International Journal of Multidisciplinary Research & Innovation
Volume 3. Issue 1, 2025. University of Kabianga, Kenya. ijmri@kabianga.ac.ke

THE EFFECT OF ORGANIZATIONAL SYSTEMS ON PERFORMANCE OF COMMERCIAL BANKS IN NAKURU AND KISII COUNTIES, KENYA

Emily C. Keter
School of Business & Economics
University of Kabianga, Kenya
emilycketer@gmail.com

ABSTRACT

The purpose of this study was to determine the effect of organizational systems on performance of banking institutions in Kenya in selected commercial banks in Nakuru and Kisii Counties, Kenya. Specifically, the study sought to determine the effect of organizational systems on organizational performance of the banking institutions. The study design employed was a cross-sectional using a sample of 257 employees from a population of 776 employees. A questionnaire was used to collect data from the selected respondents. Descriptive statistics and inferential statistics were used to analyse the data. The R value was 0.656 indicating that there is a positive relationship between organization systems and organizational performance. The coefficient of determination (R^2) value of 0.430 shows 43% of organizational performance is explained by organizational systems, the remaining 57% is explained by other dimensions enhancing organizational performance of the banking sector in Kenya. The study recommends that effective systems should be put in place as stipulated in the strategic management of the banking institutions and the sustainability of the competitive damage relies on the ability of the institutions to demand for the same. Therefore, it is very important for these organizations to implement competitive strategy despite the challenges that they can encounter such as increased number of competitors and they should adopt market penetration using various ways such advertising and promoting their products/services. The institutions should also ensure product improvement, product replacement, product range extension and introduction which will ensure the organizations remain competitive in the market. The study further recommends that the organizations should adapt the new technology which enhances flow of information. This means that there should be adequate financial resources and required infrastructure to ensure efficient adoption of technology innovation strategies.

Keywords: Organizational Systems, Organizational Performance, Banks, Kenya

1. INTRODUCTION

Organizational learning is a strategy adopted by organizations in order to remain competitive in business environment where performance is pegged on continuous employee development through acquisition of skills, knowledge and competency facilitated by an intervention program undertaken to bridge performance gap of employees. Present environmental challenges have forced upgrades in organizations because of competition, as well as for the purpose of continuity and being relevant in the business environment. Various studies agree that high productivity is as a result of putting in place systems that organization utilizes to achieve its set targets and objectives. Therefore, the effectiveness of employees leads to successful organizations which relies on the abilities, skills and knowledge possessed and acquired by its employees (Al-adaileh, Dahou and Hacini, 2012). Organizations have efforts to develop their learning abilities, enhance their progress and expansion (Senge, 2010). It is through innovation that organizations have benefited from organizational learning over the years. Organizational learning in its components has creativity, new knowledge, ideas and increases the potential of applying the newly acquired skills to cause positive change (Kamau, 2012). Hence, the need to for carrying out this study on the effect of organizational learning dimensions such as individual, team, organizational systems and knowledge sharing on performance in the banking sector in selected counties in Kenya.

The key most important systems and operation functions in the banking sector are finance system, human resource management systems, procurement systems, management performance systems and information communication technology. Appropriate management practices demand for accountability, transparency and sustainability concepts which are necessary for institutionalized formal guidelines and procedures put in place (Kameri-Mbote, 2002). Employees therefore, need to build individual vision, enhance creativity, understand the organizational structures, be responsible, and committed to the organization (Senge, 1994).The importance of acquiring excellent human capital increases organizational competences (Sahaya, 2012) and a number of organizations put more effort in order to become an organizational learning. Management of commercial banks developed business system such as organizational structure, business process and framework that give direction to operations and transactions in the banking sector (Kameri-Mbote, 2002). The evidence of these systems can be seen through the use of formalized procedures, organizational continuous improvement, use of standard operating procedures, and use of factual approaches to decision making by management and process approach to management of the banking industry. Good business performance is not possible without the knowledge that comes from an appreciation for systems, identification and correction of these weak points in a system furthermore processes changes incrementally as business grows.

2. LITERATURE REVIEW

An organizational system establishes systems that capture and share learning. A system connection shows the relationship between the internal and external environs. Learning organization allow employees to adhere to the requirements and adapt to changes (Gephart and Marsick, 1996).Organizations where learning method is examined, observed and expanded tend to be innovative and improve in attainment of organizational goals. It is through ways of doing things, systems, processes and performance that facilitate learning. In addition, it involves skills and capability in creation, obtaining knowledge and enhances positive behavior of new skill and behaviour. Sahaya (2012) points out that learning organization also entails accepting new patterns and ideas. This could transform organizational performance, their structures and the working environment. This could be through organizational learning practices embraced by their organizations which may affect performance.

