Effects of Organization Culture on Customer Retention in Commercial Banks in Kenya

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Abstract

The banks ought to adopt customer retention as a strategic management tool to gain competitive advantage over its competitors; hence the purpose of this study was to find out the effect of Strategic Management Practices on Customer Retention in Commercial Banks in Kenya. One Specific Objective among others formed the basis of the Study namely: strategic organizational cultural practice on customer retention in the commercial banks in Kenya. The total number of banks that are registered with the Central Bank of Kenya is forty-three (43) hence a survey method was used. The questionnaires were distributed to all banks and the managers and the department heads were requested to fill in. The total number issued was 117 questionnaires and 100 were returned, giving a response rate of 86%. In analyzing the responses, the statistical package for social science (SPSS) version 22.0 was used to present descriptive statistics such as frequency distributions, measures of central tendencies and measures of variations. Data analysis and interpretation was based on descriptive statistics and measures of dispersion as well as inferential statistics, Pearson correlation, factor analysis and analysis of variance (ANOVA) were used. Multilinear regression model was used in explaining the effect of strategic management practice on customer retention in commercial Banks in Kenya. The study results indicate that the strategic management practices (measures of strategic organizational culture practice) had a significant positive effect on customer retention (in terms of competitive services and customer loyalty) of commercial banks in Kenya. The study recommended that managers should be able to make use of strategic management practice through adoption of Strategic organization culture which was to enhance core values of the organization to uphold them for the better of the organization to survive in an environment that can stand out with competitive advantage in order to attract more customers for retention once satisfied. This study therefore gave insights on enhancing of capabilities on employees in order to satisfy its customers create loyalty and finally retain them in ways that will enable the management of the banking industry to achieve its objectives in a dynamic and competitive business environment using strategic management practices.

Key words: Customer Satisfaction, Customer Loyalty, Customer Retention, Organization Culture

1. Introduction

Another Strategic Management Practice variable is the Strategic Organizational Culture Practice. Hofstede, (2005) stated that, culture is regarded as the software of mind. Organizational culture shapes the behaviour of people in the corporation. Because these cultures have a powerful influence on the behaviour of managers at all levels, they can strongly affect a corporation’s ability to shift its strategic direction. Sababu (2007) stated that, a strong culture should not only promote survival, but also create the basis for a superior competitive position by increasing motivation and facilitating coordination and control.

Since culture affects the behaviour of the member in the society, a strong organizational culture would clearly influence the way employees behave in the firm (Dawson, 2010). That is to say the organizational culture may generate competitive advantage for the organization by enhancing employee’s performance and cooperation with each other. Besides that, a strong culture helps to reduce the conflict within the organization, to dispatch, control and motivate employees (Schein, 2010, McKenna, 2012). To the extent that a distinctive competency is tacit knowledge embedded in an organization’s culture, it will be very hard for a competitor to duplicate it.
Customer retention is now regarded as important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. According to Reichheld and Sasser (2010), it costs five times more to gain a new customer than to retain an existing customer as the acquisition costs are lowered in the long run which means that customer retention is related to the profitability of a firm. Hunt, (2008), Customer retention is a positive attitude of the customer towards the organization and a willingness to stay with the organization. Malopo and Mukwada (2011) ascertained that firms are all out to foul attempts by customers to switch retailers and indirectly retain them.

A customer who expresses a positive attitude towards an organization and is willing to stay with it is more likely to stay. The main purpose of retention is to prevent competent employee from leaving the organization as this could have adverse effect on productivity and service delivery (Ng’the, Iravo and Namusonge, 2012) and this can be applied to retention of customers in an organization. Thus Customer retention has become more important than customer acquisition. Defending and protecting customer base should be the upper most jobs in these challenging economic times. Although in certain instances, companies still spend 10 to 20 times (or more) on acquiring new customers as they spend on keeping existing ones.

All successful companies must learn how to retain customers even when the customer appears satisfied (Omotayo et al.,2008). Some unsatisfied customers may choose not to defect, because they do not expect to receive that better service delivery elsewhere and vice versa. As such service providers should understand why customers choose to stay and should not assume that it is a positive conscious choice, (Reichheld et al., 2010). This is because they may be lured away by attractive offers by competitors when they experience dissatisfaction incidents (Jones et al., 2003). There are strong arguments for management to carefully consider the range of factors that increase customer retention rate (Omotayo, 2008).

Winer (2001) argues that in building successful rational exchanges with the customer, there is a need to understand customer behaviors and to focus on those customers who can deliver long term profits to the firm. However, no firm can hold on to all its customers and aim at full customer retention (Egan, 2004). This is due to several factors; one factor is for example the fact that in highly competitive markets, customers may switch either temporarily or permanently to another product or service. Egan (2004) further argues that it is unprofitable to attempt to achieve total retention of the customers as the cost of doing so is likely to be prohibitive. Hence, it’s simply important to retain and maintain the customer strategically.

The relationship that exists between Customer Retention and the strategic Practices namely.; Strategic Organizational Culture Practice is that, Strategic Organizational culture practice, Michael et al., (2009) states that culture is learned, shared transmitted from one generation to the next. Culture consists of patterns of interrelated and interdependent characteristics, providing mind sets, directions and guidance in all phases of human problem solving. Culture in organization reflected the way people unconsciously perform tasks, set objectives and administer resources to achieve them. It affects the way they make decisions, think, feel and act in response to opportunities and threats. Culture therefore influences the selection of people in particular jobs, which in turn affect the way the tasks are carried out and decisions are made.

Thus managers and workers do things in particular ways because it is an expected behavior. Over the long-term, an organization’s culture alone probably does more to influence corporate leadership than anything else does. It determines how individuals and organizations as a whole react and perform on a daily basis. An organization’s culture is comprised of years and years of history, which includes successes and failures, good and bad decisions, and individual and collective stories. All of these create a set of values, explicit and implicit, for the corporation that underpins the corporation’s leadership culture (Michael et al.,2009)

Kennedy et al., (2010) argues that, organizational effectiveness as employees need to have a sense of belonging and share in the organizations vision and find their roles in the organization. Organizational behavior often evolves from the behavior of the management team. Managers are the most important visual aids in training the juniors in the organization. Organizations with constructive cultures encourage members to work to their full potential, resulting in high levels of motivation, satisfaction, teamwork, service quality, and sales growth.

Constructive norms are evident in environments where quality is valued over quantity, creativity is valued over conformity, cooperation is believed to lead to better results than competition, and effectiveness is judged at the system level rather than the component level. These types of cultural norms are consistent with (and supportive of) the objectives behind empowerment, total quality management, transformational leadership, continuous improvement, re-engineering, and learning organizations (Kennedy et al., 2010).

