

CHANGE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE: A SURVEY OF COMMERCIAL BANKS IN KENYA

Amos Tayari

Masters Student, Management University of Africa, Kenya

Bernadette Mutinda

Lecturer/Management Consultant, Management University of Africa, Kenya

©2019

International Academic Journal of Human Resource and Business Administration (IAJHRBA) | ISSN 2518-2374

Received: 4th November 2019

Published: 18th November 2019

Full Length Research

Available Online at: http://www.iajournals.org/articles/iajhrba_v3_i7_346_362.pdf

Citation: Tayari, A. & Mutinda, B. (2019). Change management practices and organizational performance: A survey of commercial banks in Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(7), 346-362

ABSTRACT

Financial institutions are operating in a very dynamic marketplace today and this requires the ability to choose the right change opportunities while demonstrating the necessary degree of flexibility to meet the fluid requirements of the organization over time. This study assesses the relationship between change management practices and the organizational performance of commercial banks in Kenya. Specifically, the study sought to assess the effect of innovation, change of culture, change leadership and change in organization structure on the organizational performance of commercial banks in Kenya. The study was founded on planned change theory as the underpinning theory, Schumpeter's theory of innovation, elegant model, trait theory and the goal setting theory, which anchor the study variables. The study adopted a descriptive research design and employed stratified sampling to arrive at a representative sample size of 378. Data was collected using a semi structured questionnaire which was pilot tested to check for validity and reliability. Descriptive statistics was analyzed using measures of central tendencies and qualitative data was analyzed using content analysis. Inferential statistical analysis was done using multiple regressions using SPSS Version 22 software. Analyzed data was presented in form of tables to facilitate comparison. The study might be useful to various stakeholders in the banking industry by offering insight on how to manage change in terms of new ideas and response to environmental turbulence. The study findings established that there is a significant positive influence between the

determinants notably innovation, change of culture, change leadership, and change in organization structure and organizational performance of commercial banks in Kenya. The findings of this study were that aspects of change management affect performance of commercial banks in Kenya with the majority being those in agreement. This was indicated by innovation having 95% of the respondents, change of culture aspect with 95%, change leadership with 98%, and change in organization structure with 96%. The study recommends a winning combination of integrating either vocational or entrepreneurship trainings with savings groups within financial inclusion programmes since the majority of women plan to use their savings to start a business or economic activity. The study recommends that management of commercial banks should increase investment in innovation to influence organization performance of their institutions positively. The study recommends that it is very useful to for management of commercial banks to understand organizational culture, which contributes to improved performance. The study recommends that the commercial banks should have a very effective and highly competent leadership. Lastly, the study recommends that commercial banks should adopt management systems and administrative procedures that assign responsibilities for allocation of duties for the various functions.

Key Words: *change management, organizational performance, innovation, change of culture, change leadership, organization structure*

INTRODUCTION

In an ever-changing global economy, organizations must find ways of operating by developing new competences as the old competitive advantages and core competences gained are quickly eroded owing to environmental changes (Grusovnik & Jelovac, 2014). As an integral part of business objectives, the understanding of organizational performance is very important for commercial banks, which are considered as the major constituents of the financial institutions (Elshaday, Kenenisa & Mohammed, 2018).

According to the 2011 – 2012 Global Competitive Index (GCI) report, Kenya ranked 102 out of 142 countries ranked with an overall score of 3.8 out of the maximum of seven (7). This put Kenya in the bottom 50 in terms of competitiveness in the world. In the same report, Kenya's innovative capacity is ranked 52. Mainstream banks in Kenya have experienced increased competition over the last few years due to increased innovations among the players and new entrants into the market. Some of the innovations such as mobile money transfer and more recently, mobile banking, are creating fierce competition among the banks. Competition in Kenyan commercial banks spreads beyond the banking industry to include cooperatives, microfinance institutions and other non- deposit taking institutions. Yildirim and Philippatos (2007) state that competition in the banking industry could result in better quality and pricing of the banking products.

Change Management Practices

Change management is the discipline that guides people in preparing, equipping and supporting change effectively to drive organizational success and results (O'Donovan, 2017). A good change management process pronounces explicit methods and approaches of addressing business operations, or processes (Briffaut, 2015). Regardless of the type of change being pursued, organizational leaders must successfully manage change and innovation within their firms, and develop their capability to learn quickly to recognize the need for change and respond appropriately to it (Houmanfar, Alavosius, Morford, Herbst & Reimer, 2018). Change management practices are adopted in order to achieve desired results within a specified period (Davis & Holland, 2012). In this study, change management practices will include innovation, change of culture, change leadership and change in organization structure.

