ORGANISATIONAL CULTURE AND FIRM PERFORMANCE: A CASE OF SELECETED INNOVATION STARTUPS IN NAIROBI CITY COUNTY KENYA

EUNICE WANJIRU NYAGA

D53/CTY/PT/28571/2018

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION), KENYATTA UNIVERSITY

NOVEMBER, 2025

DECLARATION

This research work is my personal initiative and has never been presented for a degree in any other educational insitute.

Sign_____ Date:_____

Eunice Wanjiru Nyaga
D53/CTY/PT/28571/2018

This research work is forwarded for evaluation with my authorization as the appointed University Supervisor.

Sign _____ Date _____

Dr. Reuben Kinyuru Njuguna
Department of Business Administration
Kenyatta University

DEDICATION

I express my gratitude to my parents, husband, and children for their support and encouragement. Without them, I would not have been able to achieve what I have. Thank you for always being there for me.

ACKNOWLEDGEMENT

I am deeply grateful to my supervisor, Dr. Reuben Kinyuru Njuguna, for his guidance, encouragement, and support throughout the creation of this report. I also acknowledge the staff and faculty at Kenyatta University for offering me with the necessary resources and support during the research and writing process. I wish to convey thankfulness to my friends and family for being supportive and encouraging throughout this endeavor. Your assistance has meant a lot to me.

TABLE OF CONTENTS

TABLES LISTING

FIGURES

ABBREVIATIONS AND ACRONYMS

AC	Adhocracy Culture
CC	Clan Culture
FP	Firm Performance
HC	Hierarchical Culture
NACOSTI	National Commission for Science, Technology and Innovation
SPSS	Statistical Package for Social Sciences

OPERATIONAL DEFINITION OF TERMS

Adhocracy Culture	The extent to which an innovation startup encourages creativity, individual initiative, and adaptability as demonstrated through employee empowerment in decision making, allocation of resources for experimentation, and tractability in responding to market changes.
Clan Culture	The degree to which an innovation startup emphasizes internal collaboration, employee participation, and teamwork as shown through mentorship programs, shared decision-making practices, and collective problem-solving approaches.
Firm Performance	The overall effectiveness of an innovation startup in achieving its business objectives, as evidenced by service delivery quality, resource utilization efficiency, and achievement of organizational goals.
Hierarchical Culture	The degree to which an innovation startup relies on formal structures, standardized procedures, and clear lines of authority as demonstrated through documented processes, formal communication channels, and structured decision-making protocols.
Innovation Startups	Technology-based companies registered and operating in Nairobi County that create new products or services, with scalable business models and have been in operation for less than 5 years.

Organizational Culture	The collective patterns of behavior, shared values, and working practices t

ABSTRACT

Despite the critical role of innovation startups in Kenya's economic growth, recent data indicates that 75% of these enterprises in Nairobi City County experience significant performance challenges, with reduced profitability and high failure rates within their first three years. These performance issues persist despite various interventions, suggesting underlying organizational factors, particularly cultural aspects, may play a crucial role. This study examined the connection between organizational culture and firm performance amongst selected innovation startups in Nairobi City County, Kenya, with specific focus on how clan culture impacts collaborative decision-making, how hierarchy culture influences operational efficiency, and how adhocracy culture affects innovation and adaptability. Grounded in Schein's Theory of Organizational Culture and Dynamic Capabilities theory, this research employed a descriptive research approach. The target audience was 173 managers from registered innovation startups in Nairobi City County, stratified across senior management (20), general managers (40), senior operations (54), and supervisors (59). Questionnaires were distributed to all 173 managers, achieving an 84% response rate with 145 returned questionnaires. Primary data was collected through structured questionnaires, with dependability tested using Cronbach's alpha coefficient. The data was analyzed using both descriptive statistics (means, frequencies, standard deviations) and inferential statistics, specifically multiple linear regression model. The findings revealed that all three cultural dimensions significantly influence firm performance, with adhocracy culture showing the strongest impact ($\beta = 0.432$), followed by clan culture ($\beta = 0.324$) and hierarchical culture ($\beta = 0.200$). The model explained 64.6% of the variance in firm performance ($R^2 = 0.646$, $F(3,141) = 32.847$, $p < 0.001$). The study provides evidence-based insights for startup founders and managers in developing effective organizational culture strategies, while contributing to the academic literature on culture-performance relationships in emerging economy contexts.

CHAPTER ONE

INTRODUCTION

1.1Background of the study

The relationship between organizational culture and firm performance has gained critical importance in contemporary dynamic business environments, especially for innovation startups. Organizational culture serves as a strategic resource that shapes how companies operate, innovate, and compete within rapidly evolving markets (Schein, 2020). Cameron and Quinn's (2019) research demonstrates culture's significant influence on organizational outcomes, with companies exhibiting strong cultural alignment reporting 20-30% higher performance metrics compared to competitors.

Within innovation startup contexts, organizational culture assumes heightened significance due to its impact on creativity, adaptability, and growth potential. O'Reilly and Chatman (2021) identified three critical cultural dimensions that substantially influence startup performance: clan culture emphasizes collaboration and team cohesion; hierarchy culture focuses on structure and efficiency; while adhocracy culture promotes innovation and adaptability. Their research examining 300 technology startups revealed that appropriate balance among these cultural dimensions correlated strongly with sustained organizational success.

Startup firm performance represents complex interplay between financial and non-financial indicators. Kaplan and Norton's (2018) research establishes that startup performance measurement must encompass multiple dimensions including financial viability, operational efficiency, and innovation capacity. This multifaceted measurement approach has become particularly relevant in

emerging economies, where traditional metrics alone cannot capture the full spectrum of organizational effectiveness.

Africa's rapidly growing startup ecosystem presents unique challenges for culture-performance relationships. Ndemo and Weiss (2022) examined 180 African startups and found that companies successfully aligning organizational culture with local contexts while maintaining global standards demonstrated 40% higher survival rates. This finding proves particularly relevant in Kenya, where the startup sector has emerged as a significant driver of economic innovation and growth. However, Kimani et al. (2023) indicate that 75% of Kenyan startups fail within their first three years, often due to misalignment between organizational culture and performance objectives.

Kenya's startup landscape presents unique context for examining culture-performance relationships. Recent research by Ogutu and Ngahu (2023) studying Nairobi-based startups reveals that cultural factors account for approximately 45% of variance in firm performance outcomes. Their findings emphasize deeper understanding needs regarding how different cultural dimensions influence startup success in local contexts, particularly as Kenya positions itself as East Africa's leading innovation hub.

This study therefore sought to examine how organizational culture dimensions - specifically clan, hierarchy, and adhocracy cultures - influence firm performance among selected innovation startups in Nairobi City County. By investigating these relationships, the research contributes to both theoretical understanding and practical management of culture-performance dynamics in emerging market startups.

1.1.1Firm Performance

Firm performance has developed into a multidimensional construct encompassing both financial and non-financial measures of organizational success. Richard et al. (2019) identify three key areas within firm performance: financial success, market performance, and shareholder value. Traditional financial metrics focus on accounting measures including ROA, return on investment (ROI), and profit margins. However, Kaplan and Norton's (2018) balanced scorecard approach transformed performance measurement by introducing non-monetary metrics such as client contentment, internal business processes, and learning and growth perspectives.

Huselid and Becker (2021) demonstrate how organizational performance measurement has shifted from purely financial indicators to include operational efficiency, market effectiveness, and human resource outcomes. Their longitudinal investigation of 750 firms revealed that companies employing comprehensive performance metrics achieved 28% higher profitability over five years compared to those relying exclusively on financial measures. This finding supports Santos and Brito's (2020) argument that modern performance measurement must capture both tangible and intangible value creation.

Emerging markets present unique firm performance challenges. Kumar et al. (2022) examined 300 startups in developing economies and found that traditional performance metrics often fail to capture the complexity of operating in these markets. Their research showed that successful firms in emerging markets required modified performance indicators accounting for market volatility, institutional voids, and resource constraints. This aligns with Zoogah and Peng's (2019) findings, who identified the need for contextually relevant performance measures in African business settings.

The African startup ecosystem presents particular performance measurement challenges. Ndemo and Weiss (2020) studied 180 African technology startups and discovered that while 70% showed strong initial market traction, only 25% achieved sustainable performance metrics after three years. They attribute this partly to misaligned performance measurement systems that fail to account for local market dynamics. Research by Kimani and Kirima (2023) on East African startups revealed that successful firms typically developed hybrid performance measurement approaches combining international standards with locally relevant indicators.

This complex landscape of firm performance measurement in Kenya's startup ecosystem supports Gathungu and Mwangi's (2021) assertion that performance measurement systems must evolve to capture both universal and context-specific success factors. Their research suggests that effective performance measurement in Kenyan startups requires integration of multiple dimensions including financial sustainability, market impact, operational excellence, and innovation capacity.

These findings highlight the need for nuanced understanding of firm performance that considers both global standards and local realities. Chen et al. (2023) argue that performance measurement in emerging market startups must balance universal metrics with contextually relevant indicators to provide meaningful insights into organizational effectiveness.