While there have been several studies emphasizing the significance of customer retention in other companies and few in the banking industry, there has been little empirical research examining the effects of strategic management practice on customer retention in the commercial banks in Kenya. Hence, there was need for the researcher to carry out the study on the effect of strategic management practice on customer retention in commercial banks in Kenya.
2. Research Problem

The Banking industry occupies a key position in the Kenyan economy. It creates deposits which affects money supply for business activities, carrying numerous financial services like deposits safety and creation of employment (Kamau, 2010). In view of the current scenario, Central Bank of Kenya (2016) reported that, the ever changing consumer needs, innovative financial products, deregulation, information technology upgrades, the removal of interest rate controls and credit ceilings, which should allow banks greater freedom to compete for customers, and the privatization of government banks; private sector banks might be expected to compete more aggressively against each. Banks are competing intensely in a highly competitive environment to offer quality oriented services in line with customers’ expectations.

As a result, banks fiercely compete to acquire and retain customers as this affects their performance as it is a costly affair to acquire new customers’ base than retaining existing customers. These challenges have rendered most traditional forms of competitive advantage like cost management, technology, product features and robust marketing strategies ineffective (Kamau 2010). Organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively than their rivals in the competitive environment to attain their goals. Mecha et al., (2015) conducted a study on customer retention strategies in Kenya’s commercial banks. This study sought to determine the effectiveness of the customer retention strategies used by commercial banks in Kenya.

The most important goal of an organization is to maintain customer loyalty and focus on customer centric approach in their organizational strategies. Although it is important for managers to formulate responsible strategies based on a realistic and thorough assessment of the firm and its environment, things invariably change along the way. Namusonge (2010) identified strategies used by business during the growth process and identified barriers and incidents which facilitate or hinder the growth of small and microfinance enterprises. Retaining customers is key in giving a competitive edge in the Banking industry hence banks must identify factors that they need to improve on so as to increase customer retention.

Banks need to come up with ways of rewarding the sales for retaining customers. Organizations should endeavour to create value for their customers, for the banks to gain a sustainable competitive advantage; banks need to extend their services beyond the core services. In the banking industry, it has been estimated that about a third of given customers are lost each year (Anon, 2013). In the study on service quality and customer retention in Tanzanian commercial banks, which sought to find out why despite efforts made by commercial banks to retain customers, customers were still leaving their banks (Elly, 2010). In another study, the purpose was to investigate the link between service quality and retention of customers in Tanzanian commercial banks.

Caroline et al., (2015) also argued that the banks products developments were easy to duplicate and so they provided nearly identical services. Therefore, it is easy for customers to switch from one bank to another. In the same context, the main purpose of retention is to prevent competent employee from leaving the organization as this could have adverse effects on productivity and service delivery (Ng’ethe, Iravo and Namusonge (2012) and so the same can be argued for retention of Customer in the banking industry. Over the years, there has been a tremendous growth of commercial banks in Kenya that have seen new banks open up and of the existing ones locally and internationally.

However, current statistics shows that recruitment of new banking customers is very costly to commercial banks compared to retaining of existing customers. KBA (2013), expertise in the banking industry claim that banks struggle in trying to recover acquisition costs since a high customer defection rate makes the recovery even more difficult (CBK, 2016). Without delivering customers satisfaction, customers of commercial banks will continue to defect from one bank to another and this has cost implication not only to the customer but also the bank itself (Caroline et al., 2014). It is worthwhile to note that strategic management does more than simply strategic planning as it stresses the dynamic and critical processes, those of leadership, which can bypass present strategies and innovatively design new ones (Tabatoni, Davies, & Barblan, 2002) as cited in Kabure, Namusonge and Mugambi (2017) and ensure that institutions provide valuable services to its clients and are able to not only survive but to thrive. Despite the importance of consumer retention strategies in the banking industry, very few empirical studies have investigated constructs that could lead to customer retention (Fisher, 2001). According to Colgate et al., (1996) most banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values strategies adopted to enhance customer retention in commercial banks.

While there have been several studies emphasizing the significance of customer retention in the banking industry, there has been little empirical research examining the constructs that could lead to customer retention (Onyango Elizabeth, 2014). Evidently then, there is also very little that exists in explaining the role of foregoing strategic management practices on customer retention in commercial banks particularly in the Kenyan context. It is against this background that this research was undertaken to address the gap and provide a better understanding through empirical evidence on the role of the underlying strategic management practices on customer retention in commercial banks in Kenya.
3. Objective of the Study

The specific objective which guided the study was to establish the effect of strategic organizational cultural practice on customer retention in the commercial banks in Kenya.

4. Research Hypotheses

The study was guided by the following null hypothesis;

\[ H_{01} \text{ There is no relationship between strategic organizational cultural practice and customer retention in the commercial banks in Kenya.} \]

5. Review of Literature

5.1 Institutional Theory

The origin of culture as an independent variable affecting an employee’s attitudes and behaviour can be traced back more than 50 years ago to the notion of institutionalization (Hammonds, 2000). Institutionalization operates to produce common understanding among members about what is appropriate and fundamentally meaningful behaviour. Organizations as institutions tend to have acceptable modes of behaviour that are largely self-evident (Amah, 2012). Culture is an important force determining managerial attitudes and practices, and does influence the practice of management. Cultural differences may often affect management expectations and styles. Coping with other cultures and trying to understand why and how culture influences behavior is one of the most crucial issues facing management.

The impact of culture in organizations is becoming increasingly important. Effect can be positive, as evidenced in the cases of Wal-Mart, UPS, and South-West Airlines. Employees of South West airlines for example, actually accept lower wages than their industry counterparts in order to be part of the ‘fun’ working environment created by South West’s people Department Motto: Hire for Attitude, Train for Skills. Cultures of obscurity and distrust, however, can have a negative effect on organization performance such as recently observed at Enron and WorldCom (Amah, 2012).

In order to achieve their goals, organizations are driven by their own kind of culture known as ‘corporate culture’, which has significant influence on member’s attitudes and behaviors. Bateman and Snell (1999) observed that a company’s culture provides a framework that organizes and directs people’s behavior on the job. Corporate culture impact individual behavior on what it takes to be in good standing and directs the appropriate behavior for each circumstance. Culture is an essential quality of excellent organizations (Peters & Waterman, 1982; Amah, 2012). Culture is viewed as the organization’s DNA (Deoxyribonucleic Acid) – invisible to the naked eye yet powerful template that shapes what happens in the workplace (Davenport, 1998).

