

Analysing the Organizational Culture on Performance of SMEs in Kisumu County, Kenya

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Abstract:- Asia-Pacific Economic Cooperation (APEC) has recognized and emphasized the vital contribution of Small and Medium-sized Enterprises within the Asia-Pacific region. SMEs, which constitute a staggering 95% of businesses in the region, play a pivotal role by employing 60% of the workforce. Globally, SMEs contribute to 90% of businesses and are essential for economic growth in both developing and developed nations. In Kenya, SMEs constitute 98% of all businesses and contribute significantly to job opportunities and the national GDP. In Kisumu District, SMEs account for 70% of employment and over 60% of the Gross National Product (GNP). However, despite their importance, a report from the Kenya National Bureau of Statistics (KNBS) suggests that three out of every five businesses in Kenya are at risk of failure within the next few years. Existing research on the relationship between organizational culture and Small and Medium-sized Enterprises (SMEs) performance is scarce, particularly concerning SMEs located in Kisumu County. Therefore, the primary objective of this study was to examine the impact of organizational culture on the performance of SMEs in Kisumu County. Specifically, the study focused on three types of cultures: clan, adhocracy, and market cultures, guided by the Organizational Culture theory. A sample size of 285 SME owners and managers participated in the study, and data collection involved the use of questionnaires with closed and open-ended questions. The study's findings revealed that all the variables, including clan culture, adhocracy culture, and market culture, were significantly positively correlated with SME performance. Clan culture had a strong positive influence, while adhocracy culture had a moderate positive influence. Market culture had a relatively weaker positive influence. These influences were statistically significant, indicating that organizational culture plays a critical role in SME performance. The study recommends that SMEs in Kisumu County should regularly monitor and evaluate their performance, stay informed about market trends, and effectively compete with other companies. Embracing clan culture, adhocracy culture, and market culture within an organization has the potential to positively impact Small and Medium-sized Enterprises (SMEs) performance. These aspects of organizational culture foster collaboration, adaptability, and market responsiveness, leading to improvements in SME performance. Furthermore, the study underscores the significance of embracing new ideas, fostering creativity

and innovation, and investing in research and experimentation to enhance SME performance.

Keywords:- *Small and Medium-Sized Enterprises, Market Culture, Organizational Culture, Economy).*

I. INTRODUCTION

➤ *Background of the Study*

Researchers have recognized the field of strategic management as essential determinant of achieving organizational success and maintaining a sustainable competitive advantage. Both scholars and practitioners have extensively explored the multifaceted aspects of strategic management that contribute to business prosperity, particularly within the context of SMEs. The prevailing culture within any organization varies, and significantly impacts the organization's productivity. Upon entering various companies, one encounters distinct atmospheres, styles, personalities, feelings, charms, and unique vibes, all of which subsequently shape how employees interact with clients and the culture upheld within the organization. Operations of today's organizations operations are characterized by various global shifts in the business environment, attributed majorly to factors, such as changing customer needs, rapid technological development, and the development of a global knowledge-driven economy (Schein, 2011). Given the complexities of this changing business environment, organizations are actively looking for ways to increase creativity and productivity. According to Schein (2011), in the age of globalization, the success of an organization depends primarily on organizational culture, which is strong to enable to achieve real organizational success.

Organizational culture is essential to organization's success by inspiring employees to participate in work, learning, experience, and decision-making (Liu & Almor, 2016). It functions as a means through which an organization shapes an individual's identity and conduct by introducing them to particular norms and behavioral patterns (Parker, 2000). Organizational culture is closely linked to an organization's distinctiveness, its mission, core values, goal, objective, and methods for cultivating shared values (Cameron, & Quinn, 2011). This study aimed to address the research gap by examining the correlation between different types of organizational culture and Small and Medium-sized Enterprises (SMEs) performance in Kisumu County.

➤ *Organizational Culture*

Several studies have been conducted concerning various aspects of organizational culture. In late 1980s the focus on organizational culture quickly gained popularity (Ojo, 2010). When management experts looked into why American businesses struggled to compete successfully with Japanese (Denison, 1984). He analyzed data from 34 US companies over a five-year period and tracked their performance based on various elements of organizational culture. According to Denison (1984), the key to Japanese companies' success over American companies was their ability to inspire workers with shared core values, attitudes, and beliefs.

In the last two decades, researchers have significantly expanded the global reach of their studies on organizational culture and have become more inclusive of organizations in non-Western developing economies (Hoskisson *et al.*, 2013). However, despite this progress, there is still inadequate research on organizational culture and performance in African countries (Peng & Woldu, 2015). The unique influence of the African context on company performance, distinct from the Western context, remains an underexplored area of study (Michalopoulos & Papaioannou, 2013). Context plays a crucial role in enabling research and theory by linking observations to pertinent facts, events, or perspectives, thereby contributing to a broader understanding (Fried & Rousseau, 2001). Beatrice (2014) explored organizational culture influence on public health sector performance, with specific focus on Tanzania based Ocean Road Cancer Institute. The study's primary finding was that factors related to task organization, such as the promotion of employee decision-making, clear assignment of responsibilities, and the provision of opportunities for engaging and stimulating work, exerted a positive influence on organizational performance.