Organizational Performance

Organizational performance refers to the extent to which the goals and objectives of the organization are effectively and efficiently achieved. It comprises the actual output or results of an organization as measured against its intended outputs (Adler, 2018). Performance measurement is a critical pillar of performance management and involves collecting, analysing and reporting information regarding the performance of an individual, group, organization, system or component (DeNisi & Pritchard, 2016). A prudent performance measurement systems plays a pivotal role in performance management and business growth where the firm managers

compare and contrast the actual performance with pre-established standards (Schwens & Wagner, 2018). Performance measurement supports performance management by allowing managers and seniors to constantly check the organizational and individual performance and take the necessary corrective actions in case of deviations (Jaoua, 2018). By allowing the comparison of actual performance levels with the set standards, performance measurement allows key reconciliations to be taken and guides the prescribed corrective action (Adler, 2018).

Organizational performance covers three particular fields of firm results, such as financial or economic performance (profits, return on assets, return on investment), shareholder return (added economic value, total shareholder return), and product market performance (sales, market share) (Hidajat, 2018). Kaplan and Norton (2006) developed a system in which measurements are meant to drive performance where they cited productivity, employees' motivation and cost efficiency as the rightful measure of performance. Davenport and Harris (2007) on the other hand, suggest that organizations will determine the level of performance by the overall firm performance. In the measurement of organizational performance in terms of change, plans should be made early in the change process to assure that baselines are captured before any change is undertaken (Rautiainen, 2010). Process measures, including the energy that employees devote to the change process, and their awareness, understanding and commitment to it, are important metrics, especially during large-scale change. Finally, it is important to measure bottom line results, both in terms of company profitability and individual change-supportive behavior (Talat, Chang & Nguyen, 2017).

Change Management and Organizational Performance

Change management practices can be affected by the state of organization and its external environment because the performance of organization might depend on the fit between organization and its external environment (Albertini, 2013). Managers in organizations are becoming increasingly aware that a critical source of competitive advantage and organization performance often emanate from strategic change in production of quality product and services, best strategies, adoption of advanced technology and having an appropriate system of attracting and managing the organizations human resources (Manlu & Xiangnan, 2014). Change is important in every organization because it helps them compete with other organizations and lead them to company goals.

Nyandoro (2015) examined the relation between change management practices and performance of commercial banks in Kenya and revealed that corporate governance, strategic planning, committed leadership and communication to stakeholders influenced performance of commercial banks. Ng'eno (2012) assessed the relationship between the strategic change management practices and organizational performance at KCB and revealed that the bank adopted various strategic change management practices that improved the performance of the bank. The adoption of the practices led to reduction in cost hence increase in profits, better services to customers

hence increase in deposits and also training and giving incentives to employees hence improving their productivity.

Maina (2018) examined change management strategies and performance of commercial banks in Nyeri County and found that commercial bank leaders create a sense of urgency to reinforce the need for change. The findings of the study indicated that the commercial banks have committed and greatly motivated leaders who are competent and knowledgeable enough to drive change initiatives. The study also revealed that commercial banks regularly conduct training and development programs to equip the work force to handle change initiatives and peer learning is encouraged in the organisation as an important pillar to successful change introduction. The study found that banks have a well-laid framework and policy to support talent management and promotion.

The Banking Sector in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The banking sector remains the unrivalled heart of modern trade and economic growth and development (Ongore & Kusa, 2013). Commercial banks play an important role in the domestic and global economies (Shoaib, 2011). Among the important roles played by these institutions in the economy include making credit and liquidity available in adverse market conditions, providing deposit and credit services for personal and corporate clients besides providing access to the nation's payments systems. In Kenya, the banking sector is pointed out as one of the very key sectors that can contribute significantly to the realization of Kenya's Vision 2030 (Ndung'u, Thugge, & Otieno, 2011). The stability and soundness of the banking sector in a country plays a critical role to the health of the country's financial sector.