The Institutional Theory is relevant to this study from the perspective of commercial banks as financial institutions in Kenya. Mohdi Saudi (2014), states that members in organizations are to act rationally because the corporate culture only acts as a tool to enhance the productivity of the organization. Thus, the management in the organization must make rational choices in focusing on the explicit goals. However, the Institutional Theory has shaped the organizational structure of an organization through internal and external constituents (Brignall & Modell, 2000).

Hence, the legitimacy and long term survival have been secured through the adoption of the rationalized institutional myths (Meyer & Rowan, 1991). Powell and DiMaggio (1991) in their research stated that the institutional theory focused on the way in which societal bodies accorded social legitimacy to the organization and thus, contributed to the achievement of organizational survival and success. Hence, the idea that organizations are highly embedded with the institutional environment suggests that organizational practices especially in public agencies and statutory bodies are often a direct reflection or response to rules and structure built into their larger pictures (Powell & DiMaggio, 1991).

The isomorphic forces from the external environment might influence the adoption of the corporate culture processes. Deep house (1996) saw isomorphism as the replication of a focal organization to other organizations in its environment. Some empirical evidences have found that organizations might be pressured to imitate other organizations under conditions of environmental uncertainty (Carruthers, 1995; Galaskiewicz & Wasserman, 1989). They might also claim that their actions to adopt procedures, processes, systems or structures have been justified.

However, the concept of institutionalization has been neglected by the SCs because they have considered it normal to resemble other organizations as long as the mission and goals have been achieved (Mohd Saudi, 2014). Powell and DiMaggio (1991) proposed that isomorphism be classified into two categories namely competitive and institutional. Competitive isomorphism emphasizes on efficiency and the forces of competition could stimulate the firm to perform the most efficient way of doing the task. On the other hand, institutional isomorphism does not concern efficiency. The practices could be adopted by the
organization because of the pressure received from the stakeholders or competitors from the same industry. Powell and DiMaggio (1991) have also proposed that cultural expectations in the community could influence the coercive isomorphism and also result in pressures exposed to the organization, internally and externally.

Mimetic isomorphism is the second form of isomorphism in which an organization resembles another organization because of its uncertainty, poor knowledge of technologies or research and development as well as unclear sets of goals. Thus, organizations imitate similar organizations and mimic their practices due to uncertainty situations. Organizations’ would feel comfortable when following what other organizations have been doing well. Hence, organizational fads and fashions have seemed likely to spread through mimetic isomorphism (Powell & DiMaggio, 1991; Granlund & Lukka, 1998).

Normative isomorphism is the third form of institutional isomorphism that could occur from the influence of professions on the organization. The training and knowledge gained from specialized classes attended by employees could influence the way the activities are performed in the organization. In 1991, the Powell and DiMaggio research found that professionalism was vital in determining how employees undertake their activities especially in transformation processes that occurred in organizations.

6.2 Conceptual Framework

A conceptual framework refers to a graphical representation of the theorized interrelationship of the variables of a study (Odhiambo & Wiaganjo, 2014) whereas according to Mugenda (2008), a conceptual framework describes the phenomenon under study and presents the researchers idea in a diagrammatic form about the variables.

![Figure 1 Conceptual Framework](image_url)

6.3 Discussion of Variables

6.3.1 Strategic Organizational Cultural Practice

Gill (2006) states that culture is the way things are done. It is characterized by overt and covert rules, values, guiding principles, habits and psychological climate. Culture refers to those learned behaviors characterizing the total way of life of members within any given society and cultures differ from one another just as individuals differ from one another (Hughes et al., 2009). Organizational culture has been defined as a system of shared background, norms, values or beliefs among members of group (Hughes et al., 2009) organizational culture is the collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organization.

The culture of an organization, profound by affects the behavior of people within it and develops norm that are hard to alter organizational culture is accepted by the people who work within the group and as indicated by Hughes et al., (2009) if a person does not share the values or beliefs of the majority of members, then in all likelihood this person would have a fairly negative reaction about the organization overall. The culture of the organization referred to the customs and values that influence how employees behave (Michie & West, 2004) and leaders will need to know how to work within it. Bujak (2002) stressed that organizational vision would be the key to meeting the needs of individuals in the culture because it could unite organizational and personal values.

Generally, lack of attention to organizational culture, individual beliefs and values lead to absolute failure of organization and achievement of goals, create many operational problems and waste a lot of energy to solve problems (Salarzahi, 2014). CEO’s are individuals who hold values. These values shape their leadership style and decision process (Lockmer 2014). Involvement culture, specifically features empowerment where employees have authority, initiative and ability to manage their own work:
orientation towards teamwork where the organizations counts on the team’s efforts; and skills development meaning that the organization invests in the employees’ skills development (Pirayeh, Maihdai & Nematpour 2011).

According to Hofstede (1980) as cited by Mose et al., (2017) organizational culture refers to the collective programming of the mind that distinguishes the members of the organizations from another. These include shared beliefs, values and practices that distinguish one organization from another. Corporate culture can be a liability resulting in the erection of barriers to change, diversity & acquisition and mergers (Ng & Kee, 2013). Nevertheless, organizations remain skeptical of its dysfunctional roles in handling change for example GM, which has a strong culture faces enormous difficulty in its attempts to change its way in a dynamic and highly competitive environment (sherherhorn et al.,1994 as cited in Mose et al., 2017).

A fundamental component of good governance is corporate culture of reinforcing appropriate norms for responsible and ethical behavior. These norms are especially critical in terms of a bank’s risk taking behavior, and risk management (i.e. the bank’s risk culture) BCBS 2015. Organizational culture helps the members to gain a clear view of the tasks’ target and orientation. A strong culture also creates good relationship among members as they share common understanding and interest.

It improves the working environment to be comfortable and healthy. When an organization is successful in building a strong culture, creates the employees’ faithfulness to the firm, which makes the members feel proud of the organization as well as the job they are doing (Dawson, 2010). McManus (2003) proposed the organizational culture occurs at the department levels where employees and manager interact. Kouzes and Posner (2002) and Schein (1997) identified three important characteristics of the organizational culture and subcultures as: leadership, values, and the environment.

The intent to satisfy customer by bringing quality in the service sector is becoming essential to retain the customer (Brown and Gulyez, 2001). Service industry depends on continuous cycle of repurchase so companies have to struggle hard to retain customers (Anderson et al., 1994). As Baker (2003) indicates, all businesses have been affected to some degree by evaluation which is happening in the global market place. Now, not only do the organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively than their rivals in the competitive environment to attain their goals (Kotler and Armstrong, 2011).

