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IMPACT OF ORGANIZATIONAL CULTURE IN THE EFFECTIVENESS OF THE TRANSFORMATION PROCESS OF MICROFINANCE ORGANIZATIONS IN KENYA INTO DEPOSIT TAKING INSTITUTIONS

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Abstract

Purpose*:* The purpose of this study was to assess the impact of organizational culture in the effectiveness of the transformation process of microfinance organizations in Kenya into deposit taking institutions.

Methodology*:* This study adopted descriptive research design. For purposes of collecting primary data, the use of a questionnaire developed by the researcher was used. Data was then analyzed using Excel and SPSS and presented in tables, graphs and charts. A total of 120 questionnaires were distributed to the above five organizations and 42 of them were returned. This represents a 35% response rate.

Results*:* Based on the findings, the study concluded that the dominant culture of MFIs that have transformed to DTMs is that of Control. The results further led to the conclusion that this type of culture is appropriate for MFIs since MFIs operate in heavily regulated and structured environment where standardized procedures and efficient processes enhance the stability of such MFIs. The study also showed that the most dominant organization leadership culture is that of Control. The leaders exemplify coordinating, organizing or smooth running efficiency. Results further revealed that leadership culture that is generally considered to exemplify entrepreneurship, innovation or risk taking is associated with the highest transformation success.

Unique contribution to theory, practice and policy: The study recommends that the leadership of organizations should have an understanding of the attributes of the dominant culture of their organizations, the level of opposing tension or balance between values, or the congruence between the organization and its leadership or initiatives.

Keywords: *organizational culture, Microfinance institutions, Deposit Taking institutions*

1.0 INTRODUCTION

1.1 Background of the Study

Microfinance can be traced to the early 1700s, when financial organizations began to extend small loans with short repayment periods to the rural poor. Credit unions, the predecessors to microfinance institutions (MFIs), were started in 1846 in Germany as cooperative credit organizations that helped local farmers purchase livestock, seeds, and equipment. However, the credit union's reach was limited to developed countries, and hundreds of millions of people around the world continued to be excluded from the formal financial sector (Stenzel, 2009).

Consequently, Microfinance started to become a broadly known sector since the pioneering work and success of Grameen Bank in Bangladesh. The Grameen bank adopted a simple mission: to alleviate poverty by provision of small loans to economically active but disenfranchised people (Hoque, Chishty and Halloway, 2011). Microfinance institutions (MFIs) provide a variety of products including micro loans, savings and other deposit products, remittances and transfers, payment services, insurance, and any other financial product or service that a traditional commercial bank does not offer to low income clients in the banking system. However, unlike in the traditional commercial banking sector, there is an understanding that the average microfinance client does not have many assets, thus collateral is usually sought in the form of social capital (Hoque, Chishty and Halloway, 2011).

Through the 1980s, the policy of targeted, subsidized rural credit came under a slow but increasing attack as evidence mounted of the disappointing performance of directed credit programs, especially poor loan recovery, high administrative costs, agricultural development bank insolvency, and accrual of a disproportionate share of the benefits of subsidized credit to larger farmers(MercyCorps, 2006). The basic tenets underlying the traditional directed credit approach were debunked and supplanted by a new school of thought called the "financial systems approach", which viewed credit not as a productive input necessary for agricultural development but as just one type of financial service that should be freely priced to guarantee its permanent supply and eliminate rationing (MercyCorps, 2006). The financial system's school held that the emphasis on interest rate ceilings and credit subsidies retarded the development of financial intermediaries, discouraged intermediation between savers and investors, and benefited larger scale producers more than small scale, low-income producers (MercyCorps, 2006).

However, microcredit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor (MercyCorps, 2006). First, they showed that poor people, especially women, had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs. Further, two features - high repayment and cost-recovery interest rates –permitted some MFIs to achieve long-term sustainability and reach large numbers of clients (MercyCorps, 2006).

However, it was not until the 1990s that the world saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. These gains, however, tended to concentrate in urban and densely populated rural areas. Thus, it was not until the mid-1990s that the term "microcredit" began to be replaced by a new term that included not only credit, but also savings and other financial services. "Microfinance" emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings and other services such as insurance and money transfers (MercyCorps, 2006).

