

**ORGANISATIONAL FACTORS INFLUENCING FINANCIAL  
PERFORMANCE OF KTDA FACTORIES IN KISII HIGHLANDS REGION**

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## DECLARATION AND APPROVAL

### Declaration by the Student

This research project is solely authored by me and has not been previously submitted for any academic degree or recognition at any other institution.

**Signature:**



**Date:** 28 May 2024

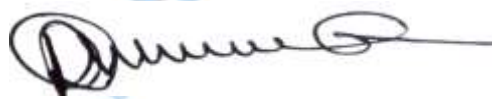
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I verify that the candidate conducted the work outlined in this project under my guidance and supervision.

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## **DEDICATION**

This work is dedicated to my family members for their support and encouragement throughout my studies.



## **ACKNOWLEDGEMENT**

This proposal wouldn't be complete without the roles several persons played. Firstly, I profusely thank the Almighty God in Heaven for His financial, physical and spiritual provisions. Secondly, I wish to deeply and most sincerely acknowledge my supervisor, Dr William Sagini Oribu for patiently and invaluabley guiding me throughout the project-development period. Thank you all and may God richly bless you.



## ABSTRACT

Financial performance is a crucial indicator of an organization's productivity and effectiveness, reflecting its ability to use resources to generate wealth, profits, and returns for stakeholders. Various factors influence financial performance, including resource utilization, employee productivity, and organizational leadership. This study aimed to identify and examine the impact of organizational factors—such as organizational structure, corporate governance, human resource capacity, and capital structure decisions—on the financial performance of KTDA factories in the Kisii Highlands Region. The study's objective was to collect and analyze data on these organizational factors to understand their relationship with the financial performance of the sampled KTDA factories. A quantitative research method was employed, and a census of 36 respondents was conducted. The study relied exclusively on primary data gathered through questionnaires distributed to participants. To determine the relationship between each organizational factor and the financial performance of tea factories, regression analysis was conducted using SPSS software. The findings revealed that most respondents viewed the organizational structures of the tea factories as highly hierarchical, occasionally hindering and negatively impacting decision-making processes. All respondents affirmed that the tea factories had codes of ethics guiding interactions between shareholders and the institutions, ensuring harmonious relationships. However, they also noted instances of strained internal relations, attributing these to the shortcomings of the current codes of ethics. The study suggested that organizations should aim to maintain streamlined organizational structures to reduce operational costs and improve efficiency. For the tea factories, granting them autonomy from the KTDA parent company could significantly strengthen their positions by relieving them of obligations to the parent organization.

## TABLE OF CONTENTS

DECLARATION AND APPROVAL.....	ii
DEDICATION .....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT .....	<b>Error! Bookmark not defined.</b>
LIST OF FIGURES .....	xi
ACRONYMS AND ABBREVIATIONS.....	xii
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.1 Background Information.....	1
1.2 Statement of the Problem.....	10
1.3 Purpose of the study.....	11
1.4 Objectives of the Study.....	11
1.5 Research Questions.....	12
1.6 Significance of the Study.....	12
1.7 Scope of the Study .....	13
1.7 Limitations of the Study .....	13
1.8 Delimitation of the Study.....	14
1.9 Assumptions of the Study .....	14
1.10 Operational Definition of Key Terms.....	16
CHAPTER TWO.....	17
LITERATURE REVIEW .....	17
2.1 Introduction.....	17
2.2 Theoretical Literature Review .....	17
2.2.1 Agency Theory.....	17
2.2.2 Stakeholder Theory .....	19

2.2.3 Resource Based View (RBV).....	20
2.3 Empirical Literature Review.....	22
2.3.1 Organizational Structure and Financial Performance .....	22
2.3.2 Corporate Governance and Financial Performance .....	24
2.3.3 Human Resource Capacity and Financial Performance.....	26
2.3 Conceptual Framework.....	32
2.4 Research Gap .....	34
2.5 Summary of Literature Review.....	34
CHAPTER THREE .....	36
RESEARCH METHODOLOGY .....	36
3.0 Introduction.....	36
3.1 Research Design .....	36
3.2 Target Population.....	36
3.3 Sampling Procedure and Sample Size .....	37
3.4 Data Collection .....	37
3.5 Data Collection Tools .....	37
3.6 Piloting of Data Collection Instruments .....	38
3.6.1 Validity of the Instruments.....	38
3.6.2 Reliability of the Instruments.....	39
3.7 Data Analysis and Presentation .....	40
3.8 Ethical Considerations .....	41
CHAPTER FOUR .....	42
RESEARCH FINDINGS, ANALYSIS AND PRESENTATION .....	42
4.1 Introduction.....	42
4.2 Response Rate.....	42
4.3 Demographic findings.....	42
4.3.1 Respondent's Gender .....	43

4.3.2 Academic Qualification .....	43
4.3.3 Lengths of Service.....	44
4.3 Organizational structure.....	48
4.4 Corporate governance .....	53
4.5 Human Resource Capacity.....	61
4.6. Capital Structure Decisions .....	62
4.7 Inferential Statistics .....	64
4.7.1 Correlation Analysis.....	64
4.7.2 Multiple Regression .....	65
CHAPTER FIVE.....	69
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	69
5.1 Introduction.....	69
5.2 Summary of findings: .....	69
5.3 Conclusions of the study .....	70
5.4 Recommendations of the study.....	72
5.5 Suggestion for further studies.....	73
REFERENCES .....	74
APPENDIX I: QUESTIONNAIRE FOR KTDA FACTORY MANAGEMENT TEAM MEMBERS.....	78
APPENDIX II: RESEARCH BUDGET .....	90
APPENDIX III: WORK PLAN.....	<b>Error! Bookmark not defined.</b>