By the year 2030, Kenya aims to achieve a high quality of life for all. To make this vision a reality, the nation needs to develop a flexible and adaptable human capital capable of meeting the demands of an industrializing economy. In light of this obstacle, the government has devised a strategy to actively involve citizens in shaping policies and priorities. This approach strives to effect a change in morals and values, while also promoting and supporting various SMEs within the country.

➤ *Small and Medium Enterprises*

SME size classifications vary by country, as each nation has its own criteria for determining the size of these enterprises. Typically, SME categorization considers factors like the number of full-time employees, sales turnover, and fixed assets value. For instance, the World Bank defines SMEs as businesses with up to 300 workers and annual revenues of \$15 million. In Nigeria, SMEs have fewer than 50 employees (less than 100 for medium-scale businesses), while the UK's House of Lords defines them as having annual turnovers of less than £2 million and fewer than 200 employees. In the Asia-Pacific region, SMEs constitute 95% of businesses and employ 60% of the workforce, contributing 40% to 45% of manufacturing output. China,

with 42 million SMEs in 2008, accounted for 99% of all businesses, employing 75% of city dwellers, and generating a significant portion of exports and GDP. In Taiwan, SMEs make up 98% of companies, provide 77% of jobs, and contribute 17% of export sales. In Hong Kong, excluding government employment, they represent 98% of all enterprises and 48% of total employment.

SMEs hold immense significance in the Kenyan economy. According to the Central Bank of Kenya's 2017 National Economic Survey, these enterprises constitute a staggering 98% of all businesses in the country. Their pivotal role is evident in various aspects, including job creation, as they account for 30% of annual job opportunities, and their contribution to the nation's GDP, which amounts to 3%. Furthermore, the informal sector, predominantly comprised of SMEs, played a substantial role in Kenya's job market, with 80% of new jobs created in 2014 originating from this sector. SMEs in Kenya face several challenges outlined in a Deloitte report from 2016, including limited funding, and inadequate infrastructure. Corruption and unfavorable regulatory frameworks further impede their growth. A 2020 survey from the Kenya National Bureau of Statistics revealed a concerning trend with many SMEs struggling to survive. Over the past five years, a significant number of micro, small, and medium-sized enterprises have closed, with 46% of them failing in their first year of operation. This high failure rate poses uncertainties about the future of this vital sector. In Kisumu County, SMEs contribute significantly to the Gross National Product (GNP), accounting for over 60% and employing approximately 70% of the local workforce. However, many of them tend to focus on short-term sales rather than long-term supply chain expansion, which can impact their long-term sustainability. Overall, despite their importance to the economy, a substantial number of SMEs in Kenya face challenges and struggle to thrive, with a high rate of failure within their initial years of operation.

➤ *Problem Statement*

Organizational culture plays a crucial role in shaping the work environment and impacting performance and engagement. However, many organizations prioritize metrics like customer and employee satisfaction, often overlooking the significance of organizational culture. This is particularly relevant for SMEs, which are vital contributors to economic growth. In Kenya, SMEs contribute to the country's GDP but face challenges in expanding. Limited research exists on the relationship between organizational performance and culture within SMEs in Kisumu County.

This study aimed to analyze how organizational culture influences the performance of SMEs in Kisumu County, focusing on clan, market, and adhocracy cultures. Unlike previous research on well-established businesses, this study concentrated on startup SMEs with less-defined structures. It sought to deepen understanding of how values, beliefs, behaviors, and practices within organizational culture influence productivity and overall performance. The research gap lies in the limited scholarly research on the

relationship between organizational performance and culture specifically within SMEs in Kisumu County. While organizational culture is recognized as crucial for success, its significance is often overlooked in favor of other metrics.

Addressing this gap has broader implications, as approximately 60% of startup businesses, primarily SMEs, fail within their first two years, resulting in job losses, reduced tax revenues, and socio-economic challenges. By understanding how organizational culture influences SME performance, strategies can be developed to enhance their competitiveness and success, contributing to economic growth and mitigating societal issues. This study sought to bridge the research gap regarding the impact of organizational culture on SME performance in Kisumu County. By focusing on clan, market, and adhocracy cultures within startup SMEs, it aimed to provide insights into the elements of culture that drive productivity and overall performance.

➤ *Research Objective*

- *General Objective*

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

- *Specific Objective*

To assess the effect of market culture on performance of SMEs in Kisumu county.

- *Research Hypothesis*

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

- *Study Scope*

The study concentrated on SME registered with the county government and currently operating within Kisumu County, encompassing a target population of 1000 SMEs. The research specifically targeted the owners and employees of these SMEs. It only explored how organizational cultures affect the performance of SMEs. The study achieves this by analyzing the application of market, which was considered as independent variables while SME performance as the dependent variable. The study's goal was to pinpoint the factors influencing SME performance and to demonstrate how organizational cultures can enhance their performance.