In 1992, BancoSol, the first commercial bank in the world dedicated solely to microfinance was founded. Today, BancoSol offers an impressive range of financial services including savings accounts, credit cards and housing loans; products that used to be only accessible to Bolivia's upper classes (MercyCorps, 2006). With the creation of BancoSol in 1992, the microfinance industry witnessed the birth of a new trend in institutional development: the transformation of non-governmental organizations (NGOs) into regulated financial institutions. Though not embraced by all, institutional transformation has become the strategic end-objective of a large number of micro lending NGOs. The concept was born over a decade ago out of the twin goals of exponentially increasing the number of clients with access to microfinance and reducing donor dependence (Campion and White, 2001). These two goals have driven the industry toward greater integration with the formal financial sector, leading a large number of NGOs to consider transformation into privately owned regulated entities (Campion and White, 2001).

Today, practitioners and donors are increasingly focusing on expanded financial services to the poor in frontier markets and on the integration of microfinance in financial systems development. The recent introduction by some donors of the financial systems approach in microfinance which emphasizes favorable policy environment and institution building has improved the overall effectiveness of microfinance interventions (MercyCorps, 2006). However, numerous challenges remain, especially in rural and agricultural finance and other frontier markets. Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty (MercyCorps, 2006). For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For microfinance, this means viewing microfinance as an essential element in any country's financial system (MercyCorps, 2006).

It is in support of this vision by the international community to expand financial services to the poor and integrate microfinance firms in financial systems development that the Central Bank of Kenya has been in the fore front in trying to address the entry barriers for the unbanked and under banked Kenyans to access financial services. To aid this initiative, The Central Bank of Kenya operationalized the Microfinance Act in 2008.The main objective of this Act is to regulate the establishment, business and operations of microfinance institutions in Kenya through licensing and supervision.

The Act enables Deposit Taking Microfinance Institutions Licensed by the Central Bank of Kenya to mobilize savings from the general public thus promoting competition, efficiency and access. The Central Bank continues to initiate key reforms and structural changes that are necessary in the sector’s legal, regulatory and supervisory frameworks. Key among these legislative changes has been the specific amendment to the Microfinance Act in January 2011 that introduced agency definition.

The Kenyan Microfinance Institutions are registered under different Acts of parliament .The Association of Microfinance Institutions of Kenya (AMFI) is a member Institution that was registered in 1999 under the societies Act by the leading Microfinance Institutions in Kenya to build capacity of the microfinance industry in Kenya. AMFI presently has 52 member institutions serving more than 6,500,000 poor and middle class families with financial services throughout the country. AMFI is governed by a General Assembly and gets its leadership from a Board of Directors that are composed of experienced practitioners who run some of the leading microfinance Institutions in Kenya(Association of Microfinance Institutions of Kenya (AMFI), 2010).

AMFI membership ranges from large to small institutions which have diverse legal status ranging from microfinance banks, Wholesale MFI's, Retail MFI's, development Institutions and Insurance companies which represent the entire landscape of the microfinance industry in Kenya. To date, there are six Microfinances that have been licensed by the Central Bank to mobilize deposits from the general public. They are Faulu Kenya DTM Limited**,** Kenya Women Finance Trust DTM Limited, Remu DTM Limited, SMEP Deposit Taking Microfinance Limited, UWEZO Deposit Taking Microfinance Limited and Rafiki Deposit Taking Microfinance (AMFI, 2010)**.**

1.2 Problem Statement

The Central Bank of Kenya (CBK) has been taking some encouraging steps toward expanding financial access and outreach, particularly for low-income households. The financial access survey (FinAccess), conducted in 2009, showed that the usage of formal and semi-formal financial services increased from 27% in 2006 to 41.9% in 2009, while the share of the population excluded from any financial service decreased from 38.3% to 32.7%, respectively. Despite this progress, a fundamental challenge remains: an estimated 60% of the Kenyan population still does not have access to formal financial services, and the country's financial sector is characterized by high interest rate spreads (Beck, 2009). Consequently, CBK is however optimistic that the financial inclusion gap will be significantly narrowed, through usage of DTMs bringing Kenya closer to achieving the Vision 2030 objective of economic growth, development and financial stability (Central Bank of Kenya, 2011).