## LIST OF TABLES

Table 1: Cronbach’s Reliability Alpha.....	39
Table 2: Respondents’ gender .....	43
Table 3: Highest academic qualification .....	43
Table 4: Years worked in tea factory .....	44
Table 5: Rating of financial performance.....	45
Table 6: Cross tabulation on the academic qualifications and ability to rate tea factory financial performance .....	45
Table 7: Cross tabulation on the length of service and known efforts to improve financial performance in tea factory Chi-Square Tests .....	46
Table 8: Efforts improve financial performance .....	47
Table 9: Financial improvement efforts ability to realize positive results .....	48
Table 10: Rating Organizational Structure.....	48
Table 11: Cross tabulation on the academic qualifications and rating of the organizational structure .....	49
Table 12: Instances of organizational structure effecting decision making .....	50
Table 13: Impaired decisions making on organizational performance .....	51
Table 14: Influence by organizational structure to financial performance.....	52
Table 15: Code of Ethics .....	54
Table 16: Code of ethics to ensure harmonious interaction .....	54
Table 17: Instances of strained internal relations .....	55
Table 18: Cross tabulation between presence code of ethics and presence of strained internal relations owing to inadequacies of the code of ethics in place .....	56
Table 19: Corporate Governance.....	57

Table 20: Human resource capability .....	61
Table 21: Mix of Capital Structures .....	62
Table 22: Capital Structure Decisions .....	63
Table 23: Correlation Coefficients .....	64
Table 24: Model Summary .....	66
Table 25: ANOVA .....	66
Table 26: Regression Coefficients.....	67



## LIST OF FIGURES

Figure 1: Conceptual Framework.....	33
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## ACRONYMS AND ABBREVIATIONS

<b>KTDA</b>	: Kenya Tea Development Agency
<b>OECD</b>	: Organization for Economic Co-operation and Development
<b>ROE</b>	: ROE
<b>ROA</b>	: ROAs
<b>SCADS</b>	: Special Crops Development Authority
<b>VAT</b>	: Value Added Tax



## **CHAPTER ONE**

### **INTRODUCTION**

The purpose of this chapter is to clarify the contextual nuances of the study topic underlying issues that contribute to the research problem. It proceeds to offer a concise overview of the study problem, followed by delineating the study's purpose, objectives, research hypothesis, and justification. Additionally, it outlines the study's scope, limitations, assumptions, and provides operational definitions of key terms.

#### **1.1 Background Information**

Private companies across various sectors operate within dynamic environments influenced by a multitude of internal and external factors (Möller, Nenonen, & Storbacka, 2020). Organizational characteristics are among the most important in determining how well private organizations do financially. Understanding the intricate interplay between organizational dynamics and financial outcomes is imperative for organizational leaders, stakeholders, and policymakers to make informed decisions and sustain competitive advantages in today's complex business landscape. According to Bodjrenou, Xu and Bomboma (2019) organizational factors encompass a broad spectrum of elements ranging from leadership styles, organizational structure, culture, strategic decision-making processes, to human resource management practices. These factors collectively contribute to the operational efficiency, effectiveness, and overall performance of private companies.

Organizational factors encompass the components within a company that govern its functioning and success. Businesses consist of interconnected elements forming the structural basis upon which they operate, aiming to steer the organization towards its defined objectives and aspirations. These factors influencing financial performance

encompass various facets such as audits, corporate governance, internal politics, leadership dynamics including hierarchical structure and top-level management, as well as the overall organizational environment (Njoroge et al., 2016).

As Mohsin, Ahmed, and Streimikiene (2020) elucidate, the organizational environment encompasses both internal and external elements that impact its effectiveness. Internal factors pertain to those originating within the organization itself, whereas external factors stem from influences outside the organization's boundaries. External environmental factors, such as policies and regulations, exert notable influence on companies' financial performance by establishing frameworks for compliance. These regulations set standards that organizations must adhere to, thereby exerting a significant impact on their financial outcomes (Ahmed & Nganga, 2019). It is evident that all these organizational factors play a pivotal role in the decision-making processes within an organization.

A root word meaning "to carry out," "to execute," or "to accomplish" is "parfourmen," which is where the word "performance" comes from. Execution of tasks, attainment of objectives, and fulfillment of duties are all part of it. Accuracy, completeness, cost-effectiveness, and efficiency are some of the more generalized definitions of performance that describe the end result of an endeavor. Simply spoken, it indicates the degree to which a goal has been or is being met. According to Frich Kohlar, "Performance" is an all-encompassing word that denotes the sum of an organization's actions within a certain time frame, often assessed according to factors like past or future cost-efficiency, managerial effectiveness, accountability, or responsibility. It thus includes both the presentation and the quality of the results. According to Premchand (2012), a company's performance is a measure of its success, circumstances, and compliance with rules.

### **1.1.1 Organizational Factors**

The correlation between good corporate governance and financial success was investigated in a South Korean panel data research that ran from 2012 to 2016 (Cho, Chung & Young, 2019). The results showed that corporate governance and business performance are associated in a non-linear, inverted U-shaped relationship, which means that there is an ideal degree of corporate governance to maximize financial results. Organizational ownership structure was also shown to positively correlate with company success, according to the research.

Another empirical investigation conducted in Greece focused on distinguishing factors that influence an organization's financial performance from those impacting non-financial performance (Constantatos, 2018). The results indicated that firm size and leverage were two significant determinants of financial performance. Specifically, larger firms in Greece exhibited superior profitability and competitive advantage, attributed to effective management practices. Numerous scholars have validated firm size as a positive and significant factor influencing the financial performance of business entities (Constantatos, 2018).