Organizational learning could help the employees adjust to the various responsibilities and make necessary changes to promote organizational performance. Single-loop and double-loop theory therefore, is appropriate to this study as it will help in determining if team learning affects organizational performance of the banking sector. The organization's vision has also been revealed to be linked to different organizational level of effectiveness indicators such as long term firm survival and excellence and the firm's ability to navigate uncertainty environments (Mortazavi and Partovi, 2014). Visions that are based on shared ideals and values have been shown to help leaders persuade their followers to pursue the ideal vision of an organization with increased zeal such that both the personal and organizational performance improves (Hancott,2014).This implies that shared vision plays a vital role in achieving organizational performance.

Mwangi and Kwasira (2015) added that leadership as a means of influencing others to achieve efforts, value addition, shared vision and integrity. The environment influence members of the group by interacting freely among themselves to achieve the intended purpose. It is normal practice that each supervisor set targets for each individual member and the group. Vision challenge existing standards, strategies and conventional wisdom. Vision passes on anticipations of high productivity. It provides certainty to the supports (Shamir, 1993). Vision provides direction of attainment of goals hence preventing firms from doing abnormal things (Senge, 2010). Mwangi and Kwasira (2015)documented four variables significant to vision of organizations as center convictions and beliefs as the establishments of a vision of an organization, it expounds a purpose for the firm, elaborates what could possibly be done to satisfy its purpose, and also specify wide objectives.

Common (2004) administration continues and changes the system that governs, discipline, passion and vision. Vision serves three vital purposes in bringing change: it explains the general changes in direction, improves good realistic choices, and it also helps in coordination of activities of individuals having varied foundation. Vision shows the direction of an organization and gives the essential basis why those in authority, leadership and their supporters are taking a certain direction (Mwangi and Kwasira, 2015). These stimulate individuals and unite the dedicated staffs towards attaining organizational objectives. It also provides meaning to work. It sets up norms of excellence. Vision describes, clarifies and gives the direction to achieve the goal. Individual authority is the bedrock for creating shared vision and this common vision is fundamental for a learning firm since there is provision of energy and concentration for learning. Without shared vision an organization cannot survive in a competitive environment; it may only respond to it. It also gives employees the power to communicate their feelings, learn from past mistake, innovation and experimentation (Senge, 2010).

Mwangi and Kwasira (2015) added that vision serves emerging activities and provides rationality to the entire organization practices by bringing harmony to the diversity in any creativity. Shared vision is exceptionally vital for any organizational learning particularly since it drives hierarchical individuals to work harder in a similar way to achieve known goals (Slater and Narver, 1995). Several studies, have expressed positive relationship between organizational learning on shared vision (Senge, 1994). The non-existence of shared vision has been examined as a reason of disappointment for organizational learning process (Fahey and Prusak, 1998).

It is also through commitment to service delivery that organizations achieve their goals by building on a shared vision for a long term hence customer satisfaction. Culture is the emotional environment shared by employees in an organization (Zollo and winter 2002). Yi (2009) claim that "there is always the possibility that an organization will have multiple cultures, no one of which is dominant, or that will be a dominant culture and one or more subcultures". Culture comprised of the following forms: use of language, use of symbols, customs, ways of solving problems, embracing technology and design of work settings that groups of people create through social interaction (Cascio, 2014). Organizational cultures are created, maintained and transformed by employees and leadership of the organization (Cascio, 2014). They further asserts that leaders at the executive level are the core principle source for the generation and re-infusion of an organization's ideology, articulation of core values and specification of norms. Organizational norms express the culturally acceptable behaviors for instance ways of achieving goals. Armstrong (2005) added that organizational culture are patterns of norms, beliefs, values, attitudes and assumptions that may shape the ways in which people behave and get things done in any organization. It is well-known that the quality of the organizational culture matters greatly for organizational learning and performance (Chen and Tsou, 2012). Learning does not necessarily take place only in the minds of individuals, but rather "stems from the participation of individuals in social activities" (Kim, 1993). Organizational culture holds intense implications upon the organizations who wish to increase their effectiveness through organizational learning.