STATEMENT OF THE PROBLEM

Financial institutions are operating in a very dynamic marketplace today and this requires the ability to choose the right change opportunities while demonstrating the necessary degree of flexibility to meet the fluid requirements of the organization over time (Messomo, 2017). As such, the success of commercial banks' strategic initiatives and ultimate superior organizational performance is pegged on the ability to manage change in the operating environment (Barbaroux, 2011). Commercial banks are left no choice but to adopt change management practices so as to remain profitable and competitive. According to Stevenson and St-Onge (2015), the performance of the commercial banks over the recent past has not been good. The performance struggles have seen several players exit the business platform with several others put under receivership. Top in the list of culprits to this end according to Stevis (2016) include Chase Bank, which has been put under receivership due to a cancerous liquidity freeze. Imperial Bank was also caught in the tarp

of poor portfolio management and insider lending and closed doors on order of the Central Bank of Kenya. Dubai Bank of Kenya was also placed under statutory management. This was occasioned by tumorous liquidity and capital deficiencies (KDIC, 2015). Ahmed (2019) revealed that banks in Kenya losing a lot of money through cybercrime and fraud. According to Kenya Cyber Crime Report 2016 cybercrime costed the country US \$175million with the financial sector being the hardest hit. Managing change at business organizations requires diagnostic approaches performed by organizations. Banking organizations are no exception to this rule. Several studies examined changing environments in banking industry and its effect on banks performance. Wandera (2014) assessed change management in Kenyan banks and found that change was positive and that the rate and impact of change was not uniform across all banks and that banks could not apply the same change management practices in-order to achieve the same results. Kimaku (2010) sought to determine the various strategic change management practices adopted by Barclays Bank of Kenya and found that the bank undertook changes to its strategic direction, information technology, performance management system, product changes and changes in the compensation plan. Mwirigi (2012) undertook a study that focused on strategic change management practices in commercial banks and found that banks had strategic change in management policy by improving decision-making, resource allocation, improved performance, reduced financial losses and improved communications from effective strategic change management. The studies above did not take into account the variables namely innovation, change of culture, organization structure change and change leadership that were adopted in this study. Hence, the current study sought to assess the relationship between change management practices and organizational performance of commercial banks in Kenya.

MAIN OBJECTIVE

The main objective of the study was to assess the relationship between change management practices and organizational performance of commercial banks in Kenya.

SPECIFIC OBJECTIVES

1. To assess the effect of innovation on the organizational performance of commercial banks in Kenya
2. To explore the effect of change of culture on the organizational performance of commercial banks in Kenya
3. To determine the effect of change leadership on organizational performance of commercial banks in Kenya
4. To establish the effect of change of organization structure on organizational performance of commercial banks in Kenya.

THEORETICAL REVIEW

Theories provide a generalized explanation to an occurrence (Mitchell, 2014). A theoretical framework guides research, in determining what variables to measure, and what statistical relationships to look for in the context of the problems under study (Torgersen, 2015). There are various theories that support the research objectives in discussing change management and practices the organizational performance of commercial banks including the theory of innovation, Elegant Model, the Burke-Litwin model of organizational change and performance, organizational adaptation theory, Planned Change Theory and the trait theory.

Planned Change Theory

Planned change theory assumed that organizations are purposeful, adoptive and that change happens because leaders, agents for change and others see the need for change. The process for change is rational and liners thus making individual managers more instrumental to the process of change (Hard & Tranant, 2006). Internal organizational features or decisions rather than external environment motivate change (Carr, 2006). Key aspects of change process include planning, assessment, incentives and rewards, stakeholder analysis and engagement, leadership, scanning, strategy, restructuring and re-engineering (Bill & Worth, 2000). This is the underpinning theory of the study.

Schumpeter Theory of Innovation

Schumpeter (1928) argued that innovations are perpetual gales of creative destruction that were essential forces driving growth rates in a capitalist system. Schumpeter acknowledged the role of big corporations in the organization and support of innovation. Schumpeter (1939) propositions particularly interesting allusion to innovations in the banking sector is found in Schumpeter's discussion of the banking acts of the 1930s. Porter (1992) supported Schumpeter's assertions that innovation is vital for a country's long-run economic growth and competitive advantage. Porter (1992) argues that to compete effectively in international markets, a nation's businesses must continuously innovate and upgrade their competitive advantages. Innovation and upgrading come from sustained investment in physical as well as intangible assets

Elegant Model

Most traditional sectors have recognized that they must either change or die, at least in theory. Efforts to change organizations are numerous and take a large proportion of the time and energy of many managers, staff and other employees. Culture is often seen as either the key issue to be changed or something that is crucial to take seriously in order to make change possible. Martin (1992) developed an elegant model of cultures and subcultures by distinguishing between conceptualizations of organizational cultures that were cohesive and unitary, or integrated, and those characterized as collections of subcultures, or differentiated. A fragmented or divided culture is unclear and open to the various interpretations of employees. These differences

indicate that an embedded culture precludes distinguished subcultures and vice versa, or that an organisation can either have a single culture without subcultures, or subcultures without an overarching culture of the organisation.