Kusmiati et al., (2023) investigated the determinants of corporate performance among Indonesian companies, and their study findings demonstrated a positive relationship between various indicators, including company profitability, and firm size.

Previous research conducted in developed countries, particularly in the United States and the United Kingdom, indicated a favorable impact of leverage ratio and physical assets on firm performance (Andreou et al., 2016). The authors additionally suggested that the positive correlation between leverage ratio and firm performance is contingent upon market-driven factors within the business environment. Within the Omani banking sector, studies have confirmed the significance of bank size and effective asset

management in attaining financial performance (Dalwai & Salehi, 2021). The findings suggest that larger banks with efficient asset management strategies are more likely to attain superior financial outcomes in the Omani context.

Corporate governance mechanisms are essential for ensuring that investors in corporations receive satisfactory returns on their investments (Shleifer & Vishny, 2006). Without these mechanisms or if they fail to operate effectively, external investors would be reluctant to provide funds to firms or purchase their stocks. This could lead to adverse consequences for economic performance, as numerous promising business opportunities might be overlooked, and financial difficulties at individual firms could quickly spread to affect other firms, employees, and consumers. Previous research indicates a positive relationship between corporate governance and corporate performance. For instance, Kafidipe et al., (2021) found that firms operating in industries requiring substantial external financing experienced faster growth in countries with strong financial development indicators. Thus, corporate governance, as measured by improved accounting standards, enhanced legal protection for investors, and a robust legal framework, plays a significant role in influencing financial performance.

The idea that good corporate governance procedures correlate positively with business value has been independently supported by studies done by Sitorus and Sitorus, (2017), Mukhtaruddin et al., (2019), and Kiharo and Wangâ (2018). The effect of improved corporate governance on the cost of capital is well-known.

A company's "capital structure" is its overall financial plan, which includes the various debt and equity components that support the business. There is a strong correlation between a company's capital structure and its capacity to satisfy its stakeholders. A company's capital structure is the way it raises money for its assets, whether that's via

stock, debt, or a mix of the two (Saad, 2010). A company's total debt includes both current and future obligations, as well as ordinary and preferred shares. Nonetheless, there are a number of useful theoretical frameworks that may shed light on the debt-to-equity ratio that businesses use.

Human resource development encompasses a spectrum of initiatives aimed at enhancing the performance of individuals within an organization or company. The core objective of human resource development revolves around the training, growth, and advancement of employees. Training constitutes activities geared towards fostering learning and knowledge acquisition within the organization (Swanson, 2022). The primary aim of education and training is to foster the development and overall competency of employees in fulfilling their duties. Cho, Kim and Mor Barak (2017) emphasized the importance for private enterprises to embrace diversity and flexibility within their workforce. Similar to large corporations, private entities are bound by regulations and laws mandating the diversification and development of their human resources. Consequently, these organizations must undertake proactive measures to bolster human resource development and cultivate a thriving workplace environment.

As the business landscape evolves, private companies must adapt their operational structures to facilitate the smooth transition of employees, catering to changing customer demands and demographic trends. Moreover, managers within these companies need to stay attuned to the evolving business requirements, environmental factors, and core competencies to ensure the long-term sustainability of their firms. Achieving this entails prioritizing human resource development. Implementing human resource development strategies offers private companies a competitive edge (Tamunomiebi & John-Eke, 2020). Development efforts extend beyond mere learning, aiming to enhance employees' competence, skills, and overall quality while fostering

greater motivation and commitment to the organization. Strategic human resource development, meanwhile, focuses on aligning training and development initiatives with overarching organizational objectives, while also responding effectively to environmental demands (Swanson, 2022)

Organizational structure refers to the formal framework that delineates the hierarchy, roles, and responsibilities within an organization. An effective organizational structure can facilitate efficient decision-making, enhance communication, and promote collaboration, thereby positively impacting financial performance (Reddy & Scheepers, 2019).

### **1.1.3 Financial Performance**

As per Jillali and Belkasseh (2022), financial performance encompasses the execution of financial activities and, in a broader context, denotes the extent to which financial objectives have been achieved or are being pursued. It entails putting a company's strategy and operations' results into monetary terms so that it may be used as a benchmark to evaluate its overall financial health over a certain period of time. Xu, Liu, and Chen (2019) echo this sentiment, emphasizing the importance of financial performance in finance risk management.

Financial performance essentially mirrors the outcomes of a business sector, offering insights into its financial health and effectiveness in wealth generation, as highlighted by Nyathi et al. (2018). It gauges how efficiently resources are employed to enhance shareholder wealth and profitability. While various measures contribute to a comprehensive evaluation of financial performance, financial ratios stand out as prominent indicators in finance and statistical analysis.

In order to assess financial performance, a research conducted by Fatihudin (2018) in the tea industry from 2014 to 2018 used profitability measures, asset utilization ratios,

leverage ratios, liquidity ratios, and the cash conversion cycle. The dependent variable was determined to be return on investment (ROI), and the independent predictive variable was the aforementioned ratios.

Over time, the financial performance of companies has garnered significant attention from shareholders, managers, researchers, and policymakers. However, there remains a lack of consensus regarding the appropriate methods for measuring such performance. Analysts commonly employ various metrics, with ratios being among the most frequently utilized, to assess a firm's performance. Nevertheless, there has been a recent shift in focus towards alternative performance indicators beyond purely financial aspects. Profitability, return on investment, and other financial measures are part of this set of indicators for the tea sector. Non-financial aspects include things like employee happiness, production volumes, and market share. In order to make well-informed decisions, many stakeholders have different preferences when it comes to performance metrics. As previously stated by Kearney (2013).