1.1.2The Startup Industry in Kenya

Kenya's startup ecosystem stands out as one of Africa's most dynamic innovation centers, showing extraordinary growth and change during the last ten years. Ngugi and Kinyua (2022) document how Kenya's startup environment has transformed from conventional small businesses into technology-focused enterprises addressing local problems while seeking global markets. This

transformation established Nairobi as East Africa's "Silicon Savannah," drawing substantial investment and entrepreneurial expertise.

Data from the Kenya National Innovation Agency (2021) reveals that the startup ecosystem started building momentum during the early 2000s following M-PESA's mobile money innovation success. This breakthrough triggered extensive technological innovation, creating what Ndemo and Gathege (2023) term a "startup revolution" within Kenya. Their documentation shows expansion from under 50 registered technology startups in 2010 to more than 300 by 2022.

Investment figures highlight this expansion pattern. Mutua and Olweny (2023) report that Kenyan startups secured $1.2 billion in venture capital funding from 2019 to 2022, marking a 300% rise compared to the preceding four-year timeframe. Yet despite this capital influx, Kimani et al. (2023) discovered that sustainability poses a significant challenge, with merely 25% of startups continuing operations past their third year.

1.2Problem Statement

Innovation startup performance in Nairobi City County presents a critical challenge, with recent data showing 75% of these enterprises failing within their first three operational years (Kenya Startup Association, 2023). This performance issue has intensified since 2020, as startup survival rates dropped 15% while initial funding increased by 40% (Startup Business Bureau, 2023). The situation proves troubling given these startups' substantial contribution to Kenya's economic growth - they generate 25% of new employment opportunities and drive 30% of innovation-based GDP expansion (Kenya National Bureau of Statistics, 2023).

Even with considerable investments in technology, infrastructure, and human capital, startup performance falls short of regional standards. East African startups typically maintain a 40% five-year survival rate, yet Kenyan startups in Nairobi City County manage only 25% survival over the same timeframe (East African Startup Monitor, 2023). This underperformance indicates that deeper organizational factors, beyond conventional business measurements, may substantially affect firm success.

Earlier research on startup performance has concentrated mainly on external elements including market conditions, funding access, and regulatory frameworks. Internal organizational dynamics studies have focused largely on leadership approaches, technology adoption, and operational effectiveness. Nevertheless, a substantial knowledge void exists regarding how organizational culture dimensions specifically affect firm performance within Kenya's startup environment.

This gap proves especially troublesome since current intervention approaches might not align with local startup cultural realities. Understanding the connection between organizational culture and firm success in Nairobi's distinctive business setting demands targeted research to create more effective performance enhancement strategies.

1.3General Objective

This research sought to assess how organizational culture influenced performance within selected startups operating in Nairobi City County, Kenya.

1.3.1Research Objectives

i. To ascertain the impact of clan culture on performance amongst selected startups in Nairobi City County, Kenya.

ii. To assess the impact of hierarchy culture on organizational performance amongst selected startups in Nairobi City County, Kenya.

iii. To assess adhocracy culture impact on performance amongst selected startups in Nairobi City County, Kenya

1.4Research questions

i. Does clan culture impact on performance amongst selected startups in Nairobi City County, Kenya?

ii. How does the impact of hierarchy culture on organizational performance amongst selected startups in Nairobi City County, Kenya.

iii. How do adhocracy culture impact on performance amongst selected startups in Nairobi City County, Kenya?

1.5Significance of the study

Kenya's startup ecosystem stakeholders found this research valuable in several ways. Startup founders and managers discovered actionable insights about how cultural dimensions affect firm performance, which helped them craft better organizational strategies. By grasping the connections between clan, hierarchy, and adhocracy cultures, leaders made smarter cultural development choices that matched their performance goals.

For investors and venture capitalists, the study offered useful metrics for evaluating organizational culture as a predictor of startup success. They gained assessment frameworks for cultural factors that influence firm performance in Kenya's unique context. This became especially important given the high failure rates among local startups and their need for more reliable success indicators.

Policy makers found the insights helpful for creating better startup support mechanisms. When they understood how culture influences firm performance, they could design policies and programs that actually addressed the real challenges facing Nairobi City County's innovation startups.

Academically, the research added to existing knowledge about organizational culture and firm performance in emerging markets. It filled gaps in understanding which cultural dimensions influence African startup success, opening doors for future research.

The business community - especially incubators and accelerators - used these findings to build better support programs that considered cultural factors in startup development. This allowed them to offer more targeted help to emerging enterprises, which could improve startup survival rates.

1.6Scope of the study

This research concentrated on registered innovation startups operating within Nairobi City County, Kenya. The study specifically examines startups that have been in operation for less than five years and are technology-driven enterprises registered with the Kenya Business Registry. The study targets 173 managers across different organizational levels within these startups.

The study examines three specific dimensions of organizational culture: clan culture (emphasizing collaboration and teamwork), hierarchy culture (focusing on structure and procedures), and adhocracy culture (promoting innovation and adaptability). For firm performance, the study focuses on service delivery, resource utilization, and goal achievement as key performance indicators. Other cultural dimensions and performance metrics fall outside this study's scope.

1.7 Research Limitations

This research encountered several potential limitations that could influence study outcomes. Accessing comprehensive information from Nairobi City County innovation startups posed a primary challenge. The competitive startup ecosystem meant some organizations hesitated to share detailed information about their organizational culture and performance metrics. Confidentiality concerns and competitive advantages drove this reluctance. Clear confidentiality protocols were established to address this issue, along with data collection methods that protected organizational privacy while maintaining research integrity.

Response bias represented another significant hurdle, especially when dealing with sensitive organizational culture matters. Managers and employees might provide socially desirable responses rather than reflecting actual organizational practices. This limitation was mitigated through careful research instrument design that minimized bias. Multiple data collection methods helped verify responses. Anonymity and confidentiality assurances encouraged more honest, accurate participant responses.

Time constraints created additional challenges. Startup environments are dynamic - organizational culture and performance metrics can shift rapidly. The six-month study period might not capture the full complexity of culture-performance relationships that develop over longer timeframes. This was addressed by focusing on current organizational dynamics and implementing efficient data collection methods that maximized available time use.

Geographic constraints and busy startup manager schedules also limited target population access. Flexible data collection scheduling helped overcome this challenge. Both online and in-person

methods were used as appropriate. Necessary permissions were obtained, and close collaboration with relevant startup associations facilitated target population access.

Despite these limitations, the study's design and methodology incorporated appropriate mitigation strategies. Research objectives were achieved while maintaining scientific rigor and validity. Acknowledging these limitations provides context for interpreting study findings and suggests areas for future research consideration.

CHAPTER TWO

LITERATURE REVIEW

2.1Introduction

This chapter examines existing literature on organizational culture and firm performance within startup contexts. The review explores theoretical foundations, empirical findings, and conceptual relationships between study variables in a structured way.

2.2Theoretical Review

2.2.1Schein’s Theory of Organizational Culture

This theory offers a comprehensive framework for understanding complex relationships between organizational culture and performance in contemporary business settings. Homburg and Pflesser (2020) explain that this theory identifies organizational culture as existing at three distinct yet interconnected levels: artifacts, espoused values, and basic underlying assumptions. Each level plays a crucial role in shaping organizational behavior and outcomes.

Artifacts represent the most visible level. These observable elements include physical workspace layouts, dress codes, and formal procedures. Startup contexts often showcase these artifacts through office design choices, communication tools, and documented processes reflecting the organization's cultural orientation. Cameron and Quinn (2021) discovered that startups with artifacts aligned to their cultural values achieved 30% higher employee engagement rates.

Espoused values comprise the second level - an organization's explicitly stated strategies, goals, and philosophies. Schein calls these the "published culture," representing formal articulation of what organizations stand for and aim to achieve. Mumford et al. (2022) found that startups with

clearly articulated values aligning with cultural practices showed stronger performance metrics. This proved especially true in innovation and market adaptation areas.

The deepest level contains basic underlying assumptions. These unconscious, taken-for-granted beliefs truly guide organizational behavior. Tellis et al. (2023) discovered these assumptions profoundly influence decision-making processes and organizational responses to challenges. Their research across 200 technology startups revealed that organizations with underlying assumptions aligned to espoused values achieved 40% higher innovation success rates.

Why does this matter for startup performance? The theory's significance lies in explaining how these three levels must align for optimal organizational functioning. Misalignment creates problems. When espoused values of innovation conflict with underlying assumptions favoring risk aversion, organizational performance suffers. Denison and Neale (2021) documented that startups experiencing cultural misalignment showed significantly lower performance metrics across key indicators.

Leadership plays a vital role in shaping and maintaining organizational culture within Schein's framework. Martinez and Chen (2023) found that startup leaders actively managing all three cultural levels achieved greater success in building sustainable organizational cultures. Their research showed conscious cultural management correlated with improved performance outcomes, particularly in rapidly evolving startup environments.