Trait Theory of Leadership

The Trait Theory of Leadership is considered the first modern theory of leadership. It became popular at the end of the twentieth century, and remains popular to this day. The theory identifies the specific personality traits that distinguish leaders from non-leaders (Guramatunhu, 2017). The trait theory of leadership is an early assumption that leaders are born and due to this belief, those that possess the correct qualities and traits are better suited to leadership. This theory often identifies behavioural characteristics that are common in leaders. This theory also focuses on features that are connected through a various circumstances to effective leadership. They strive to believe that it is almost entirely on innate traits (Sun & Shang, 2019).

The Goal-setting Theory

The Goal-setting theory was first formulated in the 1960s and has roots in both psychology and in management. It has, in contrast to many other motivational theories, succeeded into the applied area (Miner, 2005). Latham and Locke (2006) spent their last 40 years developing the goal-setting theory and according to them it was recently ranked No. 1 in importance among 73 management theories. This is supported by Arnold and Schoonman (2002) who argue that this theory is probably one of the most successful in increasing work performance. According to Latham and Locke (2006), the foundation of this theory is that goal directed action is a vital part of human life, or as said by Arnold and Schoonman (2002), that people's behaviour is dictated by their goals and their intentions to achieve them.

EMPIRICAL LITERATURE

Innovation and Organizational Performance

Mohamud and Mungai (2019) assessed the influence of financial innovation on performance of commercial banks in Garissa County, Kenya. The study specifically sought to establish the effect of agency banking and mobile banking of the commercial banks. The study adopted a descriptive research design. Using inferential and descriptive statistics to analyze the data, the study established that agency banking and mobile phone banking had a positive and significant effect on financial performance of commercial banks. Korir (2014) sought to establish the effect of financial innovations on financial performance of commercial banks in Kenya. The research used secondary information and analysis of regression and correlation to evaluate the connection between the dependent and independent variables. The study findings revealed a strong relationship between financial innovations and financial performance. The study concluded that financial innovations positively affected financial performance.

Change of Culture and Organization Performance

Literature has identified factors, such as an organization's culture, that influence the likelihood of successful implementation of change efforts. The organizational culture reflects which artifacts, shared values and beliefs are present in an organization (Hamzah *et al.*, 2013). Research provides evidence that the organizational culture has an impact on the change process. An organization needs to have the abilities to develop and to maintain a change plan that is consistent with the new culture (Harrington, 2018).

Bahati (2013) examined organizational cultural change and its impacts on performance in public institutions in Tanzania with specific reference to Tanzania Public Services College (TPSC) and revealed that organization cultural change impacted positively on organizational performance as long as TPSC invest in Technology and Human resource development in the acquired organization to turn around and produce the much desirable consequences. The evidence suggests that the implementation of the Tanzanian privatization policies which resulted in a between that merge TPSC functions had a positive impact on the performance and competitive behavior of the Company. The cultural changes implemented facilitated increase in productivity and efficiencies by outsourcing non-core activities, people development, equipping them with skills enough to manage changes, and operating on a lean management structure that led to lower production costs.

Change Leadership and Organizational Performance

Change resides at the heart of leadership. Leaders are agents of change, whose acts affect other people more than other people's acts affect them. It is unlikely that changes carried out by coercive force or for calculated profit in certain positions will be followed. A report by Forbes (2013) on change management and leadership in the United States revealed that although 55% of leaders felt the changes met initial goals, change management initiatives over the long term were successful only 25% of the time. More than 87% of leaders said they trained their managers to oversee the process of change management, but the changes, once implemented, did not last. In fact, training was effective among just 22% of those surveyed.

Kivuva (2012) assessed change management at Commercial Bank of Africa in Kenya and found that leadership and sponsorship is the responsibility of executives and senior managers in the organization, who authorize, fund and charter the top-down organizational changes that end up as projects or initiatives. They are primarily responsible for making decisions, providing direction, and demonstrating their own and the organization's commitment to the particular change; whether it is a new product, an ERP system, reorganization, or any number of organizational changes.

Change of Organization Structure and Organizational Performance

Structural changes are those changes made to the organization's structure that might stem from internal or external factors and typically affect how the company is run. Structural changes include things such as the flattening of hierarchic levels, chain of command, management systems, job structure and administrative procedures, redrawing of divisional boundaries, spreading of the span of control, reducing product diversification, revising compensation, reforming corporate governance and downsizing employment (Harwood, Nakola & Nyaana (2016).