#### **1.1.4 The Kenya Tea Development Agency**

After the Kenya Tea Development Authority (KTDA) was privatized in June 2000, it took over all of the assets, liabilities, and obligations of its predecessor (Maina & Kosura, 2016). From agricultural extension to transportation, processing, and marketing, KTDA Holdings offers a wide variety of services to small-scale tea growers via its contractual partnerships with independent tea factory enterprises (KTDA, 2022). A member of this entity's six subsidiary firms is KTDA Management Services Limited (KTDA, 2022). With small farmers having equity positions, KTDA Management Services Limited oversees 54 firms that jointly manage 66 tea processing units (Maina & Kosura, 2016).

The Kenya Tea Development Agency Ltd (KTDA) is a primary provider of services to a large number of tea farmers producing tea at a small scale. This company is made up of 8 subsidiary companies whose core mandates are to provide services such as clearing and 3 forwarding, warehousing, exporting, blending, value addition and general trading to farmers (KTDA, 2016). KTDA has been experiencing several challenges especially in relation to financial performance like the decline of auctioning prices, little farmers wages awards, high cost of production with low income among others that are leading to the decline in tea production (Gesimba et al., 2005). These financial hurdles can be attributed to the organizational factors that are affecting the financial operations of the company both internally and externally. Effective management of organizational factors is paramount in decision-making and addressing financial challenges. Mismanagement of these factors can significantly impact financial performance negatively. Therefore, it is imperative to conduct an analysis to evaluate the influence of general organizational factors within KTDA factories on financial performance. The focus of this analysis is on KTDA factories in Kisii Highlands Region. This is motivated by the fact that KTDA is one of the largest private organizations in Kenya whose operations and financial performance is crucial to small-scale tea farmers and their households. These farmers greatly rely on KTDA factories to achieve their livelihood. This research assessed the way organizational factors may influence the performance of financial issues within KTDA factories in Kisii Highlands Region.

Concession programmes, leasing and build own operate arrangements have helped grow many businesses and the public sector has taken note of them. The programmes save organizations the costs of tax accruing from acquisition of land, machinery and allied movables. They equally reduce the startup costs of the organizations and aid propels them into the pedestal of growth, (Nyangito, 2011). The tea processing industry

can only thrive on the realization of the need to engage the private sector in the realization of cost cutting as a measure of ensuring reduced expenditure. Invitation of partnerships can save the K.T.D.A enormous costs and give 4 farmers opportunities to maximize growth and realize better proceeds by virtue of having a bigger leeway and more avenues for processing the green leaf. Tea factories can equally engage the private sector partners to help improve their capacities and recover their costs over long periods of time. This will assure farmers of improved processing capacities and greater benefits from their production activities. Asset financing can thus be termed as a great initiative of enhancing and assuring the profitability of tea factories by way of having operating costs which are manageable and assured despite numerous demands and obligations to shareholders.

The Kenya tea industry is divided into sub-sectors of production systems that include the integrated multinationals that have their factories, plantation and small-scale farmers. Tea was introduced to Kenya in 1903 as an experiment in Limuru Kenya. However, tea production was not commercialized until 1924 when it became a cash crop that was completely under the control of the colonial government. In 1956, Kenyans were allowed to start growing tea on their farms (Owuor, 2011). After independence, Kenyan farmers were able to auction their tea and export it to other countries. Over the years since independence, small-scale tea farmers have been able to gain significance ahead of the extensive estates accounting for about 60% of tea production in Kenya as at 2011. Both large and small-scale tea producers auction their tea at Mombasa Tea Auction, which is the second largest tea auction centre in the globe (Ndege, 2013).

Small-scale tea farmers are integrated by the Law, CPDA 2007 under KTDA, which coordinates, processes, and markets and group all small-scale farmers of tea

production. KTDA Ltd was previously a public authority which was known as the Kenya Tea Development Authority that was formed under the legal notices No. 42 of 1964. The authority took over after the Special Crops Development Authority (SCADS), which had been created by the colonial government. The body was meant to enhance tea production in the country by taking over the 5 functions and liabilities of SCADS (Ndege, 2013). In 2000, the authority was privatized under Cap 486 of the Kenyan law to form the current KTDA, becoming the largest private tea management organization in Kenya. Currently there are 67 KTDA factories and eight subsidiary companies (KTDA, 2016). Kisii region is located in serene highlands. In recent years, the tea industry has faced numerous challenges, including low yield from small-scale farmers, over-reliance on a small number of export markets, poor factory control, restricted access to capital, rising production costs, and a lack of stakeholder involvement at the top of the value chain and with regulatory agencies. Additionally, there's been a lack of value-adding strategies, inadequate benefits to farmers from levies and cess, limited research, extension services, and innovation, as well as weak local-level marketing (Ndege, 2013). These challenges have significantly impacted the financial performance of the industry, particularly within KTDA factories, which cater to small-scale farmers disproportionately affected by these issues.

## **1.2 Statement of the Problem**

Organizational factors play a pivotal role in decision-making processes within companies, influencing the balance between wealth maximization objectives and overall economic viability (Ndege, 2015). Mismanagement of these factors can lead to significant failures, particularly when entrusted with managing assets and finances of stakeholders such as investors, clients, shareholders, and creditors. Despite the crucial role tea production plays in the Kenyan economy, contributing to foreign exchange

earnings, income generation, and employment creation, concerns have arisen over declining tea income due to low-profit margins in the global market (Gesimba et al., 2005). Moreover, Kenyan tea prices have faced downward pressure in the international market, prompting small-scale farmers to consider alternative, more profitable crops.