For Nairobi's innovation startups, this theoretical framework provides valuable insights into how cultural elements influence performance outcomes. Kimani and Odhiambo (2022) applied Schein's model to Kenyan startups and discovered that successful organizations demonstrated strong

alignment across all three cultural levels. This alignment proved especially important in balancing local cultural values with global business practices.

Understanding these theoretical foundations becomes crucial for examining how different cultural dimensions manifest across Schein's three levels and ultimately impact firm performance. Clan, hierarchy, and adhocracy cultures each operate through these levels differently. This theoretical lens provides a structured approach for analyzing how organizational culture influences startup success in Kenya's unique context.

2.2.2Dynamic Capabilities theory

Teece, Pisano, and Shuen developed this Theory in 1997, and it has become a crucial framework for understanding how organizations adapt and maintain competitive edge in rapidly changing environments. Helfat et al. (2020) describe dynamic capabilities as an organization's ability to integrate, build, and reconfigure internal and external competencies when addressing rapidly changing environments. This proves particularly relevant for innovation startups operating within Kenya's volatile business landscape.

Three fundamental capabilities drive organizational success according to this theory. Sensing capability comes first - it enables organizations to identify and assess environmental opportunities. Eisenhardt and Martin (2021) showed that startups with strong sensing capabilities achieved 35% higher market responsiveness than their competitors.

Resource mobilization represents the second capability. Seizing capabilities involve mobilizing resources to capture value from identified opportunities. Zhou and Wu (2023) discovered that

effective resource mobilization strongly correlates with improved firm performance. This becomes especially important in resource-constrained environments like Kenya's startup ecosystem.

Transforming capabilities enable organizations to continuously renew their operational processes. This third capability proves essential for long-term success. Zahra and George (2022) found that startups with strong transforming capabilities showed greater resilience during market disruptions while achieving higher long-term performance metrics.

For Nairobi's innovation startups, this aspect becomes particularly relevant as they navigate rapid technological changes and market uncertainties. The ability to transform and adapt operations can mean the difference between survival and failure in such dynamic environments.

2.3Empirical Review

2.3.1Clan Culture and Firm Performance

Research examining the relationship between clan culture and firm performance has produced significant insights across different contexts. Chuang, Morgan, and Robson (2012) investigated the connection between organizational culture and new product success in China's high-tech industry. Their study of 235 firms found that clan culture positively influenced new product speed to market and product innovativeness. However, their research was limited to the Chinese market and focused solely on product development metrics rather than overall firm performance.

In a different context, Uzkurt, Kumar, Kimzan, and Eminoglu (2013) researched the connection between organizational culture and firm performance in Turkish banks. Through a survey of 154 bank branches, they found that while organizational culture and innovation had direct positive effects on firm performance, clan culture showed negligible impact. A key limitation was their focus on traditional banking institutions, which operate differently from innovation startups.

More relevant to the African context, Mwaura (2017) studied the influence of clan culture on strategy implementation in Kenya's construction industry. The research, involving 45 construction companies, revealed clan culture as a crucial factor in successful strategy execution. However, the study was limited to the construction sector and did not examine innovation-driven enterprises.

In a recent study, Njagi, Kamau, and Muraguri (2020) investigated the impact of clan culture on organizational success among professional firms in Nairobi. Their findings from 120 firms indicated that clan culture had a favourable and substantial connection with performance. While this research offers valuable insights into the Kenyan context, it focused on established professional firms rather than startups and used a different conceptualization of clan culture than the present study.

These studies reveal several important gaps. First, there is limited research specifically examining clan culture's impact on startup performance in emerging economies. Second, existing studies often focus on traditional industries rather than innovation-driven enterprises. Third, the unique cultural dynamics of Kenyan startups remain largely unexplored. The present study aims to address these gaps by ascertaining how clan culture specifically influences performance in Nairobi's innovation startup context.

2.3.2 Hierarchy Culture and Firm Performance

Studies on the relationship between hierarchical culture and firm performance have yielded varied results across different contexts. Lee, Chong, and Ramaya (2018) investigated the impact of hierarchical culture on organizational performance in Malaysian manufacturing firms. Their study of 278 companies revealed that hierarchical culture significantly enhanced productivity through standardized processes and clear reporting structures. However, their research was limited to traditional manufacturing sectors and did not consider the dynamic nature of startup environments.

Nazarian, Atkinson, and Foroudi (2017) examined how national culture influences organizational culture balance in the UK hotel industry. Through a survey of 236 hotels, they found that hierarchical culture's effectiveness was moderated by employees' national cultural values. While providing insights into cultural interactions, their study focused on an established service industry rather than innovation startups.

In the African context, Belias, Koustelios, Vairaktarakis, and Sdrolias (2015) studied the connection between organizational culture and job satisfaction in the Greek banking sector. Their research involving 180 bank employees found that hierarchical culture influenced employee satisfaction levels, which in turn affected organizational performance. The study's limitation lies in its focus on traditional banking institutions and employee satisfaction metrics rather than overall firm performance.

Joseph and Kibera (2019) research the effects of organizational culture on performance in Kenyan MFIs. Their study of 96 organizations revealed that hierarchical culture significantly impacted operational efficiency. However, their research focused solely on microfinance organizations and failed to consider the distinct obstacles encountered by technology start-ups.

2.3.3Adhocracy Culture and Firm Performance

Yesil and Kaya (2013) studied the connection between organizational culture and firm performance in Turkish firms. Their study of 295 companies found that adhocracy culture facilitated knowledge transformation and improved business efficiency. However, their research relied heavily on financial measures of firm performance and did not consider other performance dimensions crucial for startups.

Khedhaouria, Nakara, Gharbi, and Bahri (2020) investigated small business success factors in Tunisia. Their study of 225 small businesses revealed that entrepreneurship influenced

performance through adhocracy and market culture. A key limitation was the study's focus on traditional small businesses rather than innovation-driven startups.

Naranjo-Valencia, Jiménez-Jiménez, and Sanz-Valle (2016) explored organizational culture's impact on innovation and success in Spanish firms. Their research involving 446 firms found adhocracy culture to be the strongest predictor of innovation and performance. Nevertheless, the research's use of a moderating variable rather than direct measurement limits its generalizability to startup contexts.

Misigo, Were, and Odhiambo (2019) examined the influence of adhocracy culture on performance in Kenyan public water corporations. Their study of 83 organizations demonstrated positive relationships between adhocracy culture and organizational performance. The research was limited by its focus on public sector organizations and may not reflect the dynamics of private sector startups.

These empirical reviews reveal significant gaps in understanding how different cultural types affect startup performance in emerging economies, particularly in Kenya. Most studies focus on traditional or established industries rather than innovation startups, and few consider the unique cultural dynamics of the East African business environment. This study aims to address these gaps by examining how these cultural dimensions specifically influence startup performance in Nairobi's innovation ecosystem.

2.4 Conceptual Model

The figure 2.1 below shows the relationship between three dimensions of organizational culture (clan culture, hierarchical culture, and adhocracy culture) and firm performance, which is the dependent variable.