Huang (2010) examined the banking sector reforms and commercial bank performance in China. Aggregate index measures of performance were based on proxy variables that assess the quality of assets, capital adequacy, profitability, and liquidity. Using panel data models, the study results showed that the changing structures of the banking sector and the favourable economic condition in the recent decade have promoted the development of the commercial banks. Findings revealed that commercial banks out-perform the national banks which include state owned big four banks and joint-stock banks. Evidence also suggested lower financial leverage, higher off-balance sheet activities, and larger size of the bank are associated with better performance.

Onodugo, Ibe and Ogosi (2013) examined organization structure and performance of Nigerian banks using a descriptive survey method. The results revealed that strategic change in the structure has significant positive effect on the enhancement of performance of Commercial Banks in South East Nigeria. The study also noted that adaptation of IT is a major factor in flattening organization hierarchies. Harwood et al. (2016) studied the effects of organizational restructuring on firm performance of National Bank of Kenya. Using an explanatory research design, the study found out that this restructuring of the organisation, although not statistically significant, has a positive effect on firm results. The paper recommended further strategic organization restructuring.

RESEARCH METHODOLOGY

Research Design

The descriptive design is the research design that was used in this study. The descriptive design leads to the discovery of associations among the different variables. The design is appropriate for carrying out a holistic, in depth and comprehensive investigation of the relationship between change management and the organizational performance of commercial banks in Kenya.

Target Population

The target population for the study consisted of all 42 commercial banks operating in Kenya with their head offices in the city of Nairobi as at 31st December 2017 (CBK, 2017). The researcher thus employed a census survey, which means all the commercial banks provided the respondents for the study. This survey was appropriate because the total population was small and easily

accessible. Using Market Share Index (MSI) as the criteria, the central bank of Kenya has classified the 42 commercial banks into three tiers namely large, medium and small. There are 6 large banks with a total branch network of 546, 14 medium banks with a branch network of 310 branches and 22 small banks with a total branch network of 199 branches (CBK, 2017). All the 42 banks have a total population of 28,846 categorized as senior and middle level management, 7,431, section heads 5,097, clerks 14,341 and others 1977 (CBK (2017). The staff population is therefore not homogenous.

Sample and Sampling Technique

The study used multi stage sampling process in the selection of the sample. Commercial banks in Kenya have centralized operation systems and risk management is also centralized (CBK, 2017). The study will therefore focus on the banks' head offices in Nairobi County. The staff working in the head offices are 983. These are categorized as "management" (272), "Section Heads", (186), and "Clerks", (525). Fisher, Laing & Stoeckel (1983) state that when the target population is less than 10,000, the sample size estimated using the following formula;

$$n_f = \frac{n}{1 + n/N}$$

Applying the formula will therefore, yield the following results;

$$n_f = \frac{384}{1 + 384/983} = 378$$

Instruments

The study collected primary data using a questionnaire. A questionnaire is a tool for data collection that sets out the questions intended to generate the required information in a structured manner. It consisted of a list of structured and un-structured questions and Likert rating scales relating to the field of inquiry with space provided for selection of choices and explanatory answers. The questionnaire was chosen because it can be administered efficiently, cheaply and easily. Saunders, Lewis & Thornhill (2007) recommended the questionnaire as it helps the respondents to respond more easily and help the researcher summarize responses more efficiently.

Data Collection Procedure

The researcher obtained a letter of introduction from the Management University of Africa showing approval to conduct research. The researcher introduced himself using the letter of introduction and national identity card to the banks' management to allow for distribution of the questionnaires. The respondents were briefed on the academic nature of the study and

confidentiality was assured. The questionnaire was distributed using a drop and pick later method to give the respondents ample time to fill.

Data Analysis and Presentation

Simple and multiple regression analysis was used to examine the extent to which the organizational performance of commercial banks in Kenya (dependent variable) is a function of innovation, change of culture, change of organization structure and change leadership (independent variables). This is considered to be an appropriate model since it determines the influence of several independent variables on the single dependent variable (Gatignon, 2013). The regression equation employed was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

RESEARCH RESULTS

The main objective of this study was to assess the relationship between change management practices and organizational performance of commercial banks in Kenya. The study found that there exists a strong positive relationship between independent variables namely innovation, change of culture, change leadership, and change in organization structure and organizational performance of commercial banks in Kenya which is the dependent variable. Findings show that the regression model coefficient of determination (R²) is 0.901 and R is 0.949 at 0.05 significance level. This is an indication that the four independent variables were significant in contributing to organizational performance of commercial banks in Kenya and this implies that there exists a strong positive relationship between independent variables and the dependent variable. The study findings established that there is a significant positive relationship between the independent variables and the dependent variable. The findings also indicated that innovation followed by change in organization structure, change leadership and change of culture determine organizational performance of commercial banks in Kenya.