In recent years, KTDA factories management has faced accusations of fund mismanagement and financial fraud, leading to delayed benefits for small-scale farmers (Kimutai, 2012; Kareithi & Kathuri, 2007). Such mismanagement has resulted in financial losses for tea farmers, compelling some to explore alternative crops, thereby reducing tea production in Kenya. On the other hand, there is a dearth of studies that examine the impact of organizational elements like structure and senior management on financial success. Research on the best practices for managing organizational elements to achieve optimum financial performance in businesses is crucial in filling this knowledge gap and adding to what is already known.

Research by Kimanga (2015), Kareithi and Kathuri (2007), Ndege (2013), and Kimutai (2016) mostly focused on financial misconduct impacting the financial well-being of tea manufacturing facilities. The purpose of this research was to learn more about the organizational variables that affect the bottom line of the tea factories run by the Kisii Highlands Development Authority (KTDA).

### **1.3 Purpose of the study**

In order to learn how KTDA factories in the Kisii Highlands Region's financial performance are affected by several organizational aspects.

### **1.4 Objectives of the Study**

- i.) To identify the influence of organizational structure on the financial performance of KTDA factories in Kisii Highlands Region

- ii.) To determine the influence of corporate governance on the financial performance of KTDA factories in Kisii Highlands Region
- iii.) To determine the influence of Human resource capacity on the financial performance of KTDA factories in Kisii Highlands Region
- iv.) To establish the influence of capital structure decisions on the financial performance of KTDA factories in Kisii Highlands Region

### **1.5 Research Questions**

- i.) To what extent does organizational structure influence the financial performance of KTDA factories in Kisii Highlands Region?
- ii.) In what ways does corporate governance influence the financial performance of KTDA factories in Kisii Highlands Region?
- iii.) To what extent does the human resource capacity influence the financial performance of KTDA factories in Kisii Highlands Region?
- iv.) What is the influence of capital structure decision on the financial performance of KTDA factories in Kisii Highlands Region?

### **1.6 Significance of the Study**

The purpose of this research was to examine how various organizational elements affect the efficiency and effectiveness of publicly traded companies. For both publicly traded and privately held companies, auditing is an essential part of maintaining financial stability and longevity. Because organizational characteristics may have a substantial impact on financial success, this study's conclusions are applicable to a wide range of business structures. Key leadership teams, including top management, support teams, board of directors, as well as departments such as finance and human resources, stand to benefit from understanding the importance of effectively managing organizational factors to enhance financial performance.

Additionally, this study endeavors to contribute new insights into the role of governance in managing organizational factors to drive positive performance in both public and private sectors, thereby fostering overall economic growth. Students of finance might also learn something from this research about the ways in which organizational issues affect the financial and non-financial results of companies. The findings of this study may also pave the way for more investigations into the impact of organizational variables on financial performance in a wide range of business settings.

### **1.7 Scope of the Study**

Organizational variables' effects on KTDA factories' bottom lines in the Kisii Highlands Region were the focus of this research. The tea factories in the Kisii Highlands area were the primary targets of this. Finding out how decisions on capital structure, human resource capability, corporate governance, and organizational structure impact the financial performance of tea plants was the primary goal of the research. This descriptive study has its theoretical foundations in agency theory and stakeholder theory. Twenty-four manufacturing managers and twelve accountants were the subjects of the research. The data used to determine financial success was culled from the company's financial statements for the years 2018–2023.

### **1.7 Limitations of the Study**

The study may face challenges related to respondents' attitudes, as individuals may hold different perspectives on the study subject. These varying inclinations could influence their perceptions and responses. To address this challenge, the researcher emphasized the importance of objectivity when completing the questionnaires. Clear communication was employed to encourage respondents to provide honest and unbiased feedback, ensuring the success of the study.

The availability of the respondents was a challenge owing to the busy nature of the tea factories. The researcher surmounted the challenge by making prior arrangements with the tea factories. This ensured that they make provisions for the availability of the personnel to be subjected to the data collection instruments.

### **1.8 Delimitation of the Study**

Only tea factories overseen by KTDA were included in the research. Kisii Highlands regions in Kenya. This ensured that the findings were representative of the targeted geographical area and allows for better control of external factors that may vary across regions. The study focused on the last 5 years, to capture recent trends and developments within KTDA and the tea industry in Kenya. This delimitation ensured that the data and findings were relevant to the current organizational context.

The study focused on financial performance measures, such as profitability, revenue growth, cost efficiency, or return on investment. This ensured that the analysis is tailored to the specific aspects of financial performance that were most relevant to the research objectives. The study was delimited to organizational structure, corporate governance, human resource capacity and capital structure decision. This allowed for a more in-depth examination of the chosen organizational factors and their impact on financial performance.

### **1.9 Assumptions of the Study**

The research project's foundational assumptions were that;

- i. The financial data and organizational information provided by KTDA and its tea factories in the Kisii Highlands region are accurate, complete, and reliable. It is assumed that the data accurately reflects the financial performance and organizational factors under investigation.

- ii. The external environment, such as economic conditions, market forces, and regulatory frameworks, remained relatively stable during the period under investigation. This assumption allows the study to focus primarily on the internal organizational factors influencing financial performance, without significant external disruptions or fluctuations.
- iii. The study assumed that the organizational theories and concepts utilized in the research are applicable and relevant to the context of KTDA and the tea industry in the Kisii Highlands region. It is assumed that the theoretical frameworks used can adequately explain and interpret the relationships between organizational factors and financial performance in this specific setting.