The most important goal of an organization is to maintain customer loyalty and focus on customer centric approach in their organizational strategies (Jain and Sigh, 2002). Banks therefore, have to be aware of the profitability of not just their products but also their customers. The overwhelming argument for customer retention is that it is cheaper to retain than to acquire new customer’s important element of any banking strategy in today’s increasingly competitive environment. According to Bass and Avolio (1992), the culture of an organization moved along a continuum from transactional to transformation. Cöner and Giingo (2002) found that service quality would lead towards more loyal customers. Iriana et al., (2013) found that organizational culture, as measured using the competing values model, has an effect on customer relation management success, as indicated by an index composed of financial metrics.

6.3.2 Customer Retention

Retention is being satisfied and becoming loyal leading to retention. In this context, we give an insight into customer retention. Customer retention highly depends on customers’ perception towards service delivery systems (Kim et al., 2004). Customer retention thus involves customer’s commitment, trust, willingness to recommend and have repurchase intentions (Zeithmal, 2000). The term customer loyalty is not only about customers doing a particular company a great service by offering favourable word of mouth publicity regarding a product or service, telling friends and family, but also, it is a process, a program, or a group of programs geared towards keeping a guest happy so that he or she will provide more business (Peppers & Rodgers, 2016).

Iglesias, Singh and Batista Foguet (2011) mentioned that loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations. The ultimate goal is to develop happy customers who will in return repurchase and persuade others to use that company’s products or services. Loyal customers are those who are not easily swayed by price inducements from competitors, and they usually refer new customers more than those less loyal customers. Berman and Evans (2010) customer expectation have been met or exceeded by the firm in terms of value and customer service provided.

Iravo et al., (2013) states that dissatisfied customers will be disloyal the organization and will talk about their bad experience to other customers, hence this should be avoided at all cost. Customer service needs to be integrated with the overall value provided by the, product or services, to satisfy the customers requirement. Customer satisfaction is one of the most important issue concerning business organized for all types which is justified by the customer oriented philosophy and the principles of continuous improvement in modern enterprise (Arokiasamy, 2013). Retaining customers and building customers relationship on a long lasting base can be very challenging for many organizations.
Therefore, retention of loyal customers is very significant that is serving as a factor for increasing long run success of corporations. Companies try to involve and satisfy their customers by creating loyalty to develop long term relationships among them (Ahter et al., 2011). Mwangi (2013) found that exhibiting high levels of trustworthiness and reliability was highly practiced by commercial banks in Kenya as an indicator of customer relation as Kubi and Doku (2010) argue that customer relation implementation has the capacity to improve effectiveness in areas such as customer acquisition, customer retention and customer development.

Customer retention is regarded as important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. Ganesh (2010) argues that banks that retain a high percentage of customers can improve their reputation, and easily attract new customers in the future. Customer retention is one of the most important factors leading a company to increased profitability and revenue. Customer satisfaction is as important for the customer retention but not sufficient (Jones et al., 2010).

Previous studies argue that the customer satisfaction is the factor affecting the customer retention in some different levels. Emmah et al., (2015) stipulates in their study that retaining customers is key and gives a competitive edge in the banking industry. Alhawari (2012) as cited in Kabue et al., (2016) found that customer relations, customer attraction, customer knowledge capture and customer data analysis have a significant impact on customer acquisition which in turn is very effective.

Anand Sharma et al., (2014) found in their study that customer loyalty is very significant in creating and retaining competitive advantage in service industry specifically in sectors like the banking in India. One strategic focus that banks can implement to remain competitive would be to retain as many customers as possible (Ro king, 2005). It is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment.

Rizwan et al., (2014) argued that service quality, trust and reputation positively influence customer’s loyalty. The impact of service quality on customer loyalty stalks from positive relation between services and quality and factors such as reputation and trust. Improvement in service quality leads to the increase in customer loyalty. They further stated that, service quality should be given more importance while formulating strategies for developing customer loyalty.

Customer retention is a strategy whose objective is to retain a company’s customers and to retain the revenue contribution. Primarily, it aims at preventing customers from defecting to alternative brands or going to competition. According to Magson (2008) satisfied customers remain loyal and talk favorably to others about the company and the product or service. Customer retention and loyalty will depend on the levels of satisfaction that the customers receive when either they buy or use the products or services. Customer retention is a positive attitude of the customer towards the organization and a willingness to stay with the organization.

A customer who expresses a positive attitude towards an organization and is willing to stay with it is more likely to stay. Further importance of customer retention emerges from the fact that acquiring new customers is much more expensive than keeping existing ones. (Stone et al., 1996). Thus Customer retention has become more important than customer acquisition. Defending and protecting customer base should be job one in these challenging economic times. Customers have taken control of the exchange of goods and services.

A company stuck in the ways of the past (unwilling to relinquish control, taking customers for granted, putting short-term profits ahead of their reputation), should think otherwise. Schulz and Omweri (2012) in their study on the effects of business image on customer retention in hotels in Eldoret concluded that top management and staff are involved in creating a positive image, use of technology, provision of quality services and customer concern by the personnel improved the image of the establishment.

6.4 Empirical Review

Cameron and Quinn (2011) argued that organization culture has a strong association with the organizations with the organizations sense of uniqueness, its values, mission, aims, goals and ways of building shared values. Organizational effectiveness as employees needs to have sense of belonging and share in the organizations vision and find their roles in the organization (Kennedy and Dain, 2010). Afsar et al., (2010) attempted to find factors of customer loyalty and their relationships with the banking industry in one of the developing countries, which is Pakistan. Whereas, Kangogo et al., (2013) studied the effect of customer satisfaction on performance of the hotel industry in the western tourism circuit of Kenya. The study revealed that effect of satisfaction and trust on commitment was positive as well as significant and the greater the satisfaction, the greater the commitment and the greater trust, the greater was the commitment.
Schulz and Omweri (2012) concluded that when top management and staff are involved in creating a positive image and customer concern by personnel improved the image of the establishment. Ondieki (2012) attempted to examine factors determining bank section and retention, and found out that the ownership of the bank and newness of the bank do not determine the bank selection and later retention by corporate customers, rather bank services being offered, convenience of bank location, aggressive promotion and the ability to meet customers demand as well as good public image.

7. Research Methodology

7.1 Research Design

The study adopted a mixed design where both quantitative and qualitative approaches which were used to determine the effects of Strategic Management Practices on Customer Retention in Commercial Banks in Kenya. A qualitative approach was used to collect data in form of words rather than numbers. It provided verbal descriptions rather than numerical (Mugenda and Mugenda, 2014).

Quantitative approach strives for precision by focusing on items that could be counted into predetermined categories and subjected to statistical analysis (Simiyu, 2012). The study used these two approaches to supplement each other (Kombo et al., 2006). The researcher used this approach because data collected using the questionnaire was quantitative which was analyzed using the SPSS. Qualitative approach on the other hand involved interpretation of phenomena without depending on numerical measurements or statistical methods. Interviews from Branch Managers and the sales force provided qualitative data. These approaches were used successfully in the study on “Determinants of Academic staff retention in the public universities” (Ngethe, 2013). According to Saunders et al., (2009), Probability sampling (or representational sampling) is most commonly associated with survey-based research strategies where the researcher needs to make inferences from sample population to answer question or to meet the objectives.