- *Study Justification*

Managing organizational cultures effectively can be challenging for business executives. To address this challenge, organizations must have a deep understanding of their own culture, allowing them to prioritize values and align their focus with culturally relevant ones. Strengthening the organizational culture through robust stakeholder relationships can further boost performance, as culture significantly influences employee behavior and productivity. Positive organizational culture has been consistently shown to increase employee productivity, motivation, and job satisfaction. It aims to provide valuable insights for SME

owners, policymakers, and stakeholders. Researchers will benefit from the study's results and theoretical literature, which may inspire similar investigations in related fields. Company managers and business owners will gain insights into how organizational cultures can enhance performance and create a positive work environment that values individual differences, helping employees reach their full potential and contribute to strategic objectives. By effectively utilizing aspects of organizational culture, business owners can enhance and maintain organizational performance.

- *Conceptual Framework*

A conceptual framework establishes a relationship between dependent and independent variables, acting as a foundation and roadmap for the study (Ravitch & Riggan, 2016). Specifically, the researcher examined the objective within organizational culture: Market culture. Researcher measured institutional well-being through customer satisfaction and employee turnover.

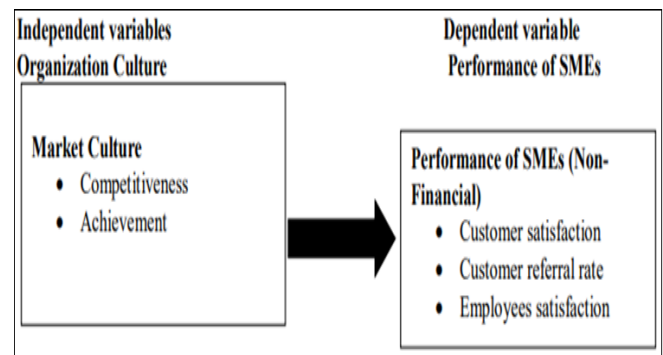


Fig 1 Conceptual Framework
Source: Adapted from Cameron et al. (2020)

II. LITERATURE REVIEW

A. Theoretical Literature Review

➤ *Organizational Culture Theory*

Kotter and Heskett's organizational culture theory, introduced in the early 1990s, emphasizes the importance of culture in shaping an organization's performance and success. They argue that strong and positive cultures lead to engaged employees, satisfied customers, and improved financial performance. The theory highlights the alignment of culture with strategic goals and values. Organizational culture theory focuses on shared values, norms, beliefs, and practices that influence employee behavior, interactions, and decision-making. It encompasses three levels: values, artifacts, and underlying assumptions. Values represent guiding principles, artifacts include visible aspects like office layouts, and underlying assumptions consist of deeply ingrained beliefs and attitudes. The theory recognizes the resistance to change but also acknowledges the potential for organizations to gain a competitive edge through nurturing a robust culture.

The organizational culture theory is highly relevant to the analysis of SMEs' performance in Kisumu County, Kenya. It provides a framework to understand how shared values, beliefs, and behaviors within SMEs influence their performance outcomes. By examining the organizational culture of SMEs in Kisumu County, the study can assess the impact of specific cultural aspects such as values, communication, leadership, and employee engagement on performance levels. This analysis can offer valuable insights and recommendations for enhancing SME performance through effective culture management.

➤ *Performance Measurement Models*

Several methods can assess organizational performance, such as owner satisfaction, profitability, and customer satisfaction. The Norton and Robert's Balanced Scorecard (BSC) model, provides an effective means of measuring organizational performance (Lipe & Salterio, 2000). In the realm of performance measurement research, Taticchi et al. (2010) have documented various other models like ROE, ROI, and ROCE. Derivatives models by Simons (2000) are also helpful in measuring performance.

Various business leaders examine organizational performance by integrating goal-related measures with financial accounting data (Lipe & Salterio, 2000). The BSC model, initially introduced in a Harvard Business Review article in January-February 1992 by Kaplan & Norton (1993), encompasses these four perspectives and offers a comprehensive framework for measuring and managing organizational performance. Kaplan, & Norton (1993), introduced the BSC model as a method for assessing firms' performance in the 1990s, incorporating financial, learning and growth, internal business processes, and customer elements. They compared this approach to how pilots monitor various instrument panels in an airplane cockpit, emphasizing the importance of tracking multiple aspects of the organizational environment. The Balanced Scorecard has earned recognition as one of the 20th century's most significant management innovations (Zelman et al., 2003).

B. Empirical Literature Review

➤ *Market Culture's Impact on SMEs' Performance*

A market culture is focused on competition, with the goal of gaining the most market share and maximizing profit (Cameron, 2006). Market orientation is seen as a key factor in corporate culture, with values such as productivity, goal fulfilment, performance and achievement being at the core of the culture. Several studies have looked into the relationship between market orientation and organizational effectiveness. According to Fernandes et al. (2020), market culture has a favorable effect on organizational performances. According to Han et al. (1998), a business with a market orientation encourages innovation, which leads to better performance.

Haggalla, & Jayatilake (2017) studied turnover intention and organizational culture among multinational IT companies in Sri Lanka. Their research revealed a positive relationship between a company's culture and their turnover

intention within Sri Lankan IT sector. Researchers found market culture to be the dominant type of organizational culture among the four.

