As proven in previous literature, the results could be different based on the phase of the innovative process.

Secondly, the study applied a quantitative approach whereby a closed questionnaire with Likert scale questions was used. This limited the respondents in expressing their views by limiting them to the choices already provided. A more rigorous approach offering a blend between quantitative and qualitative approach would shed more light into the relationship. This would allow for a more robust discussion on the contribution of culture on innovativeness.

5.8 Recommendations for further studies

The focus of this study was the effect of organizational culture on innovativeness of Kenyan commercial banks. This was done by focusing on the effect of market culture, adhocracy culture, hierarchy culture and clan culture on innovativeness. Further research should be conducted to determine the influence of moderating and intervening variables such as job satisfaction, external environment and tone at the top. Secondly, the study focused on innovation as a whole without further dissection into the phases of the innovation process which could be possibly affected differently by different cultural attributes. Future studies should therefore seek to delve deeper into the phases of innovation and how culture affects those stages. Lastly, the research relied on quantitative data through closed questionnaires to understand the relationship. Further research especially applying mixed methods would be required to further the understanding of the relationship and obtain more input from the respondents.

5.9 Chapter summary

This chapter has presented a summary of the findings of the study as discussed in chapter four. The chapter has also presented a discussion of the findings in comparison to previous empirical studies and theoretical foundations. The chapter has also provided a general conclusion of the study, contribution of the study, recommendations, limitations of the study and the suggestions for further studies.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit **www.sbs.strathmore.edu**

Strathmore UNIVERSITY BUSINESS SCHOOL

24th June 2024

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – MANGA, ELIZABETH WANJIKU

This is to introduce Manga, Elizabeth Wanjiku who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/152479/22. As part of our MCOM Programme, Elizabeth is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Elizabeth would like to request appropriate data from your organization.

Elizabeth is undertaking a research paper on "**THE EFFECT OF ORGANIZATIONAL CULTURE ON THE INNOVATIVENESS OF KENYAN COMMERCIAL BANKS.**" The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

APPENDIX 2: ETHICAL REVIEW APPROVAL

Strathmore
UNIVERSITY

21st June 2024

Ms Manga Elizabeth,
elizabeth.manga@strathmore.edu

Dear Ms Manga,

RE: The Effect of Organizational Culture on the Innovativeness of Kenyan Commercial Banks

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2297/24.** The approval period is from **21st June 2024 to 20th June 2025.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email admissions@strathmore.edu www.strathmore.edu

APPENDIX 3; NACOSTI PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **565012**

Date of Issue: **18/July/2024**

RESEARCH LICENSE

This is to Certify that Ms.. ELIZABETH WANJIKU MANGA of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: THE EFFECT OF ORGANIZATIONAL CULTURE ON THE INNOVATIVENESS OF KENYAN COMMERCIAL BANKS for the period ending : 18/July/2025.

License No: **NACOSTI/P/24/37982**

565012

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

APPENDIX 4: WORK PLAN

ACTIVITY	PERIOD (MONTHS)						
	2023-2024						
Months	**10**	**11**	**4**	**6**	**7**	**8**	**9**
Proposal writing							
Proposal Review							
Proposal defense							
Develop research instrument and review							
Pre-test of research instruments							
Data collection							
Data processing and analysis							
Research report writing/ 1st Draft							
Review of thesis							
Presentation of Final Draft							
Thesis Defense							
Submission final copies							

APPENDIX 5: BUDGET

No.	Description	Amount (KES)
1	Proposal Typesetting and Printing 50pgs @50	5,500/=
2	Stationery	3,000/=
3	Questionnaire Preparation and Testing	8,500/=
4	Data Collection and Traveling Expenses	22,000/=
5	Data Analysis (Acquisition of Software)	50,000/=
6	Typing and Report Binding	10,000/=
7	Communication Expenses	3,000/=
8	Subsistence	25,000/=
9	Contingencies	14,400/=
	Total	**168,400/=**

APPENDIX 6: LICENCED COMMERCIAL BANKS IN KENYA 2024

S/NO	Bank Name
1.	Absa Bank Kenya PLC
2.	African Banking Corporation Limited
3.	Bank of Africa Kenya Limited
4.	Bank of Baroda (K) Limited
5.	Bank of India
6.	Stanbic Bank Kenya Limited
7.	Charterhouse Bank Limited
8.	Chase Bank (K) Limited
9.	Citibank N.A Kenya
10.	Commercial Bank of Africa Limited
11.	Consolidated Bank of Kenya Limited
12.	Co-operative Bank of Kenya Limited
13.	Credit Bank Limited
14.	Development Bank of Kenya Limited
15.	Diamond Trust Bank Kenya Limited
16.	Ecobank Kenya Limited
17.	Spire Bank Ltd
18.	Equity Bank Kenya Limited
19.	Family Bank Limited
20.	Fidelity Commercial Bank Limited
21.	First Community Bank Limited
22.	Guaranty Trust Bank (K) Ltd
23.	Giro Commercial Bank Limited
24.	Guardian Bank Limited
25.	Gulf African Bank Limited
26.	Habib Bank A.G Zurich
27.	Habib Bank Limited
28.	Imperial Bank Limited
29.	I & M Bank Limited
30.	Jamii Bora Bank Limited
31.	KCB Bank Kenya Limited
32.	Middle East Bank (K) Limited
33.	National Bank of Kenya Limited
34.	NIC Bank Limited
35.	M-Oriental Bank Limited
36.	Paramount Bank Limited
37.	Prime Bank Limited
38.	Sidian Bank Limited
39.	Standard Chartered Bank Kenya Limited