A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables (Gay, 1992). It is appropriate where large populations are involved which are geographically spread and was also the case in this study. Survey design was also appropriate for this study because it allowed collection of information for independent and dependent variables using interviews and questionnaires (Orodho, 2003).

7.2 Target Population

Since commercial banks in Kenya are 43, the target population comprised of all commercial banks as listed by Central Bank of Kenya, 2017 list, which shows the classification of banks in Kenya as shown in Table 1

| Classification of Banks          | Target Population |
|---------------------------------|-------------------|
| GoK & State Corporation owned   | 03                |
| Foreign owned Banks             | 12                |
| Mortgage finance Institution    | 01                |
| Commercial Banks                | 27                |
| **Total**                       | **43**            |

Source: CBK 2016

Population in this study was the larger group from which the sample was drawn from, the population of the study was made up of all the commercial banks in Kenya, comprising of Commercial banks registered with the Central bank. For this study, target population comprised of the banks as per the Central Bank of Kenya list of (2016). Lately some banks have run down but are under receivership. Such banks were not included in the population. From a population of 43 banks, the researcher targeted all the banks in the survey as indicated in Table 1.
7.3 Sampling Frame

The sampling frame describes a list of all population units from which the sample was selected (Cooper & Schindler, 2013). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2013). There were 43 Banks in Kenya and this formed the sampling frame of the study. The sampling enabled the researcher to come up with adequate purposive sample. Sampling frame describes a list of all population units from which the sample was selected (Cooper & Schindler, 2013). It is the representation of the target population and comprises of all the units that are potential members of a sample.

The sampling frames of this study comprised of 43 banks in Kenya and were obtained from the data base of Central Bank of Kenya (CBK 2016). The total population of study comprised of Branch Managers, Front Office (Retail and Business Managers), Back Office (Operations manager and Assistant operations manager), Personal selling (Relationship Manager and corporate), Sales Manager and finally the Sales force from forty-three (43).

7.4 Sample Size and Sampling Techniques

This section describes the procedure that was used to obtain representative samples that were used in the study, and systematically describes the procedures used in selecting the samples. Sigel (2003) defines a sample as a set of entities drawn from a population with the aim of estimating characteristics of the population; it is a fraction of population selected such that the selected portion presents the population adequately. A sample in this study is a portion of the population of interest. Sampling is an element of data collection or a section of a population that is selected for a research process (Sekaran & Bougie, 2010). The purpose of sampling is to secure a representative group which will enable the researcher to gain information about a population. In determining the sample size, Slovin’s formula was used to calculate the sample size (at 95% confidence level and P=0.05) as follows as shown by equation 1.1:

\[ n = \frac{N}{1+N(e)^2} \]  

Equation 1

Where:

- \( n \) = the desired sample size
- \( N \) = the population size
- \( e \) = is the margin of error at 95% confidence level

A sample size of 41 commercial banks was arrived at as follows:

\[ n = \frac{43}{1 + 43(0.05)^2} \]

A sample size of 39 Banks was arrived at as follows:

\[ n = \frac{43}{1.1075} \]

\[ n = 43/ (1+1.1075) \]

\[ n = 39 \]  

Equation 2

With a total population of 43 registered banks in Kenya, the sample size was 39. The researcher applied the multi-stage sampling frame of choosing 3 respondents for every bank.
Table 2 Sample Size

| Classification of Banks                      | Population Total | Sample Size | Pop Sampled | No. of Respondents |
|----------------------------------------------|------------------|-------------|-------------|--------------------|
| GoK & State Corporation owned Banks          | 03               | 03          | 3           | 09                 |
| Foreign owned Banks                          | 12               | 11          | 3           | 33                 |
| Mortgage finance Institution                 | 01               | 0.9         | 3           | 03                 |
| Commercial Banks                             | 27               | 24          | 3           | 72                 |
| **Total**                                    | **43**           | **38.9**    |             | **117**            |

Source: CBK (2016)

Table 2 shows the sample size of study and distribution of questionnaires to three managers in each of the sampled bank. In the first stage (Phillips, 2012) states that purposive sampling is a sampling technique that allows a researcher to use cases that have the required information with respect to the objective of the study. Cases of the subject are therefore hand-picked because they are informative or they process the required characteristics, thus the personnel of this study were selected based on purposive sampling.

The sampling of the respondents is indicated in Table 2. A sample size of 39 banks ensured that possible non-response was catered for to maintain the respondent of 117 personnel from the 43 banks. The sample of banks was selected deliberately to enable the researcher to get a richer representation of the population. The procedure was adopted in order to make the sample more representative of the population (Kothari & Garg, 2014). Simple random sampling allocation was done to ensure that every bank out of the 43 banks got a chance to be selected as shown in Table 2 above. The selection of the number of three respondents was based on Fwaya, Odhuno, Kambona and Othuon (2012) whose study population was made up of hotel managers. Therefore, this study chose 3 respondents as knowledgeable from every Bank sampled out of the 41 to make 123 respondents.

8. Research findings and Data analysis

8.1 Descriptive Results of Customer Retention

In this section, descriptive data on Table 5 shows responses on the given statements regarding the dependent variable customer retention. The researcher had three parameters to determine the customer retention namely; customer satisfaction, customer loyalty and competitive services. In the analysis, the researcher expected to establish the influence of Strategic management practices on customer retention in commercial banks in Kenya. Customer Retention was finally assessed by two measures namely, competitive service and customer loyalty. Descriptive data shown on Table 5 presents the relevant results on a scale of 1 to 5 (where 5= strongly agree and 1= strongly disagree).

Table 3 Descriptive Results of Customer Retention

| Measurement     | Competitive Service | Customer Loyalty |
|-----------------|---------------------|------------------|
| Mean            | 4.325               | 4.141            |
| Cronbach’s Alpha| 0.833               | 0.768            |

Key: Ranked on a scale: 1.0-1.7 (strongly disagree); 1.8-2.5 (disagree); 2.6-3.3 (neutral); 3.4-4.1 (agree); and 4.2-5.0 (strongly agree) Overall Cronbach Alpha=0.08005 Overall Mean=4.233.
Cronbach’s alpha was used to test the Reliability of customer retention linked with competitive service and customer retention linked with customer loyalty respectively (Ali et al., 2015). Table 5 presents the results on Cronbach’s alpha and mean the scores of customer retention linked with competitiveness and customer retention linked with customer loyalty respectively. From Table 5, the first component/dimension of customer retention linked with competitive service whereby the findings indicated that competitive service had a coefficient of 0.833 while customer loyalty had a coefficient of 0.768.