➤ *SMEs Performance*

SME performance is defined by employees' efficient use of resources to achieve organizational goals, emphasizing both capacity and alignment with the organizational culture (Diana et al., 2021). Output quantity in a specified time frame is a critical factor affecting overall organizational success, making performance evaluation essential. Subjective performance measures are commonly used in research due to challenges in obtaining objective financial data from SMEs. Such data, like ROI and profitability, is often undisclosed (Hakimpoor et al. 2011). This necessitates a subjective approach for performance measurement, as past studies have shown a strong correlation between subjective and objective performance measures, emphasizing the importance of the former in SME research.

III. RESEARCH METHODOLOGY

➤ *Introduction*

Research methodology encompasses a systematic process, a set of principles, and a range of techniques employed by researchers to conduct their studies. It serves as a structured framework for planning, executing, and evaluating research, thereby ensuring the credibility, reliability, and validity of the findings (Mugenda & Mugenda, 2013). Hence, this chapter centered on elucidating the procedures and methods employed in this particular study.

➤ *Research Design*

Mugenda (2008), observed that the appropriateness of research design is contingent upon the study's nature and research objectives. In this study, a mixed study design was adopted. The selected research design was considered appropriate for this study as it allowed for gathering detailed information that shed light on the current organizational circumstances.

➤ *Area of Study*

The study focused exclusively on Kisumu County, which is among the Kenya's 47 counties. The county had a population of over 1.2 million with females being the majority (51.46%), and males being 48.54% according to the 2019 KNBS census results. Population, as defined by Creswell & Daly (2015), is entire group of people or entities which a researcher intends to evaluate. The study will target registered SMEs across the county's various sub-counties. Kisumu County was selected for this study due to its high population, relatively balanced gender ratio, status as the third-largest county in Kenya, and rapid economic development, which contributes significantly to Kenya's GDP.

➤ *Target Population*

Population is the complete set of elements that a researcher intends to draw conclusions about (Cooper & Schindler, 2014). According to Mugenda & Mugenda (2003), the target population represents the broader group of people or elements that the researcher is interested in

understanding or making inferences about based on the study's findings. In this research, the goal was to include 1000 SMEs that are registered with Kisumu County, spanning all seven sub-counties. From this population, a random sample of 285 SMEs were chosen for the study.

Table 1 The Study's Target Population

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

➤ *Sampling and Sample Size*

Etikan et. al., (2016) defines a sample as a group of subjects from which researchers collect data. On the other hand, O'Mahony (2017) argues that a sample serves as a representative subset of the population, enabling generalizations about the entire population. Kisumu town hall maintains records of approximately 1000 SMEs registered with licenses, and from this pool, we will select 285 samples. It is a crucial process in research methodology. Conversely, the sample size refers to the number of individuals chosen to be included in the sample from the broader population. Determining an appropriate sample size is essential to ensure that the findings are statistically reliable and representative of the entire population. Selecting the sample and determining an adequate sample size helps researchers to draw meaningful conclusions and make valid inferences about the larger population. To obtain a suitable and representative unit for analysis, the study employed a stratified random sampling technique. The sample size was determined using Yamane (1967)'s formula for calculating appropriate sample size to select the right sample size for this study: with a margin of error of 0.05,

subset of a population, making research more feasible, cost-effective, and manageable while still providing meaningful insights and the ability to generalize findings to the broader population. Sampling aids in understanding numerous aspects of the entire population based on the characteristics of the sample population (Cooper & Schindler, 2014).

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

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

Where:

n=Sample size

N= Population v

e=margin of error

1=Constant

The purpose of sampling in research is to strike a balance between practicality and accuracy. It allows researchers to efficiently collect data from a representative

➤ *Data Collection*

• *Sources of Data*

The data was obtained from the primary sources. Questionnaires administered to the selected sample of respondents was used to collect the primary data.

• *Data Collection Instruments*

The researcher collected primary data using questionnaires administered to the sampled population, the 285 SMEs owners within the Kisumu County. The questionnaires were pre-validated, and tested for reliability and validity. Utilizing self-administered questionnaires allows respondents to provide candid responses to sensitive or potentially embarrassing questions.

• *Data Collection Procedure*

Primary data for this research was gathered using self-administered open and close ended questionnaires, aiming to provide respondents with the freedom to express themselves. The questionnaire was formulated in English, as it is the official language for business transactions among the respondents. They were randomly administered to SMEs within Kisumu County. These questions employed a 5 point Likert scale for ranking where respondents had the option to rank from Very little extent to Very great extent on certain constructs. Additionally, some questions were open-ended, allowing respondents to elaborate on their views and experiences.

• *Pilot Test*

Pilot tests help researchers fine-tune their research design and methodology before committing to a full-scale study. It allows them to identify and address potential issues, weaknesses, or ambiguities in the research plan before

launching the survey (Mugenda & Mugenda, 2013). The researcher specifically conducted a pilot study in the area where data collection occurred. The research distributed questionnaires to a select group of respondents to gather the required responses and test the research instrument’s reliability and validity. This was to ensure that the instruments measure what they are intended to measure and that they are comprehensible to the participants. Items that were deemed unnecessary were identified and modified before collecting the actual data for further analysis. It is essential to subject all surveys to a pilot test before gathering the actual data (Kothari, 2013) emphasizes. This practice ensures that the questionnaire is clear to respondents and aligns with the researcher's intentions (Creswell & Daly, 2015). A pilot study will be conducted with approximately 10% of the target population, consisting of individuals directly involved in the business, to evaluate the questionnaire's reliability and validity. Additionally, it will help us refine the questionnaire and gauge response times among different respondents.