The Central Bank has continually reiterated its commitment to the development of an all-inclusive financial system to serve a majority of the Kenyan populace and remains ardent in formulating policies that support innovation in the financial sector. In a speech made in January 2011 during the commissioning of REMU DTM Limited as the fifth deposit taking microfinance institution, Prof. Njuguna Ndungu, Governor Central Bank noted that the licensing of the deposit taking microfinance institutions would go a long way towards fulfilling the Vision 2030 goals of building an all-inclusive financial system through strengthening of quasi-banking institutions, promoting competition, efficiency and outreach (Central Bank of Kenya, 2011). He said that the various products and services offered by the licensed DTMs would increase competition while enhancing efficiency.

Approximately 3 years later after the operationalization of the Act, The Central Bank of Kenya has only licensed six microfinance institutions to receive deposits from the general public despite receiving numerous registrations and thus the twin goals of exponentially increasing the number of clients with access to microfinance and reducing donor dependence remains largely unattained.

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Various researches have been undertaken in the sphere of microfinance transformation and have indeed offered practical guidelines for MFI's to develop the capacity to become licensed to intermediate deposits from the public while others have offered guidelines for regulators to license and supervise microfinance providers and for transforming MFI's to meet the demands of the regulators as well as shareholders (Ledgerwood and White, 2006). Research has also been carried on the process of transformation and the spin-off of NGO's into formal commercial banks (Campion and White, 2001). K-Rep bank from Kenya has been surveyed in several of these studies. However, so far, no research has been carried out to investigate the factors that affect the success of transforming microfinance firms into fully regulated deposit taking microfinance institutions in Kenya: a research and knowledge that this research study seeks to address.

1.3 Research Objectives

To evaluate the impact of organizational culture in the effectiveness of the transformation process

2.0 LITERATURE REVIEW

2.1 Empirical Review

The importance of organizational culture to the success of sustainability initiatives is not surprising since organizational culture has previously been linked to the long-term financial success and improved effectiveness of organizations (Cameron and Ettingson, 1988; Denison, 1990). A strong, distinctive organizational culture has been identified as one of the key components of a successful company (Trice and Beyer, 1993). When all leaders, managers and staff within an organization have a clear sense of their shared culture, it creates social order, continuity, collective identity, commitment, and common vision while reducing organizational uncertainties—all of which all lead to improved organizational performance (Cameron and Quinn, 2006).

Organizational culture can be defined as the ambience of a given enterprise created by a shared set of values, underlying assumptions, and beliefs within a company that provides guidance to every aspect of their shared endeavor. It includes expectations, collective memories, and definitions that represent a sense of "how things are done around here" that convey to members a further sense of identity within the group (Cameron and Quinn, 2006). It can also be defined as collectively held values, beliefs, attitudes, assumptions, and norms of behavior which distinguishes one group of people from others (Brooks, 2009).

Cameron and Quinn (2006) suggest that attention to the concept of organizational culture began seriously in the 1980s. They argue that taken-for-granted values, underlying assumptions, expectations and definitions already in existence contributed to the reason for ignoring organizational culture as an important factor. Organizational behavior is determined more by its culture than directives from senior management and the implementation of strategies in many organizations is affected if they are at odds with the organization's culture (Jarnagin and Slocum, 2007).

Due to its persistence, culture has been shown to play a particularly strong role in organizational change initiatives. In a study investigating organizational change initiatives ranging from strategic planning to downsizing to quality improvements, the most commonly identified driver of failure was ignoring cultural issues—a compelling case, given that up to three-quarters of organizational change initiatives fail(Cameron, 1997).

The importance of understanding organizational culture is also demonstrated through the congruence hypothesis, which states that individuals are more effective when their personal competencies align with the cultures of the organizations in which they work. Many researchers have hypothesized that having leaders with individual competencies that align with their organizational cultures increases productivity while reducing conflict (Fiedler, 2001).

Research on organizational culture is often conducted through in-depth case studies of single organizations, using methods such as behavioral observations and interviews (Schein, 1985; Wilkins, 1983). In addition to this abundance of qualitative case studies, tools have been developed to quantitatively link organizational culture to conventional business metrics. Denison and Mishra (1995) found that four cultural traits, similar to those used in the Competing Values Framework described below, are predictive of organizational effectiveness as measured through return on assets and sales growth. Their research also specifically states that both qualitative case studies as well as quantitative comparisons provide useful insight in the field of organizational culture research.