## 1.10 Operational Definition of Key Terms

<b>Corporate governance</b>	mode of structured association and management in an organization which inculcates the input of all the stakeholders
<b>Organizational structure</b>	refers to the hierarchal chain of command in an organization
<b>Capital Structure Decisions</b>	pertain to the decisions taken by a business about the makeup of its capital, which encompasses the ratio of debt to equity used to fund its assets and activities.
<b>Financial Performance</b>	measures how well a company does in meeting its financial targets. It is a critical component of finance risk management, as it reflects the ability of an entity to effectively manage and mitigate financial risks
<b>Human resource capacity</b>	refers to the collective knowledge, skills, abilities, and other characteristics possessed by an organization's workforce that enable it to effectively accomplish its goals and objectives

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section summarizes the prior research that is pertinent to the investigation. Starting with an overview of the research's theoretical underpinnings, it presents the investigation's guiding hypotheses and ideas. Subsequently, it examines the empirical evidence by critically analyzing the findings and conclusions of previous studies conducted in related domains. The chapter then introduces a conceptual framework, which visually represents the relationships between the identified variables under consideration. Finally, the chapter concludes with a recap of literature review.

#### **2.2 Theoretical Literature Review**

The theoretical review component evaluates and contrasts the methods and explanations offered by different schools of thought on a certain topic or occurrence. To better understand how organizational issues impact the financial performance of KTDA companies in the Kisii Highlands Region, this research used three separate theories: agency theory, stakeholder theory, and resource-based theory.

##### **2.2.1 Agency Theory**

Agency Theory, developed in the 1970s by economists Michael Jensen and William Meckling, explores the relationships between principals (owners) and agents (managers) in business settings. The theory addresses the conflicts that can arise when the goals and interests of principals and agents diverge, and it seeks to understand how these conflicts can be managed or mitigated. Berle and Means' influential 1932 paper investigated the disentanglement of company ownership and management, laying the groundwork for what would later become known as the Agency Theory. The Institute of Chartered Accountants in England and Wales (2005) states that the theory proposes

that principals do not have enough reason to trust their agents because of information asymmetries and self-interest. As a result, strategies are needed to align the interests of the principals and agents and minimize information disparities.

Within the context of auditing, the Agency Theory assumes divergent interests between principals and agents, as well as information asymmetry. Principals, often shareholders, seek to mitigate risks by entrusting agents, typically organizational executives, with specific talents and knowledge to enhance asset value through efficient resource allocation. However, conflicts may arise when agents prioritize their wealth accumulation over shareholder interests, focusing on short-term gains and adopting different risk attitudes (Jensen, 1976; Islam, 2014).

big audit firms, competence, a big board, and independence are all positively correlated with good corporate governance, according to Baxter (2010). The split of ownership may be reduced by improved corporate governance, which in turn reduces agency difficulties (Islam et al., 2010). Good agency issue management is possible when ideas from Agency Theory are applied to corporate governance. Trust between principals and agents may be strengthened by transparent financial reporting and the guarantee of accurate financial information (Baxter, 2010).

In the auditing literature, agency costs resulting from information asymmetry and conflict of interest drive the demand for high-quality auditing by organizational audit committees (Ittonen, 2010). The degree of auditing required varies based on the alignment of management and owner interests, with greater information asymmetry necessitating more extensive auditing (Melyoki, 2005).

Shareholders utilize mechanisms such as boards of directors to align managerial actions with shareholder interests (Jensen, 1993; Denise, 2001). Despite the inherent conflict between principals and agents, Agency Theory provides a framework for assessing how

effective corporate governance can mitigate opportunistic managerial behavior, ensuring fair returns for shareholders (Ndege, 2015).

Organizational factors play a crucial role in enhancing credibility to investors and managing conflicts between principals and agents (Ittonen, 2010). Preventing agency difficulties via good corporate governance emphasizes the impact of organizational characteristics on organizational performance.

### **2.2.2 Stakeholder Theory**

Stakeholder Theory, introduced by R. Edward Freeman in his seminal 1984 book "Strategic Management: A Stakeholder Approach," is a framework for analyzing and addressing the various interests and influences of different groups involved in or affected by a business's operations. Unlike traditional business models that primarily focus on maximizing shareholder value, Stakeholder Theory emphasizes the importance of balancing the needs and interests of all stakeholders.

Anyone who has an interest in or is affected by the organization's objectives is considered a stakeholder (Freeman 1984). This idea, which has its origins in the fields of sociology and organizational science, states that in an endeavor, all parties involved participate because they have a stake in seeing it through, and no one group's interests should take precedence (Smith, 2003; Ndege, 2015).

Some have argued that Agency Theory is flawed because it ignores factors outside the control of shareholders and only considers the here and now (Freeman, 1984; Freeman, Wick, and Parmar, 2004). Critics argue that this perspective limits the firm's purpose to maximizing shareholder value. In contrast, Stakeholder A more holistic and long-term view is provided by theory, which argues that the interests of all important stakeholders should be taken into account (Freeman, 1984). All stakeholders, including workers,

consumers, vendors, the state, and society at large, are essential to business operations, according to this idea (Freeman, 1984; Cadbury, 1992; Jensen, 2001).

Firms, according to Stakeholder Theory (Marcoux, 2003), should shape their company strategy in a way that satisfies the various interests of their stakeholders. This perspective emphasizes the ethical and moral dimensions of corporate conduct (Phillips, 1997), advocating for responsible and sustainable business practices that benefit all stakeholders.