• *Validity of the Study*

A research must accurately measure the concept, construct, or phenomenon it is intended to study. It is a critical aspect of research quality because it determines whether the findings from the study are trustworthy and meaningful. Validity concerns whether a study effectively measures what it purports to measure. Content validity examines if the research instrument's content adequately represents the entire range of what is being measured. Criterion validity determines if the results of a measurement or test can predict or correlate with an external criterion known to be related to the concept or construct at hand. Construct validity focuses on how accurately a measurement instrument captures the intended theoretical concept it seeks to represent (Kairu, 2014).

Internal validity examines if observed relationships or effects within a study can be attributed to the independent variable(s) being manipulated rather than other confounding variables. External validity pertains to the generalizability of research findings beyond the specific study conditions and participants (Kairu, 2014). The researcher ensured that the measurement instruments comprehensively cover relevant aspects of organizational culture and SME performance. Moreover, the instruments were designed to accurately capture the underlying theoretical constructs. Factor analysis will be employed to evaluate the construct validity of the instruments.

• *Reliability of the study Instruments*

To ensure the reliability of the research instrument, the collected data from the pilot study underwent analysis using the SPSS software Version 25. The internal consistency of the scales employed in the research instrument, which assesses internal reliability tests with multiple potential answers, was measured using Cronbach's Alpha (α) coefficient (Cronbach, 1951). For this study, the accepted threshold for the Cronbach Alpha coefficient was set at 0.7, in accordance with recommendations (Tavakol & Dennick, 2011). The overall coefficients obtained for the study, as

depicted in Table 2 below, demonstrated that all variables successfully passed the reliability test, with alpha values surpassing 0.7. Consequently, all variables were deemed reliable. The total items statistics indicated that each variable's individual items displayed Cronbach's alpha coefficients greater than 0.7, further confirming their acceptance and retention.

Table 2 Reliability Analysis

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

Source: Field Data, (2023)

• *Validity Analysis*

The focus of the study was on content validity, which involves determining how well the dimensions and elements of the concept have been defined. To establish content validity, a questionnaire was developed and shared with a panel of four research experts. These experts evaluated the questionnaire to assess its content validity and provided feedback on the relevance of each item in the questionnaire. They also offered insights regarding their comprehension of the questions and their overall relevance. The feedback provided by the experts was used to revise the questionnaire. This process aligns with the guidance of Cooper and Schindler, who recommend seeking the judgment of individuals with experience and expertise in the relevant field to establish content validity. To analyze the responses of the experts, the content validity index (CVI) was used. The CVI calculates the percentage representation of the content validity and was determined using the content validity formula developed by (Polit and Beck, 2017).

This content validity formula is;

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

Where:

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

N = Total No. of Items in the Questionnaire

According to Waltz, Strickland, and Lenz (1991), a congruency percentage of 90 percent or higher is considered acceptable when assessing content validity. In the pre-test conducted, CVI was found to be 0.929, indicating a high level of content validity. The average congruency percentage was calculated to be 92.9 percent, further supporting the conclusion that the content validity of the study was deemed acceptable. Table 3 presents the results of the content validity from the pre-test, providing a summary of the findings. The specific details of the table, including the items evaluated and their respective content validity scores, are not provided in the given information.

Table 3 Results of Content Validity from the Pre-Test

Rater	Total No. of Items	Items Declared Valid	Content Validity Index	Congruency Percentage	Recommendation
Rater 1	21	19	0.905	90.5%	Not acceptable
Rater 2	21	20	0.952	95.2%	Valid
Rater 3	21	20	0.952	96.2%	Valid
Rater 4	21	19	0.905	90.5%	Valid
Average	21	19.5	0.929	92.9%	Valid

Source: Field Data, (2023)

• *Data Analysis*

Prior to analysis, the researcher checked the questionnaires for completeness. The researcher used descriptive statistics to summarize and present the data’s key characteristics, such as the central tendency and dispersion. The researcher conducted a correlation analysis to examine the relationships between the dependent variable (SMEs performance) and independent variables (market culture). The researcher conducted a multiple linear regression analysis to examine the impact of the identified independent variables (culture factors) on SMEs performance.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where

Y = Dependent variable (Performance)

β_0 = constant

β_1 = the regression co-efficient

X = Independent variable (Organization culture factors)

X_2 - Market culture

ε = Stochastic term or error term

• *Data Presentation*

The information was presented using table, graphs, text, and charts. In addition, descriptive data was presented using central tendency techniques such as mean, Median, Variance, and standard deviation.

