Relationship between the Organizational Culture and the Performance of Mumias Sugar Company in Kakamega County, Kenya

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Abstract: **Organizations are open systems operating in an environment with a multitude of challenges. In this case change has become an everyday component of organizational dynamics and these organizations need to recognize these changes for them to perform effectively. Despite many change strategies and policies in place, Mumias Sugar Company has continually encountered performance below the expected level. Therefore, the organization needs to create the infrastructure needed to plan, execute and sustain their corresponding changes. The purpose of this study was to investigate the relationship between organizational culture and the performance of Mumias Sugar Company Limited, Kakamega County, Kenya. A descriptive research design was adopted in the study. The study targeted Mumias Sugar Company in Kakamega County, Kenya. A total of 122 participants comprising of 10 organization's senior management staff and 112 middle level and junior staff formed the respondents' target population. A census of 122 respondents was carried out. The study used primary data that was gathered using questionnaires. Validity of the research instrument was ensured through content validity and Cronbach alpha coefficient test was used to test reliability of the questionnaires. Descriptive statistics such as mean and standard deviation was used to analyze quantitative data and presented in terms of tables, figures, charts and graphs. Regression analysis was used to show the relationship between variables. The study found that organizational culture had a positive and significant influence on organizational performance. The study concluded that the culture of the organization sets expectations for how people behave and work together, and how well they function as a team. In this way, culture can guide decision-making and improve workflow overall. The study recommended that the organization must first understand the current culture or the way things are now, then decide where it wants to go, define its strategic direction and decide what the organizational culture should look like to support the strategic change process**

Keywords: **Organizational culture, Organizational performance**

I. INTRODUCTION

Competition among organizations is growing rapidly in the company global setting. To compete effectively in such competitive company setting, the organization needs to continually develop strategies that respond properly to its competitive benefit (Miller, 2015). Pearce and Robinson (2012) point out that each organization's achievement is determined by matching its strategic responsiveness with strategic aggressiveness and how these match environmental turbulence. It can therefore be noted that organizations need a strategic fit between the setting and what the company has to give, as well as between what the company needs and what the environment can provide.

Dolan and Garcia (2015) indicate that strategic organizational change occurs as a consequence of modifications in the setting or in case of an answer to the present organizational crisis scenario and the organization has to consider the reasons for change, both the internal and external environment to decide which variables to change. According to Boeker (2016) when an organization undergoes change it needs to determine its key importance so that it can be maintained in the process of change. These authors further argue that while organizational change may be constant, the nature of change is not always the same, as change takes place in a variety of shapes and sizes and can be proactive or reactive depending on contextual factors.

Lines (2014) argues that with the advent of contemporary technologies, the company environment is becoming highly competitive which calls for new business techniques to provide better quality of products or services to clients. Thus calls for the need for change in every organization. Ravasi and Phillips (2015) show that if a business wishes to stay competitive and successful, change is essential. The needs and expectations of clients are constantly evolving, forcing organizations to find better methods to satisfy their customers' requirements. Therefore, change is essential in any organization as it enables them to compete with other organizations and lead them to objectives of the business.

The success of an organization can most often be ascribed to both internal and external parameters that play different roles and contribute to general achievement in important proportions (Damanpour & Evan, 2014). Kenny (2017) observes that the efficiency of the organization is the degree to which the organization achieves a set of predetermined goals in line with its mission. Customer value, team efficiency, talent management, operational efficiency and effectiveness are among the most prevalent performance drivers.

Bennett, Lance and Woehr (2014) defined organizational performance measurement as a method for evaluating progress towards attaining pre-determined goals, including data on the efficiency with which resources are converted into

goals and services, the quality of these inputs and results, and the effectiveness of organizational activities in terms of their particular contributions. The key success factors for organizational performance include access to accurate information and abilities, adequate planning, innovation and flexibility.

Strategic change management enables businesses to make the necessary adjustments carefully and responsibly and enables the organization to deal with the change in a structured, thoughtful manner to achieve organizational goals, goals, and tasks (Fiss & Zajac, 2016). Dunphy and Stace (2017) observe that change management processes are driven by several strategic considerations including the need for more integrated ways of working and the need to improve business performance. These considerations typically result in structured change programs based on the assumption that change management consists of a set of interventions, which are regarded as objective, measurable and linearly manageable programs that can be realized in a relatively short time. Therefore, it can be argued that developing a change management strategy provides the organization the direction and purpose for all other change management activities.