Customer retention measures (competitive service and customer loyalty) depicted Cronbach alpha of 0.8005 which was above the suggested value of 0.7 hence the study was reliable. It was observed that Strategies had been put in place ahead of trends in order to offer competitive service which satisfy the customers leading to loyalty which then assist the banks to retain customers thus enabling the banks to have targets as indicated by a mean score of 4.325.

This finding is supported by Fasha (2007) in the study of the impact of service quality on customers’ satisfaction and retention in Tanzanian commercial banks. This is also in line with Radomir colleagues (2010) who found that a customer service determines customer which lead to customer loyalty and in the long run customer retention. The findings are consistent with those of Mutua (2011), that commercial banks in Kenya embraced customer satisfaction practices to a great extent. Malik et al., (2011) carried out a study on hotel service quality and brand loyalty. The study concluded that customers’ perceptions regarding hotel brand quality dimensions such as ‘tangibles’ ‘reliability’ and ‘empathy’ contributed to build their brand loyalty.

Malopo & Mukwanda (2011) argued that retained customers tend to have higher levels of perceived service quality which subsequently results in improving firms’ performance whereas, Khaligh et al., (2012) investigated the impact of CRM on customer loyalty and retention in the telecom industry in Iran. Finding shows that commitment and vision of the management system highly required for a successful CRM implementation, the structure of the strategy should be based on flexibility and explicity of the policies especially pricing policies. These factors are very important to increase customer loyalty and benefit of the firm.

Strategic plans are also in place to enable the sustainability of the existing customers through strategic programs which are in place to help grow (increase) customers. This is in line with the findings of (Anani, 2013), who found that service quality and switching barriers were significantly and positively associated with customer retention. Msoka and Msoka (2014) investigated the determinants of customer retention in commercial Banks in Tanzania. The study discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer relation model. In this view, customer retention is extremely vital for business to remain competitive and Emmah et al., (2015) stipulated in their study that retaining customers is key in giving a competitive edge in the banking industry.

The bank has no high turnover of customers since the management creates an environment that fosters customer loyalty as depicted by the second component/dimension of customer retention linked with customer loyalty which had a mean score of 4.141 and Cronbach’s Alpha of 0.768. Customer retention measures depicted Cronbach’s alpha of above the suggested value of 0.7 hence the study was reliable. This finding was supported by Afsar et al., (2010) who attempted to find factors of customer loyalty with the banking industry in one of the developing countries which is Pakistan. The study revealed that effect of satisfaction and trust on commitment was positive as well as significant and the greater the satisfaction, the greater the commitment and the greater the trust, the greater was the commitment.

When a customer is dissatisfied, the management takes it upon them to rectify the situation. Kingshuk & Mounita (2014) argued that customer satisfaction increases the existing customer loyalty, repurchase process. The customer satisfaction is an important factor for the customer retention but not a sufficient (Jones et al., 2010). The findings were consistent with the findings of Cho et al., (2013) when investigating the impact of customer relationship management on customer relationship management on customer satisfaction and loyalty. The finding stated that behavior of the employees is significantly related and contributed to customer loyalty compared to other elements of CRM. Schulz and Omweri (2012) in their study on the effect of Business image on customer retention in hotels in Eldoret concluded that top management and staff are involved in creating a positive image, use of technology, provision of quality services and customer concern by the personnel improved the image of the establishment. Bartholome (2013) carried out an assessment of CRM strategies used by tourist hotels in Dar-es-saalam and found out that successful CRM strategies can contribute to customer retention through customer loyalty, superior service, better information gathering and organizational learning.

Ondidi (2012) in Homa bay, Kenya revealed that it was possible to increase customer loyalty by about 4.6% through manipulating quality of the service. The study contributes to the validation of the determinants of customer loyalty. Auka (2013) investigated the relationship between service quality dimensions and customers’ loyalty in retail banking in Kenya. The results indicated that all the dimensions of service quality had the positive and significant influence on customer loyalty in retail banking. Zafar (2012) in his study found that the customer satisfaction influences the customer commitment and enhances customer loyalty. High customer satisfaction will influence commitment which then affects loyalty.
8.2 Descriptive Results of Strategic Organizational Cultural Practice Results

The third objective was to establish if strategic organization cultural Practice had an effect on customer retention in the commercial banks of Kenya. The analysis conducted included descriptive results, factor analysis, cross tabulation and correlation analysis among others.

Strategic Organizational Cultural practice was assessed by two measures namely, core values and teamwork.

Table 4 Descriptive Results of Strategic Organizational Culture Practice

| Measurement     | Core values | Teamwork |
|-----------------|-------------|----------|
| Mean            | 4.075       | 4.245    |
| Cronbach alpha  | 0.883       | 0.853    |

Key: Ranked on a scale:1.0-1.7(strongly disagree); 1.8- 2.5(disagree); 2.6-3.3(neutral); 3.4-4.1(agree); and 4.2-5.0(strongly agree) Overall Mean= 4.16 Overall Cronbach Alpha=0.868

Table 4 shows Descriptive presenting the relevant results on a scale of 1 to 5 (where 5= strongly agree and 1= strongly disagree). Factor one was identified as core values while factor two was teamwork. The reliability test for core values and teamwork was performed to establish whether the coefficients for the variable factors qualified them for subsequent analysis or not.

The findings indicated that core values had a coefficient of 0.883 while teamwork had a coefficient of 0.853. Strategic organizational culture measures (core values and teamwork) depicted Cronbach alpha of 0.868 was above the suggested value of 0.7 hence the study was reliable. These results are consistent with a study by Kagaari (2011) who sought to establish the moderating influence of organizational culture and climate in public universities in Uganda. It was observed that Core values of the organizational culture encourages employees to feel as part and parcel of the organizations setup and encourages open door policy on issues touching the bank activities as indicated by a mean score of 4.075. The study findings supported the views of (Cameron and Quinn, 2011), who argued that organizational culture has a strong association with the organization’s sense of uniqueness, its values, mission, aims, goals and ways of building shared values. Also, organizational culture represents a system of intangible and unquestionable beliefs that justify how organizations behave.

The other study findings that supported the views was (Kennedy & Dain, 2010) stating that, organizational effectiveness as employees needed to have a sense of belonging and share in the organizations vision and find their roles in the organization. It was indicated that Teamwork encourages employees to be fully aware of the banks objectives and strategies as well as accepts and implements changes whenever necessary as depicted by a mean score of 4.245. The study findings were supported by the views of Sabooe et al., (2015) who argued that the leader promotes cooperation and teamwork by instilling in followers a desire to work towards common goals.