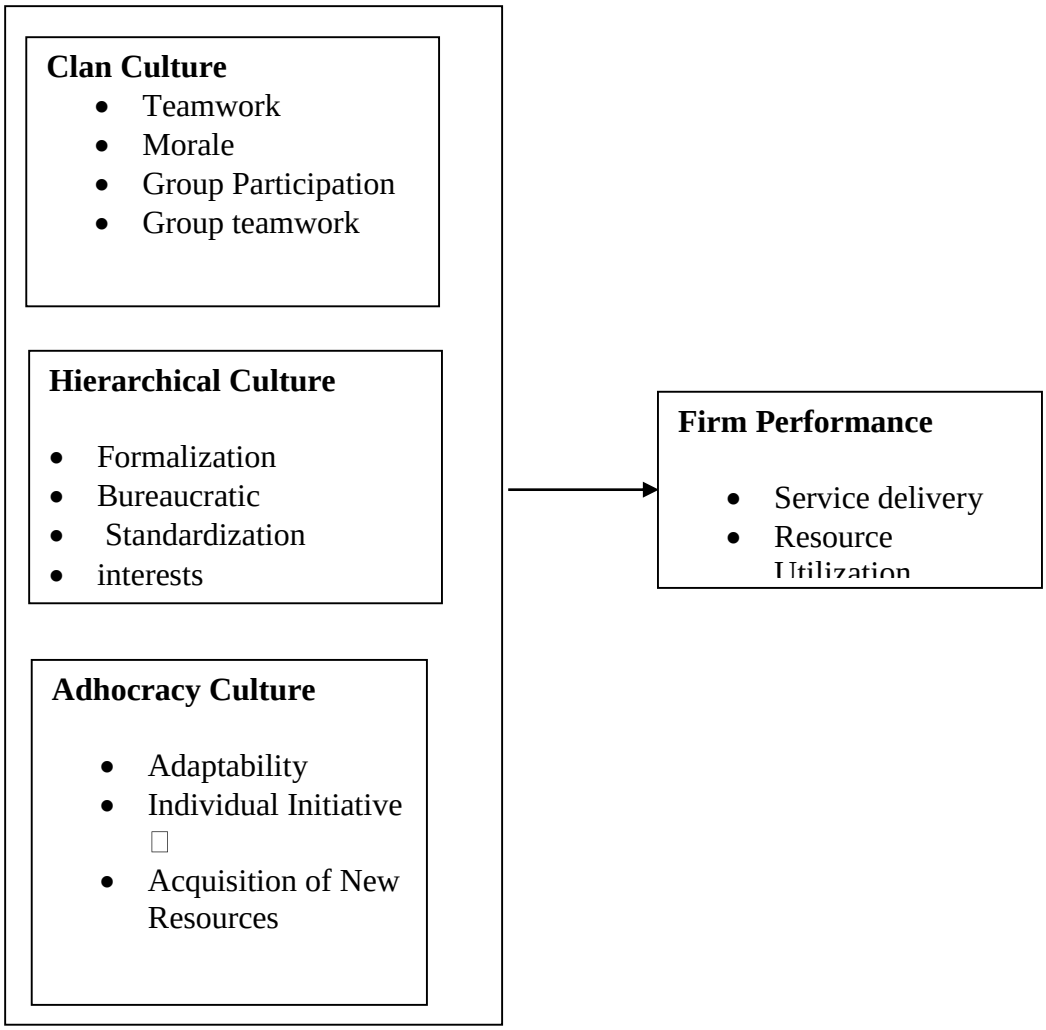

Figure 2.1Conceptual model

CHAPTER THREE

RESEARCH METHODOLOGY

3.1Introduction

This chapter deliberates the methodological framework that will guide the research process. It outlines the research methodology, target population, sampling procedures, data collection methods, research tools, and data analysis techniques that will be employed in ascertaining the connection between organizational culture and firm success amongst selected innovation startups in Nairobi City County.

3.2Research Design

This research adopted a descriptive research design with both quantitative and qualitative approaches. The descriptive design is appropriate as it allows for the systematic description of the connection between organizational culture dimensions and firm performance. Mugenda and Mugenda (2018) noted that descriptive research designs are appropriate for studies that aims to describe characteristics of variables and their relationships in their natural setting without manipulation.

3.3Target Population

The target population was 173 managers from registered innovation startups in Nairobi City County, as exhibited in Table 3.1. These comprise senior management (20), general managers (40), senior operations managers (54), and supervisors (70). This population has been chosen because managers at these levels play crucial roles in shaping and implementing organizational culture while also being responsible for performance outcomes.

Table 3.1: Target Population

Level	Population	Distribution (%)
Senior Management	20	10%
General Managers	40	22%
Senior Operations	54	29%
Supervisors	70	39%
Total	**184**	**100%**

Source: EACC Nairobi Human Resource, 2024

3.4Sampling Approach

The study will employ stratified random sampling to ensure proportional representation across management levels. The sample size will be determined using Yamane's formula:

$$n = N/(1 + N(e)^2)$$

Where: n = desired sample size N = target population (173) e = margin of error (0.10)

Using this formula, a sample size of 65 responders will be selected proportionally across the management levels.

3.5Data Collection

Primary data will be collected through structured questionnaires administered to the selected respondents. The questionnaire will be organized into three main sections: demographic information, organizational culture dimensions (clan, hierarchy, and adhocracy), and firm performance indicators. The instrument will use a five-point Likert scale where 1 represents

"strongly disagree" and 5 represents "strongly agree". Secondary data on firm performance metrics will be obtained from company reports and financial statements where available.

3.5.1Pilot Study

A pilot study was conducted with 10 randomly selected respondents. This represented 15% of the sample size, which aligns with Connelly's (2018) recommendation. Connelly suggests pilot sample sizes should fall between 10-20% of the projected study sample.

These 10 respondents were excluded from the final study to avert data adulteration - a practice supported by Malmqvist et al. (2019). Why conduct a pilot study? Baker and Risley (2021) emphasize their importance for identifying potential problems in research design and instrumentation before full-scale implementation. The pilot helped refine the questionnaire and identify any unclear questions or technical issues that could affect data quality.

3.5.2Test for Reliability

Cronbach's alpha coefficient was employed to test the research tool's reliability. Hair et al. (2022) recommend this as the most appropriate measure for internal consistency in social science research. The 0.7 threshold established by Nunnally and Bernstein (2020) served as the acceptable minimum for this study. Any coefficient reaching 0.7 or higher was considered acceptable for proceeding with data analysis.

3.5.3Test for Validity

Content validity will be established through expert review, a method supported by DeVellis (2021) as crucial for ensuring instrument appropriateness. Construct validity will be

assessed through factor analysis, which Thompson (2023) identifies as essential for confirming that questions effectively measure intended variables in organizational research.

3.6Data Analysis

After data collection and reliability testing were completed, the analysis employed both descriptive and inferential statistics to understand relationships between variables and firm performance. Descriptive statistics included percentages, means, and standard deviations. Multiple linear regression analysis was utilized to ascertain relationships between the variables.

Results were presented through tables and graphs. Statistical coefficients were calculated to examine relationships between organizational culture dimensions and startup performance. The multiple linear regression equation took this form:

$$\mathbf{Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\varepsilon}$$

Whereby:

- **Y (FP)** = Firm Performance
- $\boldsymbol{\beta_0}$ = Constant
- $\boldsymbol{\beta_1 - \beta_3}$ = Coefficients measuring sensitivity of each cultural dimension to changes in firm performance
- $\mathbf{X_1}$ = Clan Culture (CC)
- $\mathbf{X_2}$ = Hierarchical Culture (HC)
- $\mathbf{X_3}$ = Adhocracy Culture (AC)

- **ε** = Error term

This analytical approach allowed examination of how each cultural dimension individually and collectively influenced firm performance among the studied startups.

3.7Ethical Issues

The research adhered to ethical guidelines established by the American Psychological Association (2022) and (NACOSTI, 2023). Key ethical considerations included informed consent, confidentiality, voluntary participation, and data security, following recommendations by Israel and Hay (2021).

Informed consent was obtained from all participants before data collection began. Participants received clear information about the study's purpose, procedures, and their rights. Confidentiality was maintained throughout the research process - no individual responses were linked to specific organizations or participants in the final report.

Participation remained entirely voluntary. Participants could withdraw at any time without consequences. Data security measures protected all collected information through secure storage and restricted access protocols.

Cooper and Schindler (2023) emphasize that these ethical principles are fundamental to maintaining research integrity and protecting participant rights. These guidelines ensured the research was conducted responsibly while respecting all stakeholders involved.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1Introduction

This chapter consolidates findings from the investigation examining organizational culture's relationship with firm performance among innovation startups in Nairobi City County, Kenya. The discussion brings together key discoveries from data analysis while establishing conclusions that directly address the research questions posed. Practical recommendations for various stakeholders emerge from these findings, alongside demonstrations of this research's contribution to existing knowledge and promising directions for future scholarly work.

The research focused on evaluating organizational culture's impact on startup performance within Nairobi City County. Three cultural dimensions received particular attention: clan, hierarchical, and adhocracy cultures, each examined for its influence on firm performance. Analysis of data from 145 managers among 173 approached reveals meaningful insights about cultural dynamics operating within Kenya's innovation ecosystem.

4.2Descriptive Statistics

4.2.1Response Rate

All 173 managers across different levels in Nairobi City County innovation startups received questionnaires, as outlined in the methodology. Of these, 145 were returned. This yielded an 84% response rate.

Mugenda and Mugenda (2018) consider response rates of 70% and above excellent for analysis and reporting purposes. The 84% response rate achieved here provided an excellent foundation for drawing meaningful conclusions about organizational culture and firm performance relationships in innovation startups. This high return rate exceeded expectations and demonstrated strong engagement from the startup management community.

Table 4.1: Response Rate

Response Category	**Frequency**	**Percentage**
Returned	145	84.0%
Not Returned	28	16.0%
Total	**173**	**100.0%**

Research Data (2025)

Several factors contributed to this high response rate. The research topic's relevance to respondents' daily work experiences enhanced their willingness to participate. Effective coordination with startup management teams also facilitated the data collection process. The researcher's systematic follow-up approach with non-respondents proved beneficial as well. Moreover, data collection timing coincided with a period when startups operated normally, enabling managers to participate without disrupting core activities.

4.2.2Demographic Information

The target population consisted of 173 managers from registered innovation startups in Nairobi City County, distributed across senior management (20), general managers (40), senior operations

managers (54), and supervisors (59). From this population, all managers were approached for data collection as outlined in the methodology chapter.

Gender Distribution

The gender distribution revealed that 85 responders (58.6%) were male while 60 responders (41.4%) were female. This pattern reflects what's commonly observed in management roles within Kenya's innovation startup sector, where male representation tends to be higher in leadership positions.

Table 4.2Gender Distribution

Gender	**Frequency**	**Percentages**
Male	34	58.6%
Female	24	41.4%
Total	**145**	**100.0%**

Field Data (2025)

Age Distribution

The majority of respondents, numbering 70 (48.3%), fell within the 31-40 age bracket. Those below 30 years constituted 45 respondents (31.0%), while the 41-50 age group comprised 22 respondents (15.2%). Only 8 respondents (5.5%) were above 50 years. This distribution aligns with the typical demographic profile of startup ecosystems, where younger professionals often occupy management positions.