According to Armstrong (2009), strategic change management is the method of managing change in a structured, thoughtful manner to achieve organizational goals, objectives and missions. Change is needed in order for organizations to continue to flourish, satisfy and exceed industry competitors' competition. Branson and Christopher (2012) shows that the long-term and organizational problems concerning change concern strategic change. It is about shifting to a future state usually identified in terms of strategic vision and scope. It therefore, required for professionals to interpret and adapt to guarantee the most appropriate fit between business strategies and plans.

An organization's culture can be described as the embodiment of their collective structures, values, norms, ideologies, myths and rituals. They can motivate individuals and be a precious source of efficacy and efficiency (Schein, 2010). Saffold (2016) notes that powerful culture has almost been seen as a driving force for improving employee performance and enhancing employee self-confidence and engagement, reducing work stress and improving employee ethical behaviour. The capacity to recognize the organization's cultural characteristics offers a platform for a better comprehension of the organization's activities.

Brown (2011) describes organizational culture as a mixture of values, sets, beliefs, communications and behavioral simplification that provides people direction. Culture's fundamental concept comes through sharing learning procedures based on adequate resource allocation. Saffold (2012) notes that powerful culture is seen as a driving force for improving employee performance. It enhances employees' self-confidence and engagement and decreases work stress and increases employees' ethical behaviour. Organizational

culture is therefore very helpful in helping the process of making sense, helping the staff to comprehend the organizational activities and goals that improves employees' efficiency and effectiveness

Statement of the Problem

Change is fundamental to organization as a means to keep up with evolving market demands and to stay competitive (Day, 2014). However, Brown (2015) observe that managing strategic change is a double-edged sword because it simultaneously generates expected performance gain and unexpected performance loss. When unexpected performance loss dominates or drains away expected performance gain, change becomes ineffective. Moreover, the coexistence of performance gain and loss is likely to yield confounded evidence for strategic change outcomes. Therefore, organizations may fail to maximize the performance benefits of strategic change because they either do not detect the presence of performance loss or fail to diagnose and mitigate the loss.

Despite huge government financing, the Kenyan sugar industry is defined by a sequence of decrease and collapse of state-funded milling firms (Wanyande, 2017). Mumias Sugar Company, for instance, has had a constant subdivision of property parcels that exposes the Company to potential survival risks among the workers' resistance to change, milling below the targeted tonnage, and so on. Some employees are being retrenched, which is contrary to the Company's original goals of job creation among them. These take place despite many approaches, such as paying farmers on time, writing off government debts, altering top management, and improving cane quality. Despite many change strategies and policies in place, Mumias Sugar Company has continually encountered performance below the expected level.

There has been uncontrolled importation of sugar from COMESA and Brazil which sugar turned out to be cheaper and this helped kill the local industry where the locally manufactured sugar was more expensive than imported sugar hence no market. Then the old milling machines were replaced with more efficient high capacity machines whose output per month rose from 6,000 metric turns to 20,833 metric tonnes. This expansion was not matched with cane supply from farmers. Since no effort had been made to increase acreage under cane cultivation, a while later there was no cane to crush. The main problem right now, is lack of raw material and due to frustrations, farmers have since abandoned came farming and turned to maize and other crops. Any bail-out right now does not guarantee the revival of Mumias Sugar Co. Ltd for first and foremost, the company would have to come up with a road map that will holistically address the issue of sufficient supply of raw materials. Therefore, this study sought to investigate the influence of strategic change management on the performance of Mumias

Sugar Company Limited, Kakamega County, Kenya using descriptive research design and stratified sampling methods.

II. LITERATURE REVIEW

Theoretical Review

The study was guided by Schein's theory of 1984 on organizational culture which consists of three domains: basic underlying assumptions, espoused values and artefacts. Artefacts are the surface level of an organizational culture, tangible, easily seen and felt manifestations such products, physical environment, language, technology, clothing, myths and stories, published values, rituals and ceremonies. According to James and Jones (2015) espoused beliefs and values include strategies, goals, shared perceptions, shared assumptions, norms, beliefs and values instilled by founders and leaders. The basic underlying assumptions are the base level of organizational culture and are the deeply-embedded, unconscious, taken for granted assumptions that are shared with others. Any challenge of these assumptions will result in anxiety and defensiveness.