IV. DATA ANALYSIS AND INTERPRETATION

A. *Market Culture*

➤ *Employees Concern of the Performance of the Business*

Table 4 Employees Concern of the Performance of the Business

Statement	Frequency	Percent	Valid Percent	Cumulative Percent
Very little extent	9	4.5	4.5	4.5
Little extent	11	5.5	5.5	10
Some extent	16	8	8	18
Great extent	66	33	33	51
Very great extent	98	49	49	100
Total	200	100	100.0	

According to the findings, the most common category was very great extent. A good number of the respondents (98) returned that there was a “very great extent” employees concern on the performance of SMEs. This translated to 49%. In addition, a significant number of the respondents (66) returned great extent on employees concern on the performance of SMEs. The least category

was Very little extent with only 9 respondents returning that there was very little extent of cooperation among employees.

➤ *Performance of the Company is Closely Monitored and Evaluated*

Table 5 Performance of the Company is Closely Monitored and Evaluated

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	11	5.5	5.5	5.5
Little Extent	15	7.5	7.5	13
Some Extent	15	7.5	7.5	20.5
Great Extent	72	36	36	56.5
Very Great Extent	87	43.5	43.5	100.0
Total	200	100	100.0	

A significant majority of the respondents (87) returned Very great extent on the question “Performance of the company is closely monitored and evaluated with a percentage performance of 43.5%. Only 11 employees

returned “Very little extent” Only 11 respondents returned “Very little extent” with a response rate of 7%.

➤ *The Level of Competition with other Companies*

Table 6 Level of Competition with other Companies

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	21	10.5	10.5	10.5
Little Extent	32	16	16	26.5
Some Extent	27	13.5	13.5	40
Great Extent	57	28.5	28.5	68.5
Very Great Extent	63	31.5	31.5	100.0
Total	200	100	100.0	

Respondents who returned “very great Extent” in the level of competition between their business and other related business were the most common category with 63 responses translating to a percentage of 31.5. The least common

category is the respondents who returned “Little Extent” with a response rate of 16%.

➤ *The Organization is Informed about Market Trends and Prevailing Conditions.*

Table 7 The Organization is Informed about Market Trends and Prevailing Conditions

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	29	14.5	14.5	14.5
Little Extent	30	15	15	29.5
Some Extent	68	34	34	63.5
Great Extent	42	21	21	84.5
Very Great Extent	31	15.5	15.5	100.0
Total	200	100	100.0	

The results illustrate that the most common category for the return given by the respondents on the question “The extent to which the organization is informed about market Trends and prevailing conditions” was that the organization was informed about market trends and prevailing conditions to some extent with a frequency of 68 and a response rate of

34%. The least common return was “Very Little Extent” with frequency of 29 and a response rate of 14.5%.

➤ *Manager/Owners of the Business Enforce Market Culture*

Table 8 Manager/Owners of the Business Enforce Market Culture

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	11	5.5	5.5	5.5
Little Extent	29	14.5	14.5	20
Some Extent	40	20	20	40
Great Extent	61	30.5	30.5	70.5
Very Great Extent	59	29.5	29.5	100
Total	200	100	100.0	

The research established that Managers/Owners of the business enforcing market culture to a great extent was the most common return with 61 responses translating to a percentage of 30.5. The least category was “Very Little extent” with a frequency of 11 and a percentage of 5.5.

➤ *Extent to which you believe Market Culture Influences the Performance of the Organization*

Table 9 Extent to which you believe Market Culture Influences the Performance of the Organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	7	3.5	3.5	3.5
Little Extent	15	7.5	7.5	11
Some Extent	38	19	19	30
Great Extent	64	32	32	62
Very Great Extent	76	38	38	100.0
Total	200	100	100.0	

The results showed that a significant majority (76) of the respondent’s perception on effect of Market culture on SMEs performance was that market culture affected the performance of SMEs to a Very great extent. This translated to a percentage 38. The least category was “Very little Extent” with 7 responses and a percentage of 3.5 on the returned responses.

➤ *Regression Model on Effect of Market of Market Culture on Performance of SMEs*

A simple linear regression model was carried out to identify the effect of Market culture on performance of SMEs. The mean Performance of SMEs was regressed against market culture. The coefficient model is summarized below.

Table 10 Regression Model on Effect of Market of Market Culture on Performance of SMEs

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.939 ^a	.889	.797		.0117	
Model			Unstandardized Coefficients		Standardized Coefficients	
			B	Std. Error	Beta	T Sig.
1	(Constant)		1.236	.487		3.187 .015
	Market culture		1.031	.300	.022	2.903 .002

a. Predictors: (Constant), Market Culture

Based on Table 10, the independent variable, Market culture, explains 93.9% of the variance in the Performance of SMEs (R square). This indicates that the model used in the study is highly effective in explaining the data. Additionally, both the R square and the adjusted R square show an insignificant variance of 0.092. This suggests that the selected model effectively generalizes the data. The study's findings indicate a significant positive relationship between market culture and the performance of SMEs P value (0.002). The fitted simple regression model can be represented as $Y = 1.236 + 1.031 X \text{ Market culture} + \epsilon$, where a 1% increase in market culture leads to a 1.031% increase in SME performance, holding all other variables that influence SME performance constant. Therefore, the study's findings do not support the Null hypothesis (Ho3), which suggests that market culture has no significant effect on the performance of small and medium enterprises.

transparent communication across teams and departments can lead to better alignment and the ability to respond more effectively to market trends and opportunities. Investing in employee engagement and development can improve the overall market culture. This involves offering opportunities for skill development, career growth, and recognizing and rewarding employees for their contributions. Engaged and motivated employees are more likely to be committed to the company's mission and goals.