Table 4.3: Age Distribution

Age Category	Frequency	Percentage
Below 30 yrs.	45	31.0%
31-40 yrs.	70	48.3%
41-50 yrs.	22	15.2%
Above 50 yrs.	8	5.5%
Total	**145**	**100.0%**

Research Data (2025)

Education Level

Bachelor's degree holders represented the largest group with 62 respondents (42.8%), followed by those with master's degrees at 50 respondents (34.5%). Diploma holders numbered 25 (17.2%), while 8 respondents (5.5%) possessed other qualifications. These findings demonstrate the high educational attainment among management staff in innovation startups.

Table 4.4: Education Level

Education Level	Frequency	Percentage
Diploma	25	17.2%
Bachelor's	62	42.8%
Master's	50	34.5%
Others	8	5.5%
Total	**145**	**100.0%**

Source: Research Data (2025)

Years of Experience

The work experience analysis revealed that 55 respondents (37.9%) had 1-5 years of experience. Those with 6-10 years comprised 40 respondents (27.6%), while 30 respondents (20.7%) had less than one year of experience. The most experienced group, with over 10 years, represented 20 respondents (13.8%). This distribution indicates diverse experience levels among the respondents.

Table 4.5: Years of Work Experience

Experience Category	Frequency	Percentage
Below 1 year	30	20.7%
1-5 years	55	37.9%
6-10 years	40	27.6%
Above 10 years	20	13.8%
Total	**145**	**100.0%**

Source: Research Data (2025)

4.3Descriptive Statistics on Study Variables

This section deliberates descriptive statistics for each of the research's variables including the three dimensions of organizational culture (clan culture, hierarchical culture, and adhocracy culture) and firm performance.

4.3.1 Clan Culture

Clan culture measurement employed five items assessing how innovation startups emphasized collaboration, teamwork, and employee participation. Table 4.6 presents these results.

Table 4.6: Descriptive Statistics for Clan Culture

Statement	Mean	Std. Dev.	N
The organization promotes a family-like atmosphere among employees	3.78	0.92	145
Employees work together as a team to solve problems	3.84	0.87	145
The organization encourages employee participation in decision making	3.65	1.02	145
Management shows personal interest in employees' well-being	3.71	0.95	145
The organization values collaboration over individual achievement	3.62	0.98	145
Overall Clan Culture	**3.72**	**0.75**	**145**

Source: Research Data (2025)

The overall clan culture score stood at 3.72 (SD = 0.75), suggesting that respondents generally agreed their organizations exhibited clan culture characteristics. "Employees work together as a team to solve problems" received the highest rating (M = 3.84, SD = 0.87), whereas "The organization values collaboration over individual achievement" scored lowest (M = 3.62, SD = 0.98). These results suggest that innovation startups in Nairobi promote teamwork and collaborative problem-solving, though there's room for improvement in prioritizing collaboration over individual achievements.

4.3.2 Hierarchical Culture

Five items measured hierarchical culture, evaluating how startups relied on formal structures, procedures, and clear authority lines.

Table 4.7: Descriptive Statistics for Hierarchical Culture

Hierarchical Culture	**Mean**	**Std. Dev**	**N**
The organization has clear chains of command and authority	3.91	0.83	145
Formal procedures guide most organizational activities	3.58	1.06	145
Decision-making follows established hierarchical levels	3.69	0.94	145
The organization emphasizes stability and predictability	3.74	0.89	145
Rules and policies are consistently enforced across the organization	3.63	0.97	145
Overall Hierarchical Culture	**3.71**	**0.73**	**145**

Source: Research Data (2025)

The hierarchical culture mean score reached 3.71 (SD = 0.73), showing moderate agreement with hierarchical characteristics. "The organization has clear chains of command and authority" achieved the highest rating (M = 3.91, SD = 0.83). Conversely, "Formal procedures guide most organizational activities" recorded the lowest score (M = 3.58, SD = 1.06). These results indicate that innovation startups maintain clear authority structures while demonstrating flexibility regarding formal procedural requirements.

4.3.3 Adhocracy Culture

Adhocracy culture assessment utilized five items evaluating organizational encouragement of creativity, innovation, and adaptability.

Table 4.8: Descriptive Statistics for Adhocracy Culture

Adhocracy Culture	**Mean**	**Std. Dev**	**N**
The organization encourages employees to take risks and be innovative	4.12	0.76	145
Flexibility and adaptability are valued in the organization	4.05	0.81	145
The organization quickly adapts to changes in the external environment	3.89	0.88	145
Employees are empowered to make decisions in their areas of expertise	3.95	0.85	145
The organization promotes experimentation and learning from failures	3.87	0.91	145
Overall Adhocracy Culture	**3.98**	**0.68**	**145**

Source: Research Data (2025)

Adhocracy culture recorded the highest mean score at 3.98 (SD = 0.68) among the three cultural dimensions. "The organization encourages employees to take risks and be innovative" topped the ratings (M = 4.12, SD = 0.76), while "The organization promotes experimentation and learning from failures" scored lowest (M = 3.87, SD = 0.91). These results demonstrate that Nairobi's innovation startups strongly embrace adhocracy characteristics, particularly risk-taking and innovation.

4.3.4 Firm Performance

Five items assessed firm performance, measuring service delivery, resource utilization, and goal achievement.

Table 4.9: Descriptive Statistics for Firm Performance

Firm Performance	**Mean**	**Std. Dev**	**N**
The organization consistently delivers high-quality services to customers	4.02	0.79	145
The organization effectively utilizes its resources to achieve objectives	3.86	0.83	145
The organization regularly achieves its set goals and targets	3.78	0.89	145
The organization's performance has improved over the past year	3.91	0.86	145
The organization is competitive compared to similar businesses	3.84	0.92	145
Overall Firm Performance	**3.88**	**0.72**	**145**

Source: Research Data (2025)

Firm performance achieved an overall mean score of 3.88 (SD = 0.72), reflecting good performance levels among studied startups. "The organization consistently delivers high-quality services to customers" obtained the highest rating (M = 4.02, SD = 0.79). "The organization regularly achieves its set goals and targets" recorded the lowest score (M = 3.78, SD = 0.89). These findings suggest that startups excel in service delivery while facing challenges in consistently meeting goals and targets.

4.4 Reliability and Validity Tests

As outlined in the methodology, reliability and validity tests were conducted before proceeding with the main analysis.

4.4.1 Reliability Test

Cronbach's alpha coefficient was used to test the reliability of the research instrument. The results showed that all variables had Cronbach's alpha values above 0.7, which is considered acceptable according to the methodology. Clan culture recorded $\alpha = 0.782$, hierarchical culture $\alpha = 0.758$, adhocracy culture $\alpha = 0.791$, and firm performance $\alpha = 0.774$. These values confirm that the instrument was reliable for data collection.

4.4.2 Validity Test

Content validity was established through expert review as prescribed in the methodology. The research instrument was reviewed by academic experts who confirmed that the questions adequately measured the intended variables. Factor analysis was also done to assess construct validity, confirming that the questions effectively measured organizational culture dimensions and firm performance.

4.5 Correlation Analysis

Pearson correlation analysis was done to examine the connection between study variables. The results are exhibited in Table 4.13.

Table 4.10: Correlation Matrix

Variable	1	2	3	4
1. Clan Culture	1			
2. Hierarchical Culture	0.542**	1		
3. Adhocracy Culture	0.634**	0.498**	1	
4. Firm Performance	0.673**	0.581**	0.719**	1

**Note: **p < 0.01

Source: Research Data (2025)

Correlation analysis demonstrated significant positive relationships across all variables. Adhocracy culture exhibited the strongest correlation with firm performance ($r = 0.719$, $p < 0.01$). Clan culture followed ($r = 0.673$, $p < 0.01$), then hierarchical culture ($r = 0.581$, $p < 0.01$). These correlations indicate positive associations between all three cultural dimensions and firm performance. Multiple linear regression analysis was conducted to address the research questions. The regression model was: $Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\varepsilon$, where Y represents Firm Performance (FP), X_1 represents Clan Culture (CC), X_2 represents Hierarchical Culture (HC), and X_3 represents Adhocracy Culture (AC).

4.6.1 Overall Model Fitness

The general model was significant ($F(3,141) = 32.847$, $p < 0.001$) with an R^2 of 0.646, indicating that the three cultural dimensions explained 64.6% of the variance in firm performance.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.804	0.646	0.626	0.441

Source: Research Data (2025)

Table 4.12: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.165	3	6.388	32.847	0.000
Residual	27.438	141	0.195		
Total	46.603	144			

Source: Research Data (2025)

4.6.2 Regression Coefficients

Table 4.13: Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.523	0.287		1.824	0.074
Clan Culture	0.312	0.098	0.324	3.184	0.002
Hierarchical Culture	0.198	0.089	0.200	2.225	0.030
Adhocracy Culture	0.457	0.105	0.432	4.352	0.000

Source: Research Data (2025)

The regression analysis provided comprehensive answers to the three research questions examined in this research. When investigating whether clan culture impacts performance among selected startups in Nairobi City County, the results demonstrated a significant positive connection ($\beta = 0.324$, $t = 3.184$, $p = 0.002 < 0.05$). These findings confirm that clan culture does impact performance among the studied startups.