40.	Trans-National Bank Limited
41.	UBA Kenya Bank Limited
42.	Victoria Commercial Bank Limited

APPENDIX 7: QUESTIONNAIRE

This questionnaire is designed for purposes of collecting data for a research study on the Effect of Organizational Culture on Innovativeness in Kenyan Commercial Banks. You are kindly requested to fill it with a tick (√) or explanation where necessary in the space provided. All responses provided will be strictly confidential and will be used for academic purposes only. Your participation will be highly appreciated.

SECTION A: BACKGROUND INFORMATION

1. Gender		Male		Female				
2. Age		25 years and below		26-35 years		36-40 years		
		41-45 years.		46-50 years		Above 55 years		
3. Level		Top Management		Middle Management		Operations		
4. Department		Administration		Finance		HR		Sales
		ICT		Legal		Credit and Lending		Customer Care
		Compliance						
5. Highest Academic Qualification		Diploma		Bachelor's Degree		Master's Degree		PHD
6. Number of Years in the Organization		0-2 years		3-5 years		6-8 years		Above 9 years
7. Location of your headquarters		Nairobi		Mombasa		Kisumu		Nakuru

SECTION B: ORGANIZATIONAL CULTURE

The statements below depict various traits of organizational culture in Kenyan Commercial Banks. Kindly indicate (by ticking one box for each statement) the level at which you agree with each of them.

	Market Culture	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
8.	Our Bank bases individual performance on achievement of tasks and goal attainment.					
9.	Our leaders have high expectations and incline more towards good reputation.					
10.	Our leaders set clear and specific goals for each employee.					
11.	Our employees present periodic progress reports to management.					
12.	Our Bank encourages competition across different departments/units.					
13.	Our Bank has forged partnerships, alliances and other business relationships in the past 3 years.					
14.	Failure to accomplish tasks on time leads to retribution.					
15.	Our employees are continuously aware of renewed expectations set by the organization.					
16.	Our employees are recognized for achievement of outcomes (employee of the month, roll of honor, material gifts).					
	Adhocracy Culture	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
17.	Our Bank promotes creativity among employees.					

18.	Our leadership is supportive of new ideas.					
19.	There has been improved level of innovations in the Bank over the last three years.					
20.	Our Bank encourages Experimentation, risk taking and dynamism.					
21.	Our leaders prominently recognize failure as the first step to success.					
22.	Our Bank's reward system accommodates new projects initiated by employees.					
23.	Our work environment is designed to prompt development of new ideas (color, graphics, music etc.)					
	Hierarchical Culture	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
24.	We understand well the rules, policies and guidelines of the Bank.					
25.	We share common goals with the Bank making operations seamless.					
26.	Our work environment is very procedural, structured and formalized.					
27.	Our Bank ensures clear instructions are availed to staff concerning their tasks and duties.					
28.	The success of the Bank is based on how smoothly various functional areas are run.					
29.	Our Bank values consistency and stability in its operations as opposed to uncertainty and ambiguity.					

	Clan Culture	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
30.	Our Bank is open and always keeps employees informed of any changes within.					
31.	Employee development is prioritized across the Bank.					
32.	I intend to invest in and maintain the relationship that I have with the organization.					
33.	We interact regularly with fellow employees.					
34.	The Bank's mission statement is geared towards social welfare.					
35.	We provide our opinion and views regarding the operations of the Bank.					
36.	Our Bank invites us to social interaction events for employees at least twice a year (seminars, cocktails, parties).					
37.	We take invites to interactive sessions seriously and show up.					
38.	I intend to remain in this organization as an employee because it offers me more than just financial benefits.					

SECTION C: INNOVATIVENESS

In this section you will be assessing the following statements on the indicators of innovativeness. Please tick a number from (√) 1 to 5 using the scale below where applicable:

	Innovativeness	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
39.	I often create new products that will provide value for customer					
40.	My bank has invested in latest innovations to improve product market performance					
41.	I regularly encourage development of employees' ideas for the purpose of business products					
42.	I regularly improve on the production process					
43.	I design our own unique new methods of production to remain competitive					
44.	Our bank has strong intention to encourage and stimulate process innovation					
45.	I always look for new market to target					
46.	I often find new ways to reach out to customers such as through social media					

47.	I always remain in the same business and target only the existing market					

Thank you for your time and co-operation.