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive research design. This study focused on microfinance firms in Kenya that have transformed to Deposit Taking Institutions since the operationalization of the Microfinance Act in 2008.The sampling frame for this study was a list of employees in the deposit taking section of the business of the Microfinance Institutions. This was provided by the various Human Resource Departments. The population for this study relates to the employees who were involved in the deposit taking section of the business only. This population consisted of 120 employees and considered a small number thus; a census study was carried out. A total of 120 questionnaires were therefore distributed across the five institutions. Data was collected from primary sources through the use of questionnaires which were structured. Data processing and analysis started in the field, with checking for completeness of data and performing quality control checks. The data was then sorted, coded and then captured into a Statistical Package for the Social Science (SPSS). Specific variables were presented using frequency tables. Means, standard deviations, coefficient alphas and correlations were among the variables that were measured. The data was then interpreted and presented using tables, graphs and charts.

4.0 RESULTS AND DISCUSSIONS

4.1 General Information

4.1.1 Response Rate

A total of 120 questionnaires were administered to employees in various microfinance institutions. After eliminating one response from due to missing values, 42 questionnaires were used for the analysis. This represents a response rate of 35%. A response rate of about 35% is a commonly achieved response rate as suggested by Bryman and Bell (2007) and Dillman, Smyth and Christian (2009).

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4.1.2 Gender of Respondents

The findings indicate that majority of the respondents (52%) were female while (48%) were male. These findings seem to imply that the organization gender was predominantly female as shown in figure 1 below.

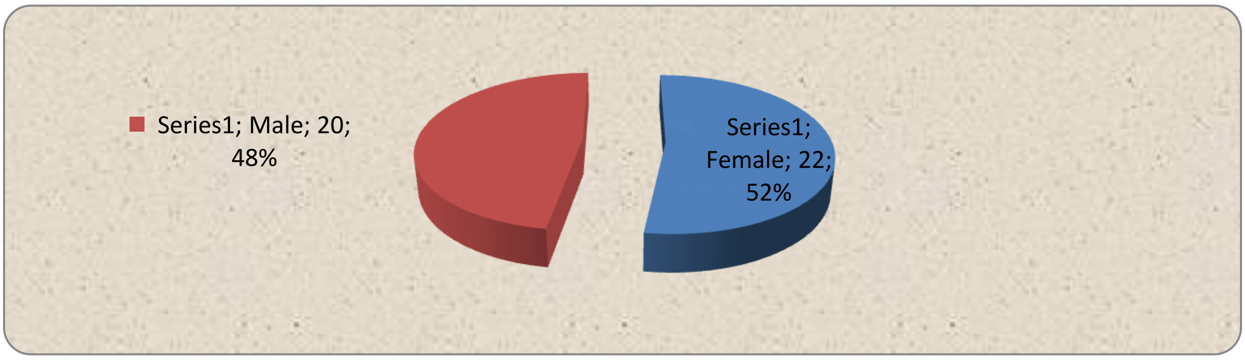

Figure 1: Gender

4.1.3 Age of Respondents

As illustrated in figure 2 below, the findings revealed that a majority (38%) of the respondents were aged between 30-34 years, followed by (29%) respondents whose age was between 35 to 39 years while (24%) of the respondents aged between 25 to 29 years. Only 9% of the respondents were over 40 years old. These findings seem to imply that the respondents of the study were youthful and might have been the reason behind the successful transformation in all the organizations as we shall see later on this study. Younger people are generally less rigid and more open to change as compared to the older people.