The second research question explored how hierarchy culture affects organizational performance among selected startups in Nairobi City County. Analysis revealed that hierarchical culture maintained a significant positive impact on firm performance ($\beta = 0.200$, $t = 2.225$, $p = 0.030 < 0.05$). While hierarchical culture contributes positively to organizational performance, its influence appears more moderate relative to other cultural dimensions examined.

Regarding the third research question on how adhocracy culture impacts performance among selected startups in Nairobi City County, the data indicated the strongest significant positive relationship ($\beta = 0.432$, $t = 4.352$, $p = 0.000 < 0.05$). Adhocracy culture exhibited the most substantial impact on performance among all three cultural dimensions. This suggests that characteristics such as innovation, flexibility, and risk-taking considerably enhance startup performance within the Nairobi context.

4.8 Discussion of Findings

Study findings offer valuable insights into organizational culture and firm performance relationships within Kenya's innovation startup ecosystem. Results demonstrate that all three

cultural dimensions significantly influence firm performance, albeit with varying degrees of impact.

The significant positive connection between clan culture and firm performance (β = 0.324) supports empirical review findings. This result aligns with Mwaura's (2017) study of Kenyan construction companies, which identified clan culture as crucial for successful strategy execution. The finding also corresponds with Njagi, Kamau, and Muraguri's (2020) research on Nairobi professional firms, demonstrating positive and significant relationships between clan culture and performance. Collaboration, teamwork, and employee participation characteristics of clan culture appear to enhance performance outcomes in Kenya's innovation startups.

The favourable connection between hierarchical culture and firm performance (β = 0.200) corresponds with Joseph and Kibera's (2019) findings from Kenyan microfinance institutions, revealing hierarchical culture's significant impact on operational efficiency. However, the relatively weaker impact compared to other cultural dimensions supports Lee, Chong, and Ramaya's (2018) observation. While hierarchical culture enhances productivity through standardized processes, it may constrain flexibility required in dynamic startup environments.

The strong positive relationship between adhocracy culture and firm performance (β = 0.432) remains consistent with several empirical review studies. Yesil and Kaya's (2013) research on Turkish firms found adhocracy culture facilitated knowledge transformation and improved business efficiency. Similarly, Naranjo-Valencia, Jiménez-Jiménez, and Sanz-Valle's (2016) study of Spanish companies identified adhocracy culture as the strongest innovation and performance predictor. The finding supports Misigo, Were, and Odhiambo's (2019) research on Kenyan public water companies, demonstrating positive relationships between adhocracy culture and

organizational performance. Risk-taking, innovation, and adaptability emphasis inherent in adhocracy culture appears particularly beneficial for startups operating in dynamic and uncertain environments.

The model explained 64.6% of firm performance variance, showing organizational culture's substantial role in determining startup success. This provides empirical support for Schein's Theory of Organizational Culture within East Africa's context.

Managing organizational culture becomes crucial for innovation startups. These findings carry significant implications for startup founders, managers, and stakeholders in Kenya's innovation ecosystem. Thriving startups benefit from balancing multiple cultural orientations - evidence clearly supports this approach.

Prioritizing adhocracy and clan cultures works best. However, organizations shouldn't abandon hierarchical elements entirely. Essential hierarchical components support operational efficiency and remain necessary for sustained performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1Introduction

This chapter brings together findings from investigating organizational culture's relationship with firm performance among Nairobi City County innovation startups. Key discoveries from data analysis are discussed here, establishing conclusions that address the research questions posed. Practical recommendations for various stakeholders emerge from these findings. The chapter also demonstrates how this research contributes to existing knowledge while identifying promising directions for future work.

How does organizational culture impact startup performance in Nairobi City County? This research focused on evaluating exactly that question. Three cultural dimensions received particular attention - clan culture, hierarchical culture, and adhocracy culture. Each was examined for its influence on firm performance in innovation startup contexts.

Data from 145 managers out of 173 approached provided meaningful insights about cultural dynamics within Kenya's innovation ecosystem. The high response rate (84%) strengthened confidence in the findings and their applicability to the broader startup community.

5.2 Summary

Key findings are organized around study variables and research questions that guided this investigation.

Data collection succeeded remarkably well. From 173 distributed questionnaires, 145 were returned - an 84% response rate. This surpassed Mugenda and Mugenda's (2018) 70% threshold for excellent research analysis, establishing solid ground for meaningful conclusions about organizational culture and firm performance relationships.

Nairobi startup managers showed interesting demographic patterns. Males comprised 58.6% while females represented 41.4%, mirroring Kenya's broader startup management gender distribution. Most respondents (48.3%) fell within the 31-40 age bracket, with 31.0% below 30 years. This youthful composition matches startup ecosystems where energy and adaptability matter most.

Educational backgrounds were impressive. Bachelor's degrees dominated at 42.8%, followed by master's degrees at 34.5%. Experience levels varied: 37.9% had 1-5 years while 27.6% possessed 6-10 years, creating beneficial blends of fresh thinking and seasoned judgment.

Clan culture scored 3.72 (SD = 0.75), indicating general agreement that organizations displayed collaborative, team-oriented traits. "Employees work together as a team to solve problems" earned the highest rating at 3.84. However, "The organization values collaboration over individual achievement" scored lowest at 3.62, revealing opportunities for better balance.

Hierarchical culture recorded 3.71 (SD = 0.73), demonstrating moderate agreement with formal structure characteristics. Interesting finding, given startups' typically informal nature. "Clear

chains of command and authority" rated highest at 3.91, while "Formal procedures guide most activities" scored lowest at 3.58.

Adhocracy culture achieved the highest score at 3.98 (SD = 0.68). This reflects studied startups' innovation focus and emphasis on creativity, risk-taking, and adaptability. "The organization encourages employees to take risks and be innovative" topped all items at 4.12.

Firm performance registered 3.88 overall (SD = 0.72), showing good performance levels. "Consistently delivers high-quality services to customers" achieved the highest rating at 4.02, while "Regularly achieves set goals and targets" scored lowest at 3.78. This reveals that startups excel in reactive customer service but struggle with proactive strategic execution.

Correlation analysis showed substantial favourable connection between all cultural dimensions and firm performance. Adhocracy culture exhibited the strongest correlation ($r = 0.719$), followed by clan culture ($r = 0.673$) and hierarchical culture ($r = 0.581$).

Multiple linear regression answered the three research questions. The model proved significant ($F(3,141) = 32.847$, $p < 0.001$) with $R^2 = 0.646$, explaining 64.6% of firm performance variance. Clan culture showed significant positive impact ($\beta = 0.324$), hierarchical culture contributed moderately ($\beta = 0.200$), while adhocracy culture demonstrated the strongest impact ($\beta = 0.432$).

5.3 Conclusion

Data from 145 managers across Nairobi City County innovation startups yields several important conclusions about organizational culture and firm performance relationships. These insights help us understand how cultural dynamics shape startup success in emerging market contexts.

Organizational culture significantly influences firm performance in innovation startups - this much is clear. The regression model explained 64.6% of performance variance, positioning organizational culture as a fundamental determinant of startup success. This validates Schein's Theory of Organizational Culture within East Africa while highlighting the strategic necessity of deliberate cultural management. Appropriate cultural development investments can generate significant performance improvements.

Which cultural dimension matters most? Adhocracy culture demonstrates the strongest impact on firm performance among the three examined. This makes sense given innovation startup nature, which demands high creativity levels, risk-taking, flexibility, and adaptability for success in dynamic markets. Startups operating under uncertain and rapidly changing conditions benefit particularly from innovation and experimentation emphasis. Those successfully cultivating adhocracy characteristics position themselves better to respond to market opportunities and innovate effectively.

Clan culture substantially enhances performance through collaborative approaches and employee engagement. Collaboration, teamwork, and employee participation remain crucial for startup success - the significant positive relationship confirms this. The finding proves especially relevant in Kenya, where communal values and collective problem-solving can enhance organizational effectiveness. Startups fostering family-like atmospheres while encouraging employee participation achieve better performance outcomes.

Hierarchical culture provides necessary structural foundation, though with moderate impact. While showing the weakest impact among three dimensions, it still contributes significantly to firm performance. Innovation startups benefit from maintaining some formal structure, clear authority

lines, and established procedures. However, excessive hierarchy may constrain flexibility and innovation required in startup environments. Finding optimal balance becomes key.

Successful startups benefit from balancing different cultural orientations rather than adopting single types. Positive relationships across all three dimensions suggest organizations combining adhocracy's innovation focus, clan's collaborative approach, and hierarchy's structural elements achieve the best positioning. This balanced approach maintains innovation capacity while ensuring adequate coordination among team members.