In summary, Stakeholder Theory presents an alternative framework to Agency Theory, emphasizing the broader purpose of corporations beyond shareholder value maximization. By prioritizing the interests of all stakeholders, this theory advocates for ethical and socially responsible corporate behavior, thereby contributing to long-term sustainability and organizational success.

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### **2.2.3 Resource Based View (RBV)**

One of the theoretical underpinnings of the research was the resource-based theory of the company. Barney combined ideas from strategic management and organizational economics in 1991 to form this theory (Barney, 1991). A company's competitive edge

and high performance, from this point of view, come from its special and distinctive skills (Scholes and Whittington, 2008).

According to the resource-based view, competitors are finding it easier and easier to replicate traditional sources of competitive advantage, such as financial resources, natural resources, technology, and economies of scale, which are all contributors to value creation (Jackson & Schuler, 1995). Firms within the same industry might have different degrees of performance; this is explained by the resource-based paradigm, which focuses on finding internal sources of sustainable competitive advantage (Peteraf & Barney, 2003).

The Resource-Based View (RBV) contends that a company's resources, both tangible and intangible, can confer an advantage over competitors. However, it underscores that simply possessing resources is insufficient; rather, it is the effective combination and utilization of these resources, known as capabilities, that create lasting competitive advantages (Wong & Karia, 2010).

RBV emphasizes the synergy and bundling of resources and capabilities, positing that a company's competitive advantage is most potent when these elements are integrated and mutually reinforcing. Companies possess diverse sets of resources, and their ability to acquire, develop, manage, and bundle these resources effectively determines their competitive position over time. RBV suggests that these resource bundles should be valuable, rare, difficult to imitate, and well-aligned with the company's organizational structure (Paulraj, 2011).

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This study adopted RBV to elucidate how organizations leverage unique resources through financial management practices, thereby enhancing their financial performance. By understanding how financial management practices contribute to resource acquisition, development, and bundling, firms can gain insights into creating sustainable competitive advantages in the marketplace.

### **2.3 Empirical Literature Review**

A brief overview of the prior knowledge on the topic is given in this section. In this part, we followed the study's stated goals.

#### **2.3.1 Organizational Structure and Financial Performance**

The manner in which a company's activities are carried out is outlined by its organizational structure. A number of actions, including supervision, coordination, and the assignment of tasks, are included in it. The organizational structure of an organization has a significant impact on the efficiency of its financial performance. This is because the organizational structure defines the most efficient tactics that can be used to optimize the production of wealth inside the firm. Another way in which the structure of a company affects productivity is by ensuring that the appropriate persons are responsible for carrying out the appropriate duties. To ensure the maximum degree of productivity, an organizational structure is also the bedrock upon which control over processes, decision-making, power, and governance is built (Njiru, 2014). When it comes to private organizations, productivity is evaluated based on factors such as the level of happiness experienced by customers and profitability, which is reflected in the company's financial performance. Small-scale farmers, factory firms, and

representatives of KTDA subsidiaries are the components that make up the organizational framework of the KTDA (KTDA, 2015). When it comes to the development of wealth, pricing, and the exploitation of assets, the control and choices that are made by this representative are very important in determining the financial success of the organization.

According to Robbin and DeCerzo (2005), every aspect of a firm relies on the organizational structure to achieve its goals and follow its strategic direction. Organizational structures are more useful to a firm when they align with its resources, objectives, competitive landscape, and purpose. This is applicable to the majority of situations. There is data shown by Levie (2006) that demonstrates a positive association between the degree of an organization's structure and the strategies that are implemented, as well as the efficacy and performance of a corporation. In other words, if a company's organizational structure is properly linked with the company's purpose and objectives, then it will have a favorable impact on the company's operational and financial success.

The impact of organizational structure on performance is largely regulated by environmental dynamics. Business owners should pay close attention to making sure their organizational structure matches the dynamics of the environment at each location if they want their organization to achieve high levels of financial and non-financial performance (Mansoor, 2012). Quingin, Helmu, and Juergen (2012) found that organizational structures may influence a company's financial and non-financial performance in indirect and direct ways. Their study was carried out in China and Australia. According to research by Oyewobi et al. (2013), which looked at how different organizational strategies and structures affected the performance of construction companies, the study found that organizational structures affected the

companies' financial and non-financial performance. Two of the most important functions of every organization's structure are control and coordination, say Robbi and DeCenzo (2005). These tasks are fundamental for the company. A key responsibility of the control function is to enforce the use of hierarchical restrictions as a basis for decision-making at all levels. Coordination, on the other hand, comprises checking that their internal company activities are well-thought-out and in line with the goals of the company. It is evident from these studies that organizational structure is a major factor influencing financial and non-financial success. The management and coordination of many operations and activities allows this to be achieved.

### **2.3.2 Corporate Governance and Financial Performance**

For the purpose of controlling and directing a company, corporate governance refers to the set of practices, procedures, and regulations that are in place. The link between the internal company and the system of governance, as well as the perception of society about corporate responsibility, are the points of emphasis in this discourse. 2015, according to Ndege). The integrity, openness, and disclosure of the board of directors, clearance from the Kenya Revenue Authority (KRA), clearance from the Ethics and Anti-Corruption Commission (EAC), clearance from the credit bureau, and independence of internal auditors are the metrics that are used to evaluate corporate governance in Kenyan private enterprises such as their factories. According to Ndege (2015), further elements of corporate governance include the establishment of checks and balances for the chief executive officer and chairman, the resolutions and accountability of the board of directors, monitoring and evaluation, and the adoption of minutes. Through the use of these many aspects of measurement, responsible corporate governance has an impact on the financial performance of an organization. These parts

of accountability will be adhered to by the audit committee, and more crucially, the committee will ensure that the internal good corporate governance does not compromise its independence. According to Jackson (2010), this improves the firm's performance by increasing openness, accountability, and disclosure with regard to its operations.