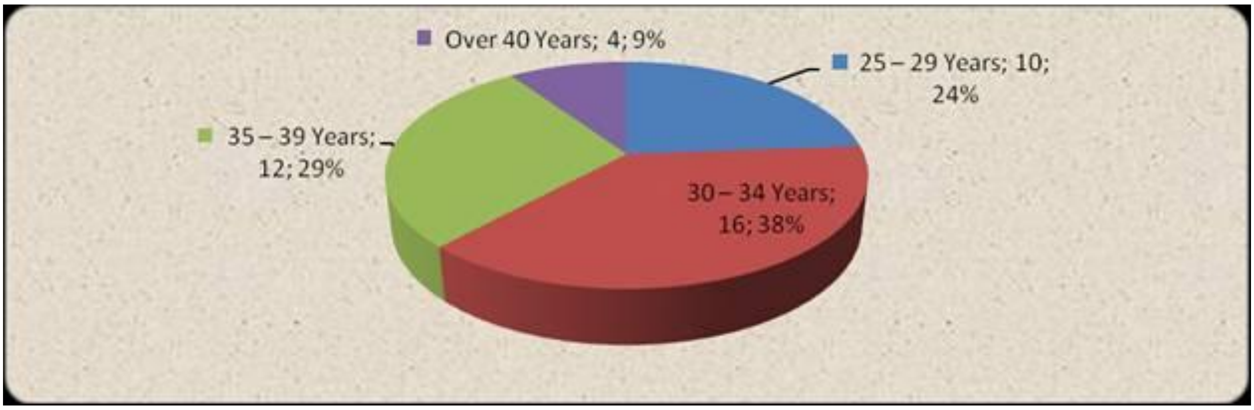

Figure 2: Age of Respondents

4.1.4 Number of Years

As illustrated in figure 3 below, the findings revealed that a majority (45%) of respondents had been in the organization for a period of 3-4 years, while 26% of the respondents indicated that they were in the organization for 5-10 years and 22% were in the organization for 1-2 years. Only 7% of the respondents had been in the organization for over 10 years.

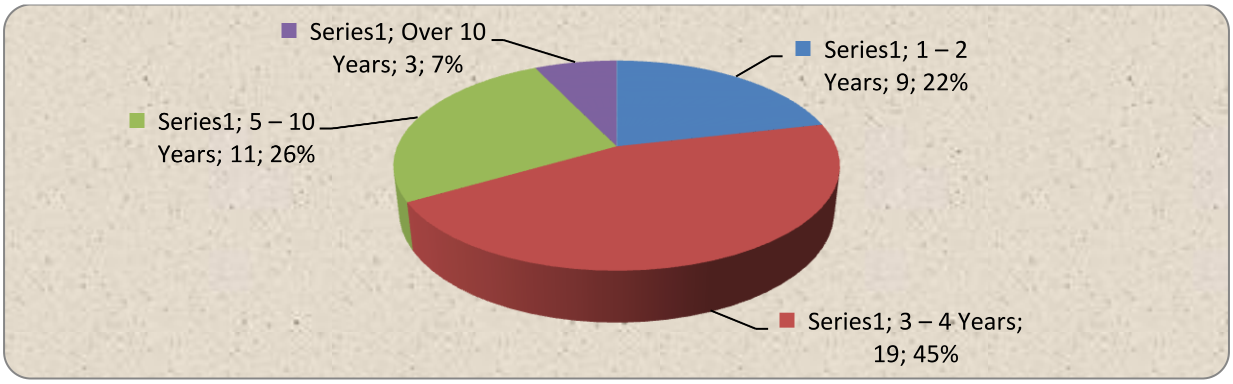

Figure 3: Number of Years in Employment

4.2 Descriptive Statistics

4.2 Impact of Organizational Culture in the Effectiveness of the Transformation Process

4.2.1 Dominant Characteristics

Figure 4 presents the findings of the dominant characteristics of the organizational culture. The study findings revealed that 48% of the respondents indicated that the organization is a very structured place, formal procedures generally govern what people do and there is minimal or no discretionary powers vested in employees (Control Culture). The findings further indicated that 38% of the respondents indicated that the organization is very result oriented, a major concern is with getting job done and people are very competitive and achievement oriented (Compete Culture). Lastly, the study findings revealed that 14% of the respondents indicated that people work well together, strongly driven by loyalty to one another and the shared cause (Clan Culture). No respondent indicated that the organization is a very dynamic and entrepreneurial place where people are willing to take risks and be innovative (Create Culture).

These findings therefore reveal that the dominant culture in MFIs that have transformed to DTMs is that of Control. Control is one of the four dimensions of organization culture as indicated by Cameron and Quinn (2006) who further asserts that (Control) relates to value - enhancing activities including improvements in efficiency by implementing better processes. The results further imply that this type of culture is appropriate for MFIs since MFIs operate in heavily regulated and structured environment where standardized procedures and efficient processes enhance the stability of such MFIs.