Schein (1984) proposed a model of organizational culture where the basic assumptions shape values and the values shape practices and behavior, which is the visible part of culture. Schein's Organizational Culture Model also provides points of reference to create cultural change. Schein (1984) also shows that it's sensible to have discussions with as many employees as possible to discover the underlying backgrounds and aspects of the organizational culture. These could be a basis for cultural change. People should be aware that cultural change is a transformation process; behaviour must be unlearned first before new behaviour can be learned in its place. This theory has been chosen to guide this study because it postulates that the basic underlying assumptions, espoused values and artefacts should be reflected in an organizational culture so as to promote organizational performance.

Empirical Review

Shahzad, Luqman, Khan and Shabbir (2012) study focused on the impact of organizational culture on organizational performance. Through an assessment of current empirical research and models, it was discovered that organizational culture has a profound effect on the variety of organizational processes, staff and their performance. This also defines the various cultural dimensions. Research demonstrates that if employees are engaged and have the same standards and value as organizations, efficiency can be increased to achieve the general objectives of the organization.

Sengottuvel and Aktharsha (2016) study examined the influence of organizational culture on organizational performance in Information Technology Sector. A sample of 210 staff was taken from the 1200 IT workers population using a Leading IT business structured questionnaire. The findings of the Partial Least Square Path Modeling (PLS-PM) showed that strategic emphasis was the important predictor of organizational performance. In addition, all aspects of organizational culture coupled explain important variability in IT organization performance.

Kamaamia (2016) study the effect of organizational culture on organizational performance: A Case of Kenya School of Monetary Studies (KSMS). A descriptive research design survey was utilized. The study population consisted of 110 KSMS staff, from whom a stratified sampling was used to get a sample size of 80 participants. This research depended on primary data gathered by means of an electronic questionnaire sent to participants by email. For descriptive statistics and inferential statistics, the research data was analyzed. The results indicated that the connection between organizational culture and performance is statistically important

III. RESEARCH METHODOLOGY

A descriptive research design was adopted in the study. The study targeted Mumias Sugar Company in Kakamega County, Kenya. A total of 122 participants comprising of 10 organization's senior management staff and 112 middle level and junior staff formed the respondents' target population. A census of 122 respondents was carried out. The study used primary data that was gathered using questionnaires. Validity of the research instrument was ensured through content validity and Cronbach alpha coefficient test was used to test reliability of the questionnaires. Descriptive statistics such as mean and standard deviation was used to analyze quantitative data and presented in terms of tables, figures, charts and graphs. Regression analysis was used to show the relationship between variables.

IV. FINDINGS

The study sought to establish the influence of organizational culture on the performance of Mumias Sugar Company. The findings are given in Table 1.

Table 1: Organizational Culture

Statement	M	SD
Mission statements guide the organization in the correct direction and help it to make sound choices that can benefit the income generation.	3.97	0.410
Employees who understand their workplace culture know their objectives better and are more in touch with their executives, fellow staff and customers' needs	4.45	1.198
A solid vision statement acts as a guide for employee actions and decision making	4.82	0.724
Core values inform customers and prospective customers about the business and explain the organization's identity.	4.10	1.669
A strong culture foster high agreement among individuals, building loyalty, commitment and cohesiveness	4.71	0.555
Average Score	4.41	0.911

Source: Research Data (2020)

The findings in Table 1 show that the respondents strongly agreed that organizational culture influences the performance of Mumias Sugar Company as indicated by the average mean

score of 4.41 with a standard deviation of 0.911. These finding agree with the findings of a study carried out by Shahzad *et al.* (2012) on the impact of organizational culture on organizational performance and found that if employees are engaged and have the same standards and value as organizations, efficiency can be increased to achieve the general objectives of the organization.