3. METHODOLOGY

Cross-sectional research design was adopted in this study because it is a survey method that measure units from a sample of the population at only one point in time. Cross-sectional was preferred since it assisted in data collection from different respondents at one point in a given time. The design was appropriate for collecting data from the sampled population with respect to several variables. The design was selected based on the methods used by similar studies that dealt with the organizational learning matters (Sanz-Valle, Naranjo-Valencia, Jimenez-Jimenez, & Perez-Caballero, 2011). In addition, review of literature found that though some research used an empirical approach, they based their data largely on case studies leading to a call for quantitative testing by cross-sectional studies to further rectify and improve this proposed linkage on organizational learning dimensions and performance (Sahaya, 2012).Therefore, this study design was considered appropriate as a result of its capability to apply both the quantitative and qualitative techniques. This was also meant to answers to the research hypotheses. Multiple regression analysis was used to find out the relationship between the dependent variable and all the independent variables. These showed how individual learning, team learning, organizational systems and knowledge sharing affect performance of banking institutions in Kenya. Multiple regression model helps researchers decide to eliminate or retain variables whose effect on the response is insignificant and in this way, construct a most appropriate model (Saunders, Lewis and Thornhill, 2015).

4. FINDINGS

The study sought to determine the effects of organizational systems dimensions on performance of the banking institutions. Descriptive results are presented in Table 1

Table 1
Descriptive Statistics on the Effect of Organizational Systems on Organizational Performance

	Strongly disagree		Disagree		Undecided		Agree		Strongly agree		Total
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Row N % Sum
Organization supported employees who took risks in line of duty	2	.9%	21	9.6%	63	28.9%	132	60.6%	0	0.0%	100.0%
Topics learnt on trainings were available to employees for reference	14	6.4%	43	19.7%	0	0.0%	140	64.2%	21	9.6%	100.0%
Institutional learning led to development of new programs	1	.5%	15	6.9%	2	.9%	200	91.7%	0	0.0%	100.0%
Institutional learning increased production efficiency	15	6.9%	28	12.8%	0	0.0%	175	80.3%	0	0.0%	100.0%
New leadership style was not embraced due to institutional learning	88	40.4%	109	50.0%	7	3.2%	7	3.2%	7	3.2%	100.0%
Institutional learning helped in improving capacity	7	3.2%	36	16.5%	0	0.0%	175	80.3%	0	0.0%	100.0%
Organizational structures resulted from learning	0	0.0%	29	13.3%	21	9.6%	168	77.1%	0	0.0%	100.0%
Experiences of other organizations were used to improve work programmes	9	4.1%	29	13.3%	29	13.3%	151	69.3%	0	0.0%	100.0%

Note: SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly disagree

Table 1 indicated that majority of the respondents 132(60.6%) agreed that organization supported employees who took risks in line of duty followed by 63(28.9%) who were undecided then 21(9.6%) who disagreed and 2(0.9%) who strongly disagreed. This showed that the banking sector supported staffs who took risk on behalf of the company as supported by Mwangi and Kwasira (2015) who added that organizations must have a shared vision to give employees opportunity to focus and have passion on learning. More than half of the respondents 140(64.2%) agreed that topics learnt in the organization were available to employees for reference followed by 43(19.7%) who disagreed then 21(9.6%) who strongly agreed and 14(6.4%) who strongly disagreed.

Majority of the respondents 200(91.7%) agreed that institutional learning led to development of new programs followed by 15(6.9%) who disagreed then 2(0.9%) who were undecided and 1(0.5%) who strongly disagreed. Majority of the respondents 175(80.3%) highly rated that they agreed with the fact that institutional learning increased production efficiency followed by 28(12.8%) who disagreed then 15(6.9%)

who strongly disagreed. This agrees with Kamere-Mbote (2002) that institutions developed individual capacity by empowering them with new skills thus equipping with skills that make them efficient.

The findings indicated that 109(50.0%) of the respondents disagreed that they did not embraced new leadership style as a result of institutional learning followed by 88(40.4%) who strongly disagreed then 7(3.2%) who agreed, strongly agreed and undecided. 175(80.3%) of the respondents agreed that institutional learning helps us improve our capacity followed by 36(16.5%) who disagreed and 7(3.2%) who strongly disagree.

Majority of the respondents 168(77.1%) indicated that they agreed with the fact that organizational structures resulted from what they learnt followed by 29(13.3%) who disagreed and 21(9.6%) who were undecided. Sahaya (2012) added that management operated on structures, systems and procedure that brought order in an organization. More than half of the respondents 151(69.3%) agreed that experiences of other organizations were used to improve our work programmes followed by a tie of 29(13.3%) who disagreed and others remained undecided with 9(4.1%) who strongly disagreed.

An organization that desired to foster creativity and innovation instil a working culture that encouraged learning that enabled employees improve on work programmes (Manaf, 2012).