8.3 Strategic Organizational Culture Practice Correlation Results

The study used correlation analysis to establish the strength and the nature of the relationship between strategic organizational culture practice (teamwork and core values) and customer retention (competitive services and customer loyalty) in commercial banks in Kenya.
Table 5 Strategic Organization Culture Correlation Results

| Sub Variables          | Competitive Service | Customer Loyalty | Core Values | Team Work |
|------------------------|---------------------|------------------|-------------|-----------|
| **Competitive Services (CS)** | Pearson Correlation | Sig. (2-tailed) | .350**     | 1         |
|                        | N                   | 100              |             |           |
| **Customer Loyalty (CL)** | Pearson Correlation | Sig. (2-tailed) | .083        | .000      |
|                        | N                   | 100              | 100         |           |
| **Core Values (CV)**   | Pearson Correlation | Sig. (2-tailed) | .221*       | .345**    | .275**    |
|                        | N                   | 100              | 100         | 100       | 100       |

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 5 shows a correlation analysis with varied degree of interrelationship between Strategic organizational culture (core values and team work) and Customer retention (competitive service & customer loyalty) of commercial Banks. The Pearson correlation coefficient was generated at 0.01 significance level (2-tailed). The output indicates a strong positive relationship between strategic organization culture (core values) and Customer Retention (competitive service) whereas, there is no relationship between core values and competitive service of commercial Banks in Kenya, (core values \( p=0.174 \) and teamwork \( p=0.221 \)). A strong relationship also exists between core values and teamwork on customer loyalty. (Core values \( p=0.436 \) and teamwork \( p=0.345 \)). The p-value <0.01 which is significant at 0.01 level as the correlation matrix indicates. Strategic organizational culture practice is therefore a very important factor on customer retention in commercial banks in Kenya. These results were in agreement with Argyris (2010) who asserted that culture can be counterproductive for inhibiting change when: organizations are rigid and bureaucratic they contain organizational defensive routines that inhibit learning and change; fear of getting into trouble by taking initiative that organizational norms define as unpopular, lack of appropriate organizational rewards etc.

Corporate culture is a vital tool that can shelter organizations, from the (un)intended failures witnessed in Kenya’s commercial state corporations. Culture of an organization is neither static nor can it remain in isolation. Mose et al., (2017) recommends that, it must be dynamic and has to interact with external environment. It is the responsibility of the organization to become adaptive and make the transition supportive so that the ensuing changes are useful to employees in enhancing their individual performances and for the organization to remain a viable entity in the change scenario for eventually improving organizational performance.

8.4 Strategic Organizational Culture Practice Goodness-of-Fit Model Results

Table 6 shows the results of strategic organizational culture practice measures i.e. core value and team work had exemplary power on customer retention in commercial banks as it accounted for 6.3% of its variability (R square=0.63) on model 1. This implies a strong positive relationship between strategic organizational culture practice and customer retention (competitive services) in commercial bank.
Table 6 Strategic Organizational Culture Practice Model Summary on Competitive Services

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|--------------------------|
| 1     | .251  | .063     | .044              | .60342                   |

a. Predictors: (Constant), Team Work, Core Values

Table 7 shows that strategic organization culture practice measures i.e. core values and teamwork had exemplary power on customer loyalty of commercial banks as it accounted for 24.5% of its variability (R square=0.245) on Model 2, hence the model is a good fit for the data. This implies that there is a moderate positive relationship between strategic organization culture practice measures (core values and teamwork) and customer loyalty of commercial banks.

Table 7 Strategic Organizational Culture Practice Model Summary on Customer Loyalty

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|--------------------------|
| 1     | .495  | .245     | .229              | .62536                   |

a. Predictors: (Constant), Team Work, Core Values

8.5 Strategic Organization Culture Practice ANOVA Results

Table 8 below presents the analysis of variance of the study on strategic organization culture practice measures (team work and core values) and competitive services of commercial banks.

Table 8 Strategic Organizational Culture Practice ANOVA Results on Competitive Services

| Model     | Sum of Squares | df  | Mean Square | F      | Sig.    |
|-----------|----------------|-----|-------------|--------|---------|
| Regression| 2.368          | 2   | 1.184       | 3.252  | .043b   |
| 1         | Residual       | 97  | .364        |        |         |
| Total     | 37.688         | 99  |             |        |         |

a. Dependent Variable: Competitive Service

b. Predictors: (Constant), Team Work, Core Values

Table 8 results reveal that a significant relationship exists between teamwork, core values and competitive service in commercial banks in Kenya (F=3.252, p=.043) as in model 1. P-value is less than 0.05, thus indicating that the predictor variable explains the variation in the dependent variable which is strategic organization culture on customer retention in commercial banks in Kenya. If the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable (Lakew & Rao, 2009).

Table 9 Strategic Organizational Culture Practice ANOVA Results on Customer Loyalty

| Model     | Sum of Squares | df  | Mean Square | F      | Sig.    |
|-----------|----------------|-----|-------------|--------|---------|
| Regression| 12.313         | 2   | 6.156       | 15.742 | .000b   |
| 1         | Residual       | 97  | .391        |        |         |
| Total     | 50.248         | 99  |             |        |         |

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Team Work, Core Values
Table 9 presents the analysis of variance of the study on strategic organization culture practice measures (team work and core values) and core values of commercial banks. The results reveal that a significant relationship exists between teamwork, core values and core values in commercial banks in Kenya ($F=15.742$, $p=.000$) as in model 2. P-value is less than 0.05, thus indicating that the predictor variable explains the variation in the dependent variable which is strategic organization culture on customer retention in commercial banks in Kenya. If the significance value of $F$ was larger than 0.05 then the independent variables would not explain the variation in the dependent variable (Lakew & Rao, 2009).

### 8.6 Regression Results of Strategic Organizational Culture Practice on Competitive Service

To find out the effect of strategic organization culture practice measures i.e. core values, teamwork on customer retention (competitive service) of commercial banks in Kenya.

**Table 10 Regression Coefficients of Strategic Organizational Culture Practice on Competitive Services**

| Model          | Unstandardized Coefficients | Standardized Coefficients | t     | Sig. |
|----------------|-----------------------------|----------------------------|-------|------|
| (Constant)     | 2.933                       | .549                       | 5.340 | .000 |
| Core Values    | .118                        | .098                       | .122  | .235 |
| Team Work      | .215                        | .117                       | .188  | .069 |

Table 10 shows regression analyses was conducted to empirically determine whether strategic organization culture practice measures i.e. core values and teamwork had a significant influence on competitive service of commercial banks in Kenya. The table displays the regression coefficient results of the independent variable i.e. strategic organization practice measure i.e. core values and teamwork. The results reveal that the explanatory power of strategic organization culture on the variability of customer retention of commercial bank was core values (supported by $\beta=0.122$, $p$-value=0.235) and to team work (supported by $\beta=0.188$, $p$-value=0.069) are statistically not significant in explaining customer retention of commercial banks in Kenya.