The study noted that innovation has become an imperative component of sustaining competitive advantage for many companies and this plays a key role in determining the growth of women based microenterprises. Innovation indicators notably the rate of change or introduction of new products, new processes and technological progress greatly influenced the organizational performance of commercial banks in Kenya. Change in organization structure was the second ranked determinant of organizational performance of commercial banks in Kenya because strategic change in the structure is essential and has a positive effect on firm results. Factors of change in organization structure notably allocation of duties, management systems and administrative procedures largely determine the organizational performance of commercial banks in Kenya.

The study also found change leadership to be the third ranked variable in affecting organizational performance of commercial banks in Kenya. This was because the leader is the bridge between the organization and the envisioned change and employees look to their leaders for clarity,

connection, and accountability - particularly in the midst of change hence leading to increased organizational performance of commercial banks. The study generally concludes that innovation, change of culture, change leadership, and change in organization structure are important in the organizational performance of commercial banks in Kenya. Therefore, to enhance organizational performance of commercial banks, there is need for managers in commercial banks to be increasingly aware that a critical source of competitive advantage and organization performance often emanate from strategic change in production of quality product and services, best strategies and adoption of advanced technology.

INFERENCE STATISTICS

Table 1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949 ^a	.901	.943	6.17566

- a. Predictors: (Constant): Innovation, change of culture, change leadership, and change in organization structure
- b. Dependent variable: Organizational performance of commercial banks

From the findings, the regression model coefficient of determination (R^2) is 0.901 and R is 0.949 at 0.05 significance level. This is an indication that the four independent variables notably; innovation, change of culture, change leadership, change in organization structure were significant in contributing to organizational performance of commercial banks. The coefficient of determination indicates that 94.9% of the variation on organizational performance of commercial banks is influenced by the independent variables. This implies that there exists a strong positive relationship between innovation, change of culture, change leadership, change in organization structure and organizational performance of commercial banks. The remaining 6.1% of the variation on organizational performance of commercial banks can be explained by other variables not included in the model.

The study further used one-way Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. The results of ANOVA test reveal that all the independent variables notably; innovation, change of culture, change leadership, and change in organization structure have a significance effect on organizational performance of commercial banks. Since the P value is actual 0.00 which is less than 5% level of significance. Results also indicate that the high value of F (84.351) with significant level of 0.00 is large enough to conclude that all the independent variables significantly affect organizational performance of commercial banks in Kenya.

Table 2: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	P-Value.
1	Regression	9.119	4	2.280	84.351	.000
	Residual	1.000	223	.027		
	Total	10.119	227			

The results of the test of beta coefficients indicated the significant relationship between independent variables notably; innovation, change of culture, change leadership, and change in organization structure and dependent variable organizational performance of commercial banks in Kenya. This clearly demonstrates that all the independent variables significantly determine the organizational performance of commercial banks in Kenya but the relative importance of each independent variable was different. However, since the significance values were less than 0.05, all the coefficients were significant and thus the regression equation was:

$$Y = 0.217 + 0.898X_1 + 0.544X_2 + 0.644X_3 + 0.787X_4$$

Table 3: Coefficients

	B - Coefficients	Std. Error	Sig F
(Constant)	0.217	.211	.005
Innovation	0.898	.184	.000
Change in organization structure	0.787	.184	.002
Change leadership	0.644	.170	.003
Change of culture	0.544	.168	.004

RECOMMENDATIONS

The study recommends that the bank managers of all commercial banks should increase investment in innovation to influence organization performance of their institutions positively. On change of culture, the study recommends that it is very useful for management of commercial banks to understand organizational culture, which contributes to improved performance. The study also recommends that commercial banks should adopt an organization culture that determines how like-minded employees hold similar beliefs and values, do work related things, and that commercial banks' management should be guided by values of consistency, adaptability and effective communication system.

To improve on change leadership, the study recommends that the commercial banks should have a very effective and highly competent leadership that is well capable to perceive the most desirable shape of an organization and address the issue of organizational change in most appropriate way. Regarding change in organization structure, the study recommends that commercial banks should adopt management systems and administrative procedures that assign responsibilities for allocation of duties for the various functions.