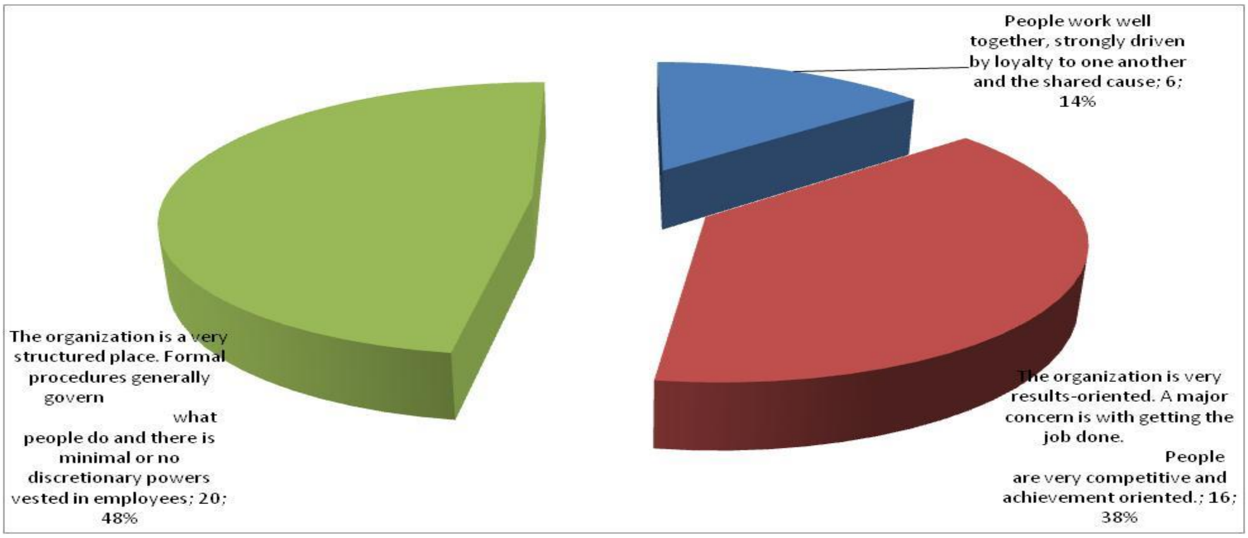

Figure 4: Dominant Characteristics

Impact of Dominant Characteristics on Successful Transformation

Results in table 1 displayed the mean responses for transformation success for each type of organizational culture. The study findings revealed that the highest transformation success (2.7344) was attributed to DTMS with 'Compete' type of culture that is very results oriented, and whose major concern is to get the job done. Such DTMs had people who were very competitive and achievement oriented. The DTMs with a 'Clan' type of culture whose people work well together, strongly driven by loyalty to one another and the shared cause achieved the least transformational success (2.125) while DTMS with a 'Control' type of culture achieved a median transformation success of 2.275. There were zero responses for the 'Create' type of culture.

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Table 1: Impact of Dominant Culture Characteristics on Successful Transformation

CULTURE TYPE	DESCRIPTION	N	Mean transformation success	Std. Deviation	Minimum	Maximum
CLAN	1.People work well together, strongly driven by loyalty to one another and the shared cause	6	2.1250	.30619	2.00	2.75
COMPETE	2. The organization is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.	16	2.7344	.79827	2.00	4.25
CONTROL	3. The organization is a very structured place. Formal procedures generally govern. what people do and there is minimal or no discretionary powers vested in employees	20	2.2750	.67327	1.75	4.00
	Total	42	2.4286	.71841	1.75	4.25

4.2.2 Organizational Leadership Culture

Results for organization leadership culture were displayed in figure 5. The results findings revealed that a majority of the respondents (52%) indicated that the leadership in the organization is generally considered to exemplify coordinating, organizing or smooth running efficiency (Control Culture) while 31% of the respondents indicated that the leadership in the organization is generally considered to exemplify a no-nonsense, aggressive and result oriented focus (Compete Culture). Additionally, 14% of the respondents indicated that the leadership in the organization is generally considered to exemplify mentoring, facilitating or nurturing (Clan Culture) and only 3% of the respondents indicated that the leadership in the organization is generally considered to exemplify entrepreneurship, innovation or risk taking (Create Culture).

The findings imply that the most dominant organization leadership culture is that of Control. According to Cameron and Quinn (2006) a culture of leadership that demonstrates control characteristics is generally considered to exemplify coordinating, organizing or smooth running efficiency. The results further imply that this type of culture is appropriate for MFIs since MFIs operate in heavily regulated and structured environment where standardized procedures and efficient processes enhance the stability of such MFIs.