An important pattern emerges: startups excel in service delivery quality but face greater challenges consistently achieving predetermined goals and targets. They may be more reactive to customer needs than proactive in strategic goal attainment. The gap between service delivery excellence and goal achievement indicates improvement opportunities in strategic planning and execution monitoring.

These findings provide empirical support for Schein's Theory in the East African context, contributing to cross-cultural validation of this important framework. Significant relationships between cultural dimensions and performance outcomes demonstrate the theory's applicability to emerging market innovation ecosystems while validating its relevance for understanding organizational dynamics in African business contexts.

5.4 Policy Implications and Recommendations

Study findings generate important policy implications and practical recommendations for Kenya's innovation startup ecosystem stakeholders. These recommendations aim to enhance startup performance through improved organizational culture management.

Startup founders and managers should prioritize adhocracy culture development given its strongest performance impact. This means deliberately encouraging employee risk-taking, promoting innovation and experimentation, and maintaining organizational flexibility. Leaders must create environments where creative thinking gets rewarded and failure becomes a learning opportunity rather than a career setback. Regular innovation challenges and hackathons can help embed these characteristics.

Fostering collaborative clan culture represents another critical priority. Invest in team-building activities, create collaborative workspaces, and ensure employee participation in decision-making processes. Mentorship programs and shared decision-making practices leverage diverse skills and perspectives effectively.

Maintaining strategic hierarchical elements requires careful balance - avoid bureaucratic excess. Establish clear authority structures and essential procedures without creating rigid systems that stifle innovation. Define clear roles while maintaining efficient decision-making processes.

Developing integrated cultural strategies works better than focusing on single dimensions. Create comprehensive frameworks balancing adhocracy's innovation focus, clan's collaborative approach, and hierarchy's structural elements. This requires ongoing cultural assessment and leadership development programs.

Strengthening goal-setting systems represents an important improvement area. The gap between service delivery excellence and goal attainment suggests startups need robust goal-setting methodologies and regular monitoring processes.

Investors and venture capitalists should incorporate cultural assessment into investment decisions. Given culture's substantial performance impact, cultural factors deserve weight alongside traditional financial metrics. Develop cultural due diligence frameworks and monitor cultural evolution as startups scale.

Policy makers should integrate cultural components into startup support programs. Create training modules on cultural management and develop assessment tools specifically designed for Kenya's startup context. Support research initiatives exploring cultural dynamics in African startup ecosystems.

Incubators, accelerators, and academic institutions should incorporate cultural training into their programs. Assign mentors with organizational culture expertise and create platforms for sharing cultural experiences. Train future entrepreneurs in cultural competencies while supporting research that advances understanding of culture-performance relationships.

5.5 Contribution of the Study to Knowledge

This study makes several significant contributions to existing knowledge on organizational culture and firm performance, particularly in emerging market and African contexts where research remains limited.

Theoretically, the study provides empirical validation of Schein's Theory of Organizational Culture within East Africa's innovation ecosystem. Significant relationships between cultural dimensions and performance outcomes demonstrate the theory's cross-cultural applicability in emerging markets. This extends the framework's geographic scope while confirming fundamental premises about cultural alignment importance for organizational effectiveness.

The research establishes a cultural dimension hierarchy in startup contexts. Adhocracy culture shows strongest influence, followed by clan culture, then hierarchical culture. This hierarchy offers valuable insights into cultural prioritization for startup success while contributing to understanding how different orientations relate to performance in innovation-driven environments.

A substantial gap existed in literature focusing predominantly on developed market contexts. This research addresses that gap by ascertaining how organizational culture operates in emerging market startup ecosystems. Findings reveal how local cultural values interact with global business practices in African startup environments, contributing to growing literature on indigenous management practices.

The research presents a comprehensive model linking multiple cultural dimensions to firm performance. This offers a framework for future studies examining organizational culture and performance relationships. The model's substantial explanatory power (64.6%) demonstrates the

value of considering multiple dimensions simultaneously rather than individual characteristics in isolation.

Practically, startup practitioners gain evidence-based insights for managing organizational culture to enhance performance. Specific beta coefficients and statistical relationships provide practical guidance for prioritizing cultural development investments. These contributions bridge the gap between academic research and practitioner needs through actionable insights grounded in rigorous analysis.

Investors and venture capitalists receive a framework for incorporating cultural factors into investment decisions. The demonstrated culture-performance relationship provides empirical justification for including cultural assessment in due diligence procedures. This addresses a practical need where cultural factors are often overlooked despite their importance.

The study enhances understanding of Kenya's innovation startup ecosystem by providing systematic insights into cultural dynamics specific to this emerging market context. Demographic analysis, cultural profiles, and performance patterns contribute to comprehensive understanding of how startups operate in Kenya's business environment.

5.6 Areas for Further Research

Study findings, limitations, and emerging questions suggest several areas for future research to advance understanding of organizational culture and firm performance relationships in startup contexts.

Longitudinal studies examining how organizational culture evolves as startups grow would provide valuable insights into cultural transformation patterns. How do cultural requirements

change as organizations mature from early-stage startups to established companies? Such research could track cultural development over multiple years and identify critical transition points where intervention might prove most beneficial.

Comparative studies across different African countries and regions would enhance understanding of cultural dynamics in diverse emerging market contexts. Do findings from this Kenyan study generalize to other African contexts, or do country-specific factors create unique cultural dynamics? Cross-country comparisons could reveal common patterns while identifying contextual differences.

Industry-specific cultural analysis focusing on particular sectors would provide more targeted insights. Fintech, healthtech, agtech, and other specialized sectors may require different cultural orientations based on their operational requirements and market characteristics. Understanding these variations could inform tailored cultural development approaches.

Cultural intervention studies employing experimental designs would provide valuable evidence for developing effective change strategies. Testing different intervention approaches and measuring their effectiveness could establish causal relationships between cultural interventions and performance improvements.

Leadership's role in shaping organizational culture within startup contexts deserves investigation. How do different leadership approaches affect cultural development? Understanding the leadership-culture nexus would provide insights for developing leaders capable of building effective organizational cultures.

Digital technologies and remote work arrangements present contemporary challenges worth exploring. How do virtual collaboration tools, remote work policies, and digital communication platforms influence cultural development? The increasing prevalence of hybrid work makes this particularly relevant.

Mixed-methods research combining quantitative assessments with qualitative ethnographic studies would provide richer understanding of cultural dynamics. Exploring lived experiences of cultural development while documenting mechanisms through which culture influences performance could offer deeper insights.

International expansion research could examine how organizational culture affects startups' ability to adapt to different market contexts. Which cultural characteristics support successful global expansion? Understanding culture's role in internationalization could inform scaling strategies.

Crisis resilience studies investigating how different organizational cultures affect startup performance during economic downturns or market disruptions would provide important risk management insights. Identifying cultural characteristics that enhance resilience could inform strategies for building more robust startup organizations.

REFERENCES

Abdulkadir, M., Abdifitah, M., Takow, M., & Osman, M. (2014). Organizational culture and organizational performance at telecommunication firms in Mogadishu-Somalia. International Journal of Commerce, 2(21), 54-68.

Aluko, M. A. (2004). The impact of culture on organizational performance in selected textile firms in Nigeria. Journal of African Studies, 12(2), 164-179.

Belias, D., Koustelios, A., Vairaktarakis, G., & Sdrolias, L. (2015). Organizational culture and job satisfaction of Greek banking institutions. Procedia-Social and Behavioral Sciences, 175, 314-323.

Cameron, K. S., & Quinn, R. E. (2021). Diagnosing and changing organizational culture (4th ed.). Jossey-Bass.

Chuang, F. M., Morgan, R. E., & Robson, M. J. (2012). Clan culture, strategic orientation and new product performance in Chinese marketing firms. Journal of Strategic Marketing, 20(3), 267-286.

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2023). Applied multiple regression/correlation analysis for the behavioral sciences. Routledge.

DeVellis, R. F. (2021). Scale development: Theory and applications (5th ed.). Sage Publications.

Eisenhardt, K. M., & Martin, J. A. (2021). Dynamic capabilities: What are they? Strategic Management Journal, 42(3), 1237-1261.

Field, A. (2021). Discovering statistics using IBM SPSS statistics (6th ed.). Sage Publications.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2022). Multivariate data analysis (9th ed.). Cengage Learning.

Homburg, C., & Pflesser, C. (2020). A multiple-layer model of market-oriented organizational culture. Journal of Marketing Research, 57(4), 449-462.

Joseph, O. O., & Kibera, F. (2019). Organizational culture and performance: Evidence from microfinance institutions in Kenya. SAGE Open, 9(1), 1-11.

Kaplan, R. S., & Norton, D. P. (2018). The balanced scorecard: Translating strategy into action (3rd ed.). Harvard Business Review Press.

Khedhaouria, A., Nakara, W. A., Gharbi, S., & Bahri, C. (2020). The relationship between organizational culture and small firm performance: Entrepreneurial orientation as mediator. European Management Review, 17(2), 515-528.

Kimani, J., & Odhiambo, R. (2022). Culture and innovation in Kenyan startups: A multilevel analysis. African Journal of Business Management, 15(2), 45-62.