REFERENCES

- Adler, R. W. (2018). Organizational goals and objectives. *Strategic Performance Management*, 43-52.
- Ahmed, F. (2019). *Kenyan banks lose Ksh.50M daily as hackers wreak havoc*. Available at: citizentv.co.ke/news/kenyan-banks-lose-ksh-50m-daily-as-hackers-wreak-havoc-229257/

- Albertini, E. (2013). Does Environmental Management Improve Financial Performance? A Meta-Analytical Review. *Organization & Environment*, 26(4), 431-457.
- Arnold, J., and Schoonman, W. (2002) "Maintaining and enhancing motivation as a contribution to organizational effectiveness", in Robertson, I. T., Callinan, M., Bartram, D. (ed.) *Organizational Effectiveness: The Role of Psychology*. Chichester: John Wiley & Sons, Ltd., pp. 159-180
- Bahati, K. (2013). *Organizational cultural change and its impacts on performance in public institution: the case of Tanzania public services college*. Unpublished MBA Thesis of the Open University of Tanzania.
- Briffaut, J. (2015). Change in Business Processes Induced by E-Commerce and E-Business. *E-Enabled Operations Management*, 123-153.
- Central Bank of Kenya (2017). *Central Bank of Kenya, quarterly report on Development in the Kenyan Banking Sector for the period ended 30th June 2017*. www.centralbank.go.ke/downloads.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16, 297-334
- Davenport, T.H. and Harris, J.G. (2007). *Competing on Analytics: The New Science of Winning*. Harvard Business Review Press.
- Davis, M. and Holland, P. (2012). Strategic environmental awakening. *European Environmental Review*, 11(2), 75-88
- DeNisi, A. S., & Pritchard, R. D. (2016). Performance Appraisal, Performance Management and Improving Individual Performance: A Motivational Framework. *Management and Organization Review*, 2(02), 253-277.
- Elshaday, T., Kenenisa, D., & Mohammed, S. (2018). Determinant of financial performance of commercial banks in Ethiopia: Special emphasis on private commercial banks. *African Journal of Business Management*, 12(1), 1-10.
- Gatignon, H. (2013). Multiple Regression with a Single Dependent Variable. *Statistical Analysis of Management Data*, 155-186.
- Grusovnik, R., & Jelovac, D. (2014). The impact of managerial multicultural competences on company's competitive advantage in global economy. *Innovative Issues and Approaches in Social Sciences*, 7(3), 58-89.
- Guramatunhu, C. and Nyasha M. (2017), Theory Leadership from Africa: Examples of Trait Theory, in Jean Lau Chin, Joseph E. Trimble, Joseph E. Garcia (ed.) *Global and Culturally Diverse Leaders and Leadership (Building Leadership Bridges, Volume)* Emerald Publishing Limited, pp.3 – 19
- Harrington, H. J. (2018). Culture Change Management Tools and Methodologies. *Innovative Change Management (ICM)*, 203-218.
- Harwood, I.K., Nakola, J.O. and Nyaana, D.N. (2016). Effects of organizational restructuring on firm performance: a case of National Bank of Kenya. *Global Journal of Advanced Research*, Vol-3, Issue-1 PP. 43-49
- Hidajat, N. C. (2018). Pengaruh return on equity, earnings per share, economic value added, dan market value added terhadap return saham perusahaan sektor pertanian yang terdaftar di bursa efek Indonesia periode 2010-2016. *Jurnal Ekonomi*, 23(1).
- Houmanfar, R. A., Alavosius, M. P., Morford, Z. H., Herbst, S. A., & Reimer, D. (2018). Functions of Organizational Leaders in Cultural Change: Financial and Social Well-Being. *Leadership and Cultural Change*, 4-27.