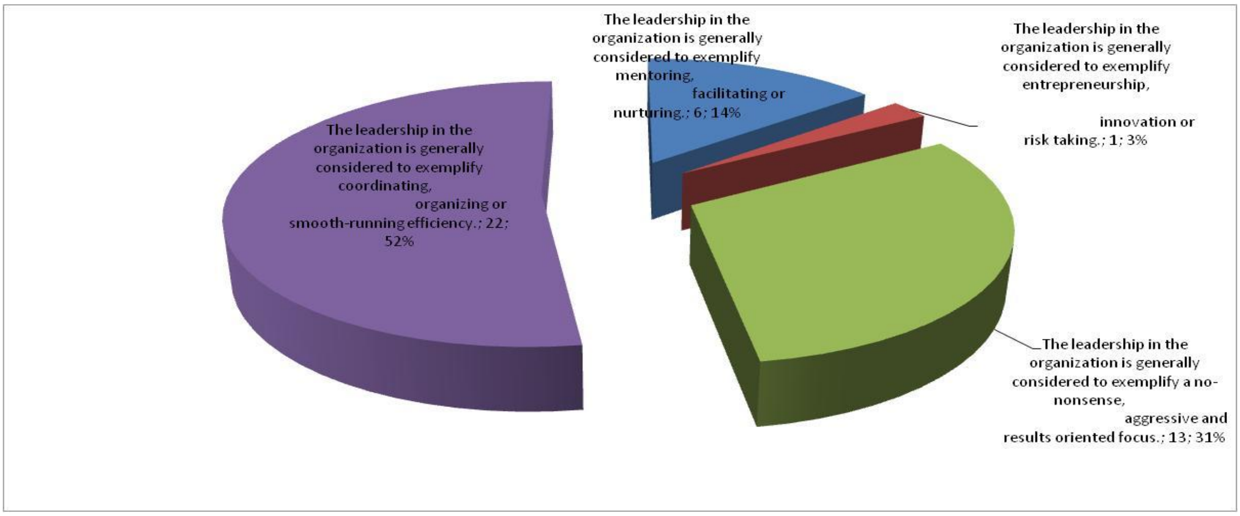

Figure 5: Organizational Leadership Culture

Impact of Organization Leadership Culture on Transformation Success

Table 2 below presents the impact of organization leadership culture on transformation success**.** The study findings indicated that the 'Create' type of culture is associated with the highest transformation success (3.0). However, only one respondent felt their leadership demonstrate the traits under the 'Create' culture. The 'Clan' type of culture was least associated with transformation success while the 'Compete' and 'Control' cultures attracted a mean score of 2.81 and 2.25 respectively. It therefore appears that for MFIs to attain even more successful transformations, the leadership need to adopt more of the 'Create' Culture whereby they exemplify entrepreneurship, innovation and risk taking.

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Table 2: Impact of Leadership Culture on Transformation Success

CULTURE TYPE	DESCRIPTION	N	Mean	Std. Deviation	Minimum	Maximum
CLAN	1. The leadership in the organization is generally considered to exemplify mentoring, facilitating or nurturing.	6	2.1667	.40825	2.00	3.00
CREATE	2. The leadership in the organization is generally considered to exemplify entrepreneurship, innovation or risk taking.	1	3.0000	.	3.00	3.00
COMPETE	3. The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive and results oriented focus.	13	2.8077	.85485	1.75	4.25
CONTROL	4. The leadership in the organization is generally considered to exemplify coordinating, organizing or smooth-running efficiency.	22	2.2500	.62678	1.75	4.00
	Total	42	2.4286	.71841	1.75	4.25

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

This study also sought to evaluate the impact of organizational culture on the effectiveness of the transformation process. Result findings revealed that 48% of the respondents indicated that the organization is a very structured place, formal procedures generally govern what people do and there is minimal or no discretionary powers vested in employees. This depicts a ‘Control’ type of culture as per the categories by the Competing Values Framework (CVF). The findings further revealed that 38% respondents indicated that the organization is very result oriented, a major concern is with getting job done and people are very competitive and achievement oriented- this depicts a ‘Compete’ type of culture as per CVF.