The influence of strategic organization culture measures (core values and teamwork) is therefore not significant indicating that the greater the levels of strategic of organization culture by commercial banks, the greater the competitive services generated from the culture. Thus higher levels of strategic organization culture among commercial banks are associated with increased satisfaction, loyalty which is translated into customer retention. This implied that the null hypothesis failed to be rejected since $\beta\neq0$ and $p$-value>0.05. The regression model is summarized as shown by equation 4.5 below:

$$Y=2.933$$  \hspace{10pt} \text{Equation 3}

Where,

$Y=$Competitive Services

It was concluded that, there is strategically no significant correlation between strategic organization culture practices i.e. core values, team work and customer retention measures (competitive service) in commercial banks in Kenya. Thus higher levels of strategic organizational culture among commercial banks are associated with increased customer retention (competitive services) of commercial banks in Kenya.

### 8.7 Regression Results of Strategic Organizational Culture Practice on customer Loyalty

To find out the effect of strategic organization culture practice measures i.e. core values, teamwork on customer retention (customer loyalty) of commercial banks in Kenya, the following hypotheses were stated.

Regression analyses was conducted to empirically determine whether strategic organization culture practice measures i.e. core values and team work had a significant influence on customer loyalty of commercial banks in Kenya.
Table 11 Regression Coefficients of Strategic Organizational Culture Practice on Customer Loyalty

| Model | Unstandardized Coefficients | Standardized Coefficients | t  | Sig. |
|-------|-----------------------------|---------------------------|----|------|
|       | B   | Std. Error | Beta |    |     |
| 1     |     |            |      |    |     |
| (Constant) | .966 | .569 | 1.697 | .093 |
| Core Values | .410 | .102 | .369 | 4.019 | .000 |
| Team Work | .322 | .121 | .244 | 2.658 | .009 |

a. Dependent Variable: Customer Loyalty

Table 11 displays the regression coefficient results of the independent variable i.e. strategic organization culture practice measure i.e. core values and teamwork. The results reveal that the explanatory power of strategic organization culture on the variability of customer retention of commercial bank was core values (supported by \( \beta=0.369, p\)-value=0.000) and to team work (supported by \( \beta=0.244, p\)-value=0.000) are statistically significant in explaining customer retention of commercial banks in Kenya.

The influence of strategic organization culture measures (core values and teamwork) is therefore significant indicating that the greater the levels of strategic of organization culture by commercial banks, the greater the customer loyalty generated from the culture. Thus higher levels of strategic organization culture among commercial banks are associated with increased satisfaction, loyalty which is translated into customer retention. This implied that the null hypothesis was rejected since \( \beta\neq0 \) and \( p\)-value<0.05.

The regression model is summarized as shown by equation 4.6 below:

\[
Y=0.966 + 0.410X_1 +0.322X_2
\]

Equation 4

Where,

\( Y= \) Customer Loyalty  
\( X_1= \) Core Values  
\( X_2= \) Team Work

An F test was done for establishing the significance of the above overall regression equations and they were found to be significant. This is supported by a study by Kagaari (2011) who sought to establish the moderating influence of organizational culture and climate in public universities in Uganda and recent empirical studies show that culture of an organization has a lasting impact on the how banks perform in the volatile business environment.

It was concluded that there is statistically significant correlation between strategic organizational culture practices measures i.e. core values and team work and customer retention of measures (customer loyalty) in commercial banks in Kenya.

8.8 Hypotheses Testing

The study used multiple regression analysis to establish the linear statistical effect of independent variables on dependent variable of this study. The null hypothesis was tested using multiple linear regression model.

\[
H_{03}: \text{There is no effective relationship of strategic organizational culture practice in customer retention in the commercial banks.} \beta_1=0
\]

9.0 Discussion of Key Findings

The objective determined to find out the effect of strategic organizational culture practice on customer retention of commercial banks in Kenya. The indicators of organizational culture were core values, and teamwork. Descriptive statistical methods were core values, and teamwork used to reach at the results. Most of the respondents agreed that greatly there was an effect on customer retention in commercial banks in Kenya. Inferential statistical methods also gave findings and deductions. Findings on correlation and regression analysis indicated that there was a significant and moderate positive association between strategic organizational culture practice (teamwork and core values) and customer retention (competitive service) in commercial banks in Kenya.

The strategic organizational culture practice indicators were found to be statistically significant in explaining the effect of strategic organizational culture practice (teamwork) on customer retention (competitive service) whereas strategic organizational culture practice (teamwork and core values) on customer retention (customer loyalty) was statistically significant in commercial banks in Kenya. As such, a unit change in strategic organizational culture practice (teamwork and core values) resulted in a
change in customer retention (competitive service and customer loyalty) in commercial banks in Kenya. There was a moderate relationship between strategic organizational culture practice and customer retention. On the same note, the study further revealed that majority of customers became loyal and remained in the said banks because of the increased trust in the board and the transparency involved.

10 Conclusions and Recommendations

10.1 Conclusions

The study results indicate that strategic organizational culture practice had a significant and moderate effect on customer retention. The regression results reveal statistically significant positive linear relationship between organizational culture (core values and teamwork) and customer retention (competitive service and customer loyalty) in commercial banks in Kenya. Based on the research results presented, the majority of respondents considered core values and teamwork as the indicators.

The core values, teamwork and customer retention shows that there is a positive relationship with customer retention (competitive service and customer loyalty) in the banking industry which encourages positive commitment and loyalty from employees hence helping in retention of customers. The core values and teamwork, encourages employees to feel as part and parcel of the banks setup. It can therefore be concluded that organizational culture greatly had an effect on customer retention in commercial banks in Kenya.

10.2 Recommendations

On Strategic Organizational Culture Practice, it was noted from the study that core values and teamwork resulted to a unique working atmosphere which as a result acted as a pull factor into retaining customer. It is thus encouraged that the management should ensure that employees embrace the core values of the organization and uphold them for the better of the organization to survive in an environment that they can stand out with an added competitive advantage in order to attract many customers who when satisfied will automatically become satisfied, loyal and eventually get retained and become the banks ambassador. Overall the findings of this study gave managers invaluable; insights on how to plan allocate and enhance capabilities in ways that allowed them to achieve commercial banks objectives in dynamic and competitive environment using strategic management practices and customer retention strategy.

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