- Huang, W. (2010). *Banking Sector Reforms and Commercial Bank Performance in China*. Unpublished Thesis of the University of Nottingham Ningbo China
- Jaoua, F. (2018). Impact of strategic roles of middle managers on the relationship between successful strategy implementation and organisational performance. *International Journal of Business Performance Management*, 19(4), 476.
- Kaplan, R. S., & Atkinson, A. A. (2015). *Advanced management accounting*. PHI Learning. Retrieved from <http://202.74.245.22:8080/xmlui/handle/123456789/494>
- Kimaku, P.M. (2010). *Change management practices adopted by Barclays Bank of Kenya limited*. Unpublished MBA Project, University of Nairobi – Kenya.
- Kivuva, E. (2012) *Change management at Commercial Bank of Africa*. Unpublished MBA Thesis, University of Nairobi. Available at: <http://erepository.uonbi.ac.ke/bitstream/handle>
- Korir, M. C. (2014). *The effect of financial innovations on financial performance of commercial banks in Kenya*. Unpublished MBA project, University of Nairobi.
- Latham, G.P. and Locke, E.A. (2006). New Directions in Goal-Setting Theory. *Current Directions in Psychological Science* 15(5)
- Maina, J.M. (2018). *Change management strategies and performance of commercial banks in Nyeri County, Kenya*. Unpublished MBA Thesis, Kenyatta University.
- Manlu, L. & Xiangnan, L. (2014). Competitive ability analysis of Zhejiang high technology product export. *IEMC '03 Proceedings. Managing Technologically Driven Organizations: The Human Side of Innovation and Change*. Martyn, S. (2010). *Pilot Study*. Retrieved August 14, 2016 from Explorable.com: <https://explorable.com/pilot-study>
- Martin, J. (1992). *Cultures in organizations: Three perspectives*. New York: Oxford University Press.
- Messomo E. S. (2017). Understanding microfinance institutions and commercial banks' relationships and innovations in the Cameroon financial environment. *Strategic Change*, 26(6), 585-597.
- Miner, J.B. (2005) *Organizational Behavior I Essential Theories of Motivation and Leadership*, M.E. Sharpe, Armonk, New York. Selen Coşkuner.
- Mitchell, S. (2014). Modes of Explanation: Complex Phenomena. *Modes of Explanation*, 143-150.
- Mohamud, A. A., & Mungai, J. (2019). Financial innovation on performance of commercial banks in Garissa County, Kenya. *The Strategic Journal of Business & Change Management*, 6 (1), 491 – 504.
- Mwirigi, J.K. (2012) *Management of Strategic Change by Commercial Banks in Kenya* Unpublished Master's thesis. School of Business University of Nairobi
- Ndung'u, N., Thugge, K., & Otieno, O. (2011). *Unlocking the Future Potential for Kenya: The Vision 2030*. Citeseer. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?>
- Ng'eno, S.C. (2012). *Strategic change management practices and organization performance at the Kenya Commercial Bank*. Unpublished MBA Thesis, University of Nairobi.
- Nyandoro, E.M. (2015). *Change management practices and performance of commercial banks in Kenya*. Unpublished MBA Thesis of the University of Nairobi.
- O'Donovan, G. (2017). An overview of Organizational Change Management. *Making Organizational Change Stick*, 50-102.

- Ongore, V. O., & Kusa, G. B. (2013). Determinants of financial performance of commercial banks in Kenya. *International Journal of Economics and Financial Issues*, 3(1), 237.
- Onodugo, V.A., Ibe, I.G. & Ogosi, C.D. (2013). Organization structure and performance of Nigerian banks. *International Journal of Current Research*. 5. 2938-2941.
- Porter, M. (1992) *Capital Choices: Changing the Way America Invests in Industry*. Council on Competitiveness/Harvard Business School, Boston.
- Rautiainen, A. (2010) Conflicting legitimations and pressures in performance measurement adoption, use and change in Finnish municipalities. (2013). *Journal of Accounting & Organizational Change*, 9(3). doi:10.1108/jaoc.2013.31509caa.001
- Saunders, M., Lewis, P. and Thornhill, A. (2007) *Research Methods for Business Students*. 4th Edition, Financial Times Prentice Hall, Edinburgh Gate, Harlow.
- Schumpeter, J. A. (1928). The Instability of Capitalism, *Economic Journal*, Vol. 38, No 151, pp. 361-86.
- Schumpeter, J. A. (1939). *Business Cycles*, New York: McGraw-Hill
- Schwens, C., & Wagner, M. (2018). The role of firm-internal corporate environmental standards for organizational performance. *Journal of Business Economics*. doi:10.1007/s11573-018-0925-5
- Shoaib, A. (2011). Measuring performance through capital structure: Evidence from banking sector of Pakistan. *African Journal of Business Management*, 5(5), 1871–1879.
- Stevenson, L., & St-Onge, A. (2015). *Support for growth-oriented, women entrepreneurs in Kenya*. International Labour Organization.
- Stavis, M. (2016). Central Bank of Kenya Puts Third Lender in Receivership – *Wall Street Journal*.
- Talat, U., Chang, K., & Nguyen, B. (2017). Decision and Intuition during Organizational Change: An Evolutionary Critique of Dual Process Theory. *The Bottom Line*, 00-00. doi:10.1108/bl-08-2017-0016
- Tharenou, P., Donohue, R., & Cooper, B. (2013). Quantitative data: Multivariate data analysis for answering research questions and hypothesis testing. *Management Research Methods*, 220-249. doi:10.1017/cbo9780511810527.012
- Wandera, R. O. (2014). *Change Management in Financial Institutions: A Case Study of Kenyan Banks*. Unpublished MBA Thesis, United States International University – Africa.
- Yildirim, H.S. and Philippatos, G.C. (2007). Efficiency of Banks: Recent Evidence From the Transition Economies of Europe 1993–2000. *European Journal of Finance* 13(2):123-143