➤ *Four Specific Areas where your Market Culture could be Improved.*

The four specific areas where market culture could be improved include customer focus, innovation and adaptability, collaboration and communication and employee engagement. For instance, a company can improve its market culture by placing a stronger emphasis on understanding and meeting customer needs and expectations. This may involve enhancing customer support, conducting more in-depth market research, and actively seeking customer feedback to drive product and service improvements. Encouraging a culture of innovation and adaptability can help a company stay competitive in a rapidly changing market. This includes fostering an environment where employees are encouraged to propose and experiment with new ideas, technologies, and processes. Improving collaboration and communication within an organization can enhance its market culture. Open and

➤ *The kind Rewards Offered to Employees for Exceptional Contributions*

“Companies offer various types of rewards to employees for exceptional contributions to recognize and incentivize their hard work and dedication. The specific rewards can vary widely depending on the company's culture, budget, and resources. The major type of reward is monetary rewards. These include bonuses, one-time or periodic cash bonuses tied to individual or team performance, salary increases, merit-based raises or promotions, profit sharing: a percentage of the company's profits distributed among employees and stock options or grants, providing employees with equity in the company. Some companies also show peer recognition programs. Peer-to-peer recognition always allow employees to recognize and reward their colleagues for exceptional contributions.”

➤ *Performance of SMEs*

A total of Three questions were administered on a five point Likert scale in order to measure SME performance. The findings were analyzed and presented as shown below.

➤ *Customers are Satisfied with the Services/Products they get*

Table 11 Customers are Satisfied with the Services/Products they get

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	9	4.5	4.5	4.5
Little Extent	11	5.5	5.5	10
Some Extent	38	19	19	29

Great Extent	51	25.5	25.5	54.5
Very Great Extent	91	45.5	45.5	100.0
Total	200	100	100.0	

From the findings in the Table 11 it is clear that a significant majority (91) of the respondents on customer satisfaction on services/products they get was that customer are satisfied to a very great extent on the services/Products they get. This translated to a response rate of 45.5% which

almost half of the total responses returned This translated to a percentage 30.5.

➤ *Extent of Employee Retention in the Company*

Table 12 Extent of Employee Retention in the Company

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	6	3	3	3
Little Extent	18	9	9	12
Some Extent	19	9.5	9.5	21.5
Great Extent	12	6	6	27.5
Very Great Extent	145	72.5	72.5	100.0
Total	200	100	100.0	

The results illustrate that the most common category for the return given by the respondents on the question “The extent of employee retention in the company” was that a significant majority of the respondents (145) returned “very great extent). This was a percentage of 72.5%. The least common return was “Very little Extent” with a frequency of

6 and response rate of 3%. The returns, Great extent. Little extent and Some extent had a response rate of 6%, 9% and 9.5% respectively.

➤ *Extent of New Customer Referrals*

Table 1 Extent of New Customer Referrals

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Little Extent	22	11	11	11
Little Extent	27	13.5	13.5	24.5
Some Extent	58	29	29	53.5
Great Extent	71	35.5	35.5	89
Very Great Extent	22	11	11	100
Total	200	100.0	100.0	

The analyzed results showed that great extent of new customer referral was the most common return with 71 responses and a response rate of 35.5 followed by “some extent” with 58 responses translating to a response rate of 29. The returns “Very little extent” and “Very great extent” were the least common with a tie of 22 responses. Regarding the question. are there any organizational subcultures? Below is a narrative response presented in main themes.

Certain professions or industries have their own unique subcultures. For example, the culture within a technology-focused department may differ from that in a creative or design-oriented team. These subcultures often reflect the specialized knowledge and practices of the profession or industry. In organizations with multiple locations or offices in different regions or countries, there may be geographic subcultures. Cultural norms and practices can vary significantly from one location to another, leading to the development of subcultures based on geographic differences.

Basically, within larger organizations, it is common to find various subcultures that exist alongside or within the broader organizational culture. These subcultures often emerge based on shared values, beliefs, behaviors, or the nature of specific departments or teams within the organization. The key organizational subcultures are departmental Subcultures, professional subculture and geographic subculture. For instance, different departments or functional areas within an organization may develop their own subcultures. For instance, the culture in the marketing department might be distinct from that in the finance department. These subcultures can arise due to the unique challenges, goals, and work processes of each department.

➤ *Effective Leadership*

Effective leadership in many organizations entail leaders need to be adaptable and flexible, especially in a fast-changing business environment. They should be able to navigate uncertainty and guide their teams through challenges. In addition, leaders are skilled at resolving conflicts and managing disputes within the team. They address issues promptly and fairly, seeking solutions that benefit all parties involved.