Table 2:
Model Summary of Organizational systems on Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.656[a]	0.430	0.427	0.24165	0.430	163.031	1	216	0.000

Table 2: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	9.520	1	9.520	163.031	0.000[b]
Residual	12.613	216	0.058	-	-
Total	22.133	217	-	-	-

Table: 4
Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.230	0.054		22.848	0.000
	Organizational system x3	0.167	0.013	0.656	12.768	0.000

a. Dependent Variable: performance factors y

Table 2 regression results show that R value was 0.656 indicating that there is a positive relationship between organization systems and organizational performance. The coefficient of determination (R^2) value of 0.430 shows 43% of organizational performance is explained by organizational systems, the remaining 57% is explained by other dimensions enhancing organizational performance of the banking sector in Kenya.

Table 3 the model was significant with the F ratio of 163.031 at $p<0.05$ hence we reject the Ho (null hypothesis) and this implies that organizational systems dimension has a positive significant effect on organizational performance. Table 4 the beta value of 1.230 show the degree to which organizational systems affects the outcome when all other dimensions are held constant. The results indicate also that when organizational systems are introduced in the banking institutions, the organizational performance increases by 16.7% at $p<0.05$ and this led to the null hypothesis being rejected which implies that organizational systems have no significant effect on performance of commercial banks in Nakuru and Kisii counties. This was supported by (Montes, Moreno and Morales, 2005) who stated that organizational systems has an effect on organizational performance, market survival, competition and achievement of better performance which results to change in business environments.

4.1 Conclusion

Organizational systems was measured in terms organizational support to employees, shared topics learnt, development of new programs, increased in production, leadership, organizational structure and experiences of other organizations used to improve bank programs. The correlation results showed that there was a positive relationship between organization systems and performance.The results were validated by ANOVA test which showed that the model was significant hence we reject the null hypothesis which implied that organizational systems dimension had a positive significant effect on organizational performance. The regression analysis further revealed that the null hypothesis was rejected and this implied that organizational systems had a statistically significant effect on organizational performance. There was a positive significant relationship between organizational systems and organizational performance in Nakuru and Kisii counties, Kenya.

The study findings further revealed that there was moderate positive effect of organizational systems on organizational performance. This implied there a statistically significant effect of organizational systems on organizational performance.

4.2 Recommendations

Effective systems should be put in place as stipulated in the strategic management of the banking institutions and the sustainability of the competitive damage relies on the ability of the institutions to demand for the same. Therefore, this study recommends that:

1. Organizations to implement competitive strategy despite the challenges that they can encounter such as increased number of competitors and they should adopt market penetration using various ways such advertising and promoting their products/services.
2. The institutions should also ensure product improvement, product replacement, product range extension and introduction which will ensure the organizations remain competitive in the market.
3. Banking institutions should embrace strategic management systems which will increase their capacity for adapting to different environmental changes and learn, and monitor the strategic issues so that they can identify their full potential.
4. Organizations should adapt the new technology which enhances flow of information. This means that there should be adequate financial resources and required infrastructure to ensure efficient adoption of technology innovation strategies.

REFERENCES

1. Al-adaileh, R.M., Dahou, K. & Hacini, I. (2012). “The impact of knowledge conversion processes on implementing a learning organization strategy”, The Learning Organization,
2. Common, R. (2004). Organizational learning in a political environment: improving policy-making in UK government’, Policy Studies25 (1)
3. Fahey, L., & Prusak, L. (1998).The eleven deadliest sins of knowledge management. California Management Review, 40(3), 265-276.

4. Gephart, M.A., & Marsick, V.J. (1996). Learning organizations come alive. Training & Development, 50(12), 35-45.
5. Kameri-Mbote, P. (2002). The Operational Environment and Constraints for NGOs
6. Mwangi, S. N., & Kwasira, J. (2019). Role of transformational leadership on organizational change in selected public secondary schools in Nauru north sub county, Kenya. International Journal of Economics, Commerce and Management, 3(6), 362-372.
7. Pokharel, M. P., & Sang, O. K. (2019). Exploring the relationships between the learning organization and organizational performance, Management Research Review, 38 (2), 126-14
8. Sahaya, N. (2012). A Learning Organization as Mediator of Leadership Style and Firms' Financial Performance. International Journal of Business and Management, 96-113.
9. Saunders, M., Lewis, P., & Thornhill, A. (2015). Research Methods for Business Students. Research methods for business students.
10. Senge, P.M. (2010). The fifth discipline: The art and practice of the learning organization. New York City: Random House LLC.
11. Slater, S. F, & Narver, J. C. (1995). Market orientation and the learning organization. Journal of Marketing.