Consequently, the study also sought to find out the most dominant leadership traits exhibited by the leaders of the transformed MFIs and whether these leadership styles were congruent to the organizational culture. More than half of the respondents (52%) indicated that the leadership in the organization is generally considered to exemplify coordinating, organizing or smooth running efficiency. This depicts a 'Control' type of culture under the Competing Values Framework. Additionally, 31% of the respondents indicated that the leadership in the organization is generally considered to exemplify a no nonsense, aggressive and result oriented focus. This depicts a 'Compete' type of culture. These results are consistent with the dominant characteristics of the organizations because in both cases, we see the respondents voting for the 'Control' type of culture closely followed by the 'Create' culture.

It therefore appears that the most dominant culture is 'Control' closely followed by 'Compete' and thus portraying a somewhat hybrid culture. These results are thus consistent with the fundamental premise of CVF which denotes that organizations can typically be diagnosed as having any one or a combination of four culture types (Cameron and Quinn, 2006). 'Control' is one of the four dimensions of organization culture as indicated by Cameron and Quinn (2006)who further asserts that (Control) relates to value ‐ enhancing activities including improvements in efficiency by implementing better processes. Additionally, in a 'Control' environment, the leadership is generally considered to exemplify coordinating, organizing or smooth running efficiency. The researcher views this type of culture to be appropriate for MFIs since MFIs operate in heavily regulated and structured environment where standardized procedures and efficient processes enhance the stability of such MFIs.

It is also important to note that in the category for dominant characteristics, the organizations with the 'Compete' culture were noted to have been more successful in their transformation, attracting a mean score of 2.73 as compared to 2.28 of the 'Control' Culture. However, in the category for organizational leadership, the 'Create' culture had the highest rate of successful transformation, closely followed by 'Compete' at 2.81 and 'Control' at 2.25.

5.2 Conclusions

Based on the study findings, the dominant culture of MFIs that have transformed to DTMs is that of Control. Control is one of the four dimensions of organization. The results further led to the conclusion that this type of culture is appropriate for MFIs since MFIs operate in heavily regulated and structured environment where standardized procedures and efficient processes enhance the stability of such MFIs. However, the highest transformation success (2.73) was attributed to DTMs with a competitive culture that is very results oriented, and whose major concern was to get the job done. Such DTMs had people who were very competitive and achievement oriented. The DTMS with a Clan culture whose people work well together, strongly driven by loyalty to one another and the shared cause achieved the least transformational success (2.13). DTMs with a control culture achieved a median transformation success of 2.275.

The study also showed that the most dominant organization leadership culture is that of Control. The leaders exemplify coordinating, organizing or smooth running efficiency. Results further revealed that leadership culture that is generally considered to exemplify entrepreneurship, innovation or risk taking is associated with the highest transformation success. Such as leadership culture is competitive. The culture that is least associated with transformational success is a leadership culture that is generally considered to exemplify mentoring, facilitating or nurturing. Such a culture is collaborative or clan culture. The findings of this study were also likened to findings by Cameron and Quinn (2006) who asserted that when all leaders, managers and staff within an organization have a clear sense of their shared culture; it creates social order, continuity, collective identity, commitment, and common vision while reducing organizational uncertainties - all of which all lead to improved organizational performance.

5.3 Recommendations

Following the study results, the researcher calls for the leadership of organizations to have an understanding of the attributes of the dominant culture of their organizations, the level of opposing tension or balance between values, or the congruence between the organization and its leadership or initiatives. Understanding these attributes and relationships can help guide organizations to make more effective choices in their activities and initiatives. The researcher also makes recommendation to all leaders, managers and staff within an organization to have a clear sense of their shared culture, as this creates social order, continuity, collective identity, commitment and common vision. In addition, the management should identify those harmful attributes and values that are inconsistent with the strategy of the organization and find a way to deal with them. Workshops, seminars and day to day activities should be introduced to change the mindset of the staff.

5.4 Areas for Further Research

This study evaluated the impact of organizational culture in the effectiveness of the transformation process of MFIs in Kenya to DTMs only. Future studies may therefore be conducted on the same topic and take into account additional factors that might affect the transformation. For example, the study may seek to analyze the organizational structure of MFIs and how it influences the transformation of MFIs to DTMs. Studies may also be conducted to investigate the role of organization politics and the role of the choice of competitive strategy and the impact they may have on the successful transformation of MFIs to DTMs.

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