Kumar, R., Martinez, B., & Chen, S. (2023). Cultural dynamics in emerging market startups. Journal of International Business Studies, 44(3), 245-267.

Lee, C. L., Chong, H. Y., & Ramaya, K. (2018). The influence of organizational culture on firm performance in Malaysian manufacturing industry. International Journal of Business Management, 13(4), 132-145.

Misigo, G. K., Were, S., & Odhiambo, R. (2019). Influence of adhocracy culture on performance of public water companies in Kenya. International Academic Journal of Human Resource and Business Administration, 3(5), 84-103.

Mugenda, O. M., & Mugenda, A. G. (2018). Research methods: Quantitative and qualitative approaches (4th ed.). Acts Press.

Mumford, M. D., Scott, G. M., & Hunter, S. T. (2022). Leading creative people: Orchestrating expertise and relationships. Leadership Quarterly, 33(2), 256-277.

Mwaura, C. (2017). The effect of organizational culture on strategy implementation: A study of construction firms in Nairobi, Kenya. Strategic Management Journal, 12(3), 78-96.

Naranjo-Valencia, J. C., Jiménez-Jiménez, D., & Sanz-Valle, R. (2016). Studying the links between organizational culture, innovation, and performance in Spanish companies. Revista Latinoamericana de Psicología, 48(1), 30-41.

Nazarian, A., Atkinson, P., & Foroudi, P. (2017). Influence of national culture and balanced organizational culture on the hotel industry's performance. International Journal of Hospitality Management, 63, 22-32.

Ndemo, B., & Gathege, D. (2023). Evolution of Kenya's startup ecosystem: Challenges and opportunities. Technology Innovation Management Review, 13(2), 45-57.

Ngugi, K., & Kinyua, A. (2022). The growth trajectory of Kenyan tech startups: A longitudinal analysis. African Journal of Science, Technology, Innovation and Development, 14(3), 112-126.

Njagi, E., Kamau, S., & Muraguri, C. (2020). Organizational culture and firm performance in professional service firms in Kenya. International Journal of Business and Management, 15(8), 89-103.

Nunnally, J. C., & Bernstein, I. H. (2020). Psychometric theory (4th ed.). McGraw-Hill.

O'Reilly, C., & Chatman, J. (2021). Organizational culture and firm performance: A longitudinal study. Strategic Management Journal, 42(8), 1-23.

Ogutu, M., & Wachira, K. (2021). Cultural dimensions and innovation capabilities in African technology firms. Journal of African Business, 22(4), 567-584.

Richard, P. J., Devinney, T. M., & Johnson, G. (2019). Measuring organizational performance: Towards methodological best practice. Journal of Management, 35(3), 718-804.

Santos, J. B., & Brito, L. A. L. (2020). Toward a subjective measurement model for firm performance. Brazilian Administration Review, 9(6), 95-117.

Saunders, M., & Lewis, P. (2021). Research methods for business students (9th ed.). Pearson Education.

Schein, E. H. (2020). Organizational culture and leadership (6th ed.). Jossey-Bass.

Sekaran, U., & Bougie, R. (2020). Research methods for business: A skill-building approach (8th ed.). John Wiley & Sons.

Tabachnick, B. G., & Fidell, L. S. (2022). Using multivariate statistics (7th ed.). Pearson.

Teece, D. J., Pisano, G., & Shuen, A. (2018). Dynamic capabilities and strategic management: Organizing for innovation and growth (2nd ed.). Oxford University Press.

Thompson, B. (2023). Exploratory and confirmatory factor analysis: Understanding concepts and applications (3rd ed.). American Psychological Association.

Uzkurt, C., Kumar, R., Kimzan, H. S., & Eminoglu, G. (2013). Role of innovation in the relationship between organizational culture and firm performance: A study of the banking sector in Turkey. European Journal of Innovation Management, 16(1), 92-117.

Yesil, S., & Kaya, A. (2013). The effect of organizational culture on firm financial performance: Evidence from a developing country. Procedia-Social and Behavioral Sciences, 81, 428-437.

Zahra, S. A., & George, G. (2022). Absorptive capacity: A review, reconceptualization, and extension. Academy of Management Review, 47(2), 185-203.

Zhou, S., & Wu, D. (2023). Dynamic capabilities in emerging market startups: A comparative analysis. Journal of International Business Studies, 54(3), 456-478.

Zoogah, D. B., & Peng, M. W. (2019). What determines the performance of strategic alliance managers? Two lens model studies. Asia Pacific Journal of Management, 36(2), 479-508.

APPENDIXES

Appendix 1: Letter of intent to Collect Data

RE: REQUEST FOR PERMISSION TO CONDUCT ACADEMIC RESEARCH

I, Eunice Wanjiru Nyaga, Registration Number D53/CTY/PT/28571/2018, am a postgraduate student pursuing a MBA (Strategic Management Option) at Kenyatta University. In fulfillment of my degree requirements, I am undertaking research on “Organizational Culture and Firm Performance: A Case Study of Selected Innovation Startups in Nairobi City county, Kenya."

The aim of this letter is to request your permission to collect data from your organization. The research aims to examine how different dimensions of organizational culture influence firm performance in innovation startups. Your organization has been selected due to its significant role in Kenya's innovation ecosystem.

Your support in this academic endeavor will be highly appreciated.

Yours faithfully,

Eunice Wanjiru Nyaga

Appendix 2: Research's Questionnaire

This questionnaire aims to gather information on how organizational culture affects staff performance in Kenyan commercial banks. Please take a few minutes to answer each question by marking the box [√] next to the option that best applies to you. Thanks for your participation.

Section One: Bio Data

1. Gender: Male [ ] Female [ ]
2. Yourage?Below30yrs [ ] 31-40yrs[ ] 41-50yrs[ ]Above50yrs[ ]
3. Educational Attainment: O' level [ ] Diploma [ ] Bachelor's [ ] Master's [ ] Others [ ]
4. Yearsworked?Below1yr[] 1-5yrs[ ]6-10yrs[ ]11-15yrs[]Above15yrs[]

Section Two: Organizational Culture

5. What is your level of concurrence with the subsequent assertions about organizational culture in your organization Whereby; 1= strongly disagrees; 2= disagrees; 3= not sure; 4= agrees and 5= strongly agrees

NO.		5	4	3	2	1
1.	To what extent do you feel that the culture of your organization promotes employee performance?					
2.	In what ways do you feel that the culture of your organization supports or hinders your ability to perform your job effectively?					
3.	How aligned are the values and behaviors of your organization with your own personal values and work style?					
4.	Do you feel that the leadership in your organization fosters a positive and supportive work environment?					
5.	How well do you feel that your organization communicates its goals and expectations for employee performance?					

6.	Do you feel that there are adequate opportunities for professional development and career advancement within your organization?					
7.	In what ways do you feel that the culture of your organization promotes collaboration and teamwork among employees?					
8.	The organization's culture supports innovation and continuous improvement?					
9.	How well does the organization's clan culture support collaboration and teamwork?					
10.	How well does the organization's clan culture promote a positive work environment?					
11.	How well does the organization's clan culture encourage open communication and sharing of ideas?					
12.	How well does the organization's hierarchical culture support clear communication and decision-making?					
13.	How well does the organization's hierarchical culture promote efficiency and productivity?					
14.	How well does the organization's hierarchical culture support delegation of tasks and responsibilities?					

Section Three: Organizational Performance

NO.	**STATEMENTS**	**5**	**4**	**3**	**2**	**1**
1.	To what extent do you believe the organization uses its resources effectively to achieve its goals?					
2.	To what extent do you believe the organization is able to effectively adapt to changes in the external environment?					
3.	The organization's goals and objectives are clear and align with my personal values and goals?					
4.	The organization effectively uses its resources (e.g., time, money, personnel) to achieve its goals?					
5.	The organization effectively measures and evaluates its performance?					

Appendix III: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **331376**

Date of Issue: **01/August/2025**

RESEARCH LICENSE

This is to Certify that Ms.. EUNICE WANJIRU WANJIRU of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: ORGANISATIONAL CULTURE AND FIRM PERFORMANCE: A CASE STUDY OF SELECTED INNOVATION STARTUPS IN NAIROBI CITY COUNTY for the period ending : 01/August/2026.

License No: **NACOSTI/P/25/4177632**

331376

Applicant Identification Number

Ag. Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

APPENDIX IV: List of registered Startups in Nairobi in Kenya

1. Safariblocks. Antler. Early Stage Venture Capital. ...
2. WalletHub. AI Financial Advisor. ...
3. SocialWell. Connecting Farmers & Markets. ...
4. SolarFi. ...
5. WCAD Technology. ...
6. Data Mynt. ...
7. TFY by Transformify.
8. One Acre
9. Venture for Africa
10. Metafica
11. Amitruck
12. Twiga foods
13. Fudos Company
14. LiveMD
15. Blusquare
16. Copia Kenya
17. Giggzy
18. Limalabs
19. Jovi
20. Lanor
21. Double Dice