The respondents strongly agreed on the statements that a solid vision statement acts as a guide for employee actions and decision making and that a strong culture foster high agreement among individuals, building loyalty, commitment and cohesiveness as shown by mean score of 4.82 and 4.71 respectively and standard deviation of 0.724 and 0.555 respectively. These findings concur with the findings of Sengottuvel and Aktharsha (2016) study that examined the influence of organizational culture on organizational performance in Information Technology Sector and found that strategic emphasis was the important predictor of organizational performance. In addition, all aspects of organizational culture coupled explain important variability in IT organization performance.

The respondents agreed on the statements that employees who understand their workplace culture know their objectives better and are more in touch with their executives, fellow staff and customers' needs, core values inform customers and prospective customers about the business and explain the organization's identity and that mission statements guide the organization in the correct direction and help it to make sound choices that can benefit the income generation as shown by

mean score 4.45, 4.10 and 3.97 respectively and standard deviation of 1.198, 1.669 and 0.410 respectively. These findings agree with the findings of Kamaamia (2016) study that examined the effect of organizational culture on organizational performance and the results indicated that the connection between organizational culture and performance is statistically important.

V. RESULTS OF INFERENTIAL STATISTICS ANALYSIS

Table 2: Correlation Analysis

		Organizational culture	Organizational performance
Organizational culture	Pearson Correlation	1	.667**
	Sig. (2-tailed)		.000
	N	119	119
Organizational performance	Pearson Correlation	.667**	1
	Sig. (2-tailed)	.000	
	N	119	119

Source: Research Data (2020)

A Pearson product-moment correlation was conducted to examine the relationship between organizational culture and performance of Mumias Sugar Company Limited, Kakamega County, Kenya. The findings in Table 2 explain that organizational culture explains much more of variability $r(118) = 0.667$, $p<0.05$ on performance of Mumias Sugar Company Limited, Kakamega County, Kenya at 5% (0.05) significance level.

Table 3: Model Summary of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.700ª	.890	.882	.804	.090	11.589	1	117	.001
a. Predictors: (Constant), Organizational culture									

Table 2 shows a model summary that provides information about the regression line's ability to account for the total variation in the dependent variable. *R* is a measure of the strength of the relationship between dependent and independent variables and it is represented by a factor of 0.700 which is closer to one meaning that both dependent and independent variables are strongly related. R^2 also called the coefficient of determination is the statistical measure of how close the data are to the fitted regression line. The higher the R-squared, the better the model fits study data.

Therefore, at 0.890(89.0%) shows that best fit of study. The adjusted R^2, also called the coefficient of multiple determinations, is the percentage of the variance in the dependent explained uniquely or jointly by the independent variables. The result on adjusted R^2 indicates that organizational culture variable explain a factor of 0.882(88.2%) of the changes in the performance of Mumias Sugar Company Limited, Kakamega County, Kenya. This means that other variables not studied contribute 11.8% of the organizational performance.

Table 4: Coefficient of Determination of the Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.711	1.125		8.636	.000	1.236	3.344
	Organizational culture	.867	.227	3.349	4.262	.001	.174	.660
a. Dependent Variable: Organizational performance								

From the above regression model, holding the organizational culture at constant, the performance of Mumias Sugar Company Limited, Kakamega County, Kenya would be at a factor of 0.711. The study also revealed that organizational culture influenced performance of Mumias Sugar Company Limited, Kakamega County, Kenya to a very great extent at a factor of 0.867. The resulting regression equation was $Y = 0.711 + 0.867X_1$

Where $\qquad Y$ = Organizational Performance

X_1 = Organizational Culture

VI. CONCLUSIONS AND RECOMMENDATIONS

The study concluded that for any effective change, there needs to be organizational and behavioral adjustments that need to be made to accommodate and sustain change. This means that change is successful when it becomes institutionalized and part of the way things is done in an organization which in effect means the organizational culture. The culture of the organization sets expectations for how people behave and work together, and how well they function as a team. In this way, culture can guide decision-making and improve workflow overall.

The study recommended that the organization must first understand the current culture or the way things are now, then decide where it wants to go, define its strategic direction and decide what the organizational culture should look like to support the strategic change process. Create plans to ensure that the desired organizational culture becomes a reality. The organization should also provide its employees with an environment to let their opinion be heard, effectively communicate organization's mission, vision and value to the employees and provide regular feedback

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