➤ *Correlation Analysis*

Table 2 Correlation Analysis

		Market Culture	SME performance
Market Culture	Pearson Correlation	1	0.815
	Sig. (2-tailed)		.957
	N	200	139
SME performance	Pearson Correlation	0.815	1
	Sig. (2-tailed)	.957	
	N	200	200

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

A person Correlation analysis was done to identify the strength of the relationship between variables. The findings showed that there was a strong positive correlation coefficient between each independent variable and dependent variable with correlation coefficients of above 0.7. The Pearson correlation coefficient is that any variable with a coefficient of below 0.7 regardless of the sign is regardless of the sign is said to be weak.

➤ *Regression Model on Effect of Market of Market Culture on Performance of SMEs*

A simple linear regression model was carried out to identify the effect of Market culture on performance of SMEs. The mean Performance of SMEs was regressed against market culture. The coefficient model is summarized below.

Table 15 Regression Model on Effect of Market of Market Culture on Performance of SMEs

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.939 ^a	.882	.877	.0117		
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
(Constant)	1.236	.487			3.187	.015
Market culture	1.031	.300	.022		2.903	.002

a. Predictors: (Constant), Market Culture

Source: Field Data, (2023).

From the Table 15, the proportion of variance in the Performance of SMEs explained by the independent variable, Market culture is 88.2% (R square). This therefore showed that the model was a good fit for the data. Furthermore, the R square and the adjusted R square had an insignificant variance of 0.005. The insignificant shrinkage implied that the selected model generalized the data quite well.

The findings further showed that Market culture and Performance of SMEs had a statistically significant positive relationship because the P value (0.002) < 0.05 (Selected significance level of the study). The fitted simple regression model can be represented as $Y = 1.236 + 1.031X_{Market\ culture} + \epsilon$. This equation indicates that a 1% change in Market culture leads to a 1.031% increase in the performance of SMEs, assuming all other variables that influence SME performance remain constant. Therefore, the rejection of the Null hypothesis (Ho3) which states that Market culture has no significant effect on the performance of small and medium enterprises indicates that the hypothesis was not supported by the findings of the study and was subsequently rejected.

The multiple regression model for this study had been given by

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where

Y = Non Performance of SMEs

X_1 - Market Culture

β_0 = constant

β_1 , = the regression co-efficient and therefore

ϵ = Stochastic term or error term

The findings were represented as

$$Y = 1.763 + .146_{Market\ Culture} + \epsilon$$

V. DISCUSSION

➤ *Effect of Market Culture on the Performance of SMEs*

The estimated results demonstrate a statistically significant and positive relationship between Market culture and SME performance. This is supported by the positive regression coefficient (1.031) with a p-value of 0.05, indicating that the association between Market culture and SME performance is statistically significant. Specifically, a 1% increase in Market culture is linked to a 0.146% improvement in SME performance, while holding all other influencing variables constant. These findings align with prior research, such as Han et al.'s (1998) study, which revealed that businesses focused on the market tend to foster innovation and achieve better outcomes. The study suggests

that cultivating such an orientation can be achieved through a committed organizational culture. Additionally, Kharabsheh et al. (2015) found a statistically significant positive correlation between organizational success and a market-oriented culture.

VI. SUMMARY FINDINGS

The study conducted found a statistically significant positive relationship between market culture and SME performance. To summarize, the findings of the study indicate that organizational culture, specifically market culture, has statistically significant and positive relationships with SME performance. This implies that a positive organizational culture can enhance the performance of SMEs in Kisumu County. Based on the positive coefficients of regression and the low P-values observed for the cultural factors analyzed, the overall conclusion drawn from the study is that organizational culture has a positive effect on the performance of SMEs. These findings provide valuable insights into the importance of fostering a positive market culture within SMEs to promote their performance and success.

VII. CONCLUSION

Based on the findings of the study it was concluded that Market culture is of significance to SMEs performance in Kisumu. SMEs which enforce these aspects of organizational culture get positive results in terms of their performance.

RECOMMENDATIONS

➤ *To Increase the Performance of SMEs in Kisumu County, these Firms should;*

- Improve on the focus on monitoring and evaluating their performance constantly.
- Inform on Market trends and prevailing market conditions
- Compete favourable with other Companies as these aspects which constitute Market culture had a significant positive effect on the performance of SMEs.

LIMITATIONS OF THE STUDY

This study significantly contributes to understanding SME performance in Kisumu County, despite certain limitations. The research relied on questionnaires administered to internal respondents, mainly employees of SMEs, which may introduce biases or reluctance to reveal sensitive information. While the academic purpose was explained to avoid bias, some responses were based on employee perceptions rather than concrete data. The use of cross-sectional rather than time-series data constraints the study's conclusions, as they represent a single point in time and may not capture variables that fluctuate over time. Additionally, the study focused on Market culture, neglecting the potential influence of Hierarchy culture on SME performance.

➤ Suggestions for Further Studies

The study's findings suggest future research directions in the field of organizational culture and SME performance. The study was limited to a small area of firm performance, so future research should explore other aspects like access to microfinance, training, advisory services, and marketing strategies. A time series study could provide more conclusive evidence than the cross-sectional study conducted. Additionally, the research should be replicated in multinational and large companies with established organizational structures to compare the effects of organizational culture between SMEs and larger enterprises.

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