Numerous studies have sought to delve into the issue of corporate governance and its correlation with financial performance. Hewa (2012), for example, looked at how firms in Sri Lanka fared financially from 1999 to 2012 and how corporate governance affected their performances. Company cost is positively correlated with corporate governance, according to the study. The findings are further supported by study carried out by Tricke (2012). The author of this research noted that the financial performance and cost of a firm are affected by the differences in corporate governance that occur across various organizational structures. In 1999, the OECD released several Principles of Corporate Governance. These principles were developed with the intention of serving as guidelines that would assist the government in improving the legal, regulatory, and institutional framework that serves as the foundation for the activities of corporate governance (OECD, 1999). It may be deduced from this that the tasks of corporate governance are very important, and that they are even backed by legislation enacted by the government.

One of the most important factors in a company's bottom line is its corporate governance, according to research by Amba (2012). Thinkers, policymakers, and regulators should be entrusted with the duty of deciding how the various components of corporate governance are to be overseen. As a result, everyone's interests will be met and the organizations will be productive. Quaemi and Shahyari (2009) investigated the link between corporate governance and financial results and found a strong correlation.

A total of seventy-seven businesses were included in the research. There is a strong correlation between good company governance and financial success, according to these studies. This is because the rules that govern the management and steering of procedures, policies, and practices are laid forth by corporate governance (Awino, 2015).

### **2.3.3 Human Resource Capacity and Financial Performance**

The skills, knowledge, and abilities of an organization's workforce, or human resource capability, are critical factors that influence organizational success. In today's cutthroat corporate world, efficient human resource management is becoming more and more acknowledged as a factor in financial success (Shet et al., 2021).

A portion of the studies investigating the relationship between human resource capability have explored how it affects an organization's overall performance. Nzube and Bundi (2012), for example, looked at the relationship between the performance of 45 Kenyan commercial banks and the capability of their human resources. They evaluated a number of HR-related aspects, such as responsibility, incentive structures, reward systems, workplace flexibility and collegiality, and communication integrity. According to the research, hiring practices that complemented corporate goals ensured that qualified candidates were more equipped to do their jobs. Furthermore, most of the companies were seen to be attractive employers by prospective employees. In terms of workplace culture, the study found that managers prioritized staff coaching and mentoring, with flexible work schedules being highlighted in the majority of banks to guarantee employee wellbeing. Integrity in communication was deemed to be essential, with staff members communicating plans with organizations and being aware of their influence on consumers. The survey did point up several areas that needed work,

however, including the low level of employee input into recruiting choices, the poor availability of communication tools, and the absence of formal channels for top management to provide feedback. Numerous additional research have focused on investigating the relationship between employee performance and human resource capability. For example, Zeb et al. (2018) looked at the connection between workers' job performance and HRM procedures such training and development, hiring and selection, and performance reviews in Pakistan's telecom industry. Employee work performance was regarded as a dependent variable in their research, whereas recruiting and selection, performance rating methods, and training and development were evaluated as independent factors. Data for the research was gathered via questionnaires given to workers of Pakistani telecommunications businesses in the public and commercial sectors. The sample size was limited to 272 people due to financial and scheduling restrictions. Overall, the results point to the importance of human resource practices in influencing employee performance. These practices include training and development, which promotes knowledge and skill development, recruitment and selection, which ensures compatibility and competence, and performance appraisal, which raises morale and confidence. The study's absence of emphasis on financial success, which is its main focus, is one of its limitations. Furthermore, the research was carried out in the telecommunications industry, but the present study will be carried out in the private sector. Differences in geography may also have an influence on the capability of human resources.

A substantial amount of study has also been done on the effect that human resource capability has on business financial operations. Nicol-Keita (2013) did noteworthy research in this area that concentrated on the financial management of the Gambia National Water and Electricity Company. Using both primary data collecting

techniques and secondary data sources, such as literature reviews, the study used an exploratory research design. Insights were gathered using qualitative methodologies, namely semi-structured face-to-face interviews. The poll results made clear that better financial operations might result from efficient HR management, which includes selective recruiting, employment security, competitive pay, self-managed teams, training, performance-based incentives, and information exchange. It is crucial to remember that the study's conclusions can't be applied broadly because of the qualitative character of the data gathering process. In addition, the study's constructs and variables drew on pre-existing models and theories.

It's important to note that the scope of this research was limited to public institutions, and that operational dynamics there may not be the same as those at private institutions like KTDA, which is the subject of the present investigation. Furthermore, even though the study does not specifically focus on financial operations, it does take an overall look at an organization's financial performance.

Savitri and Syahza (2019) employed a descriptive study approach to investigate the relationship between human capital and the financial performance of SMEs in the Indonesian Province of Riau, with guidance from the Resources Based View Theory. Eighty respondents, managers or owners of SMEs, provided primary data for the research using a standardized questionnaire. The results of the Path Analysis indicate that human capital has an influence on financial performance. Similar studies were conducted in Serbia by Paunovic (2021), who focused on the knowledge-based economy and looked at the connection between human capital and the financial success of entrepreneurial firms. Human capital is seen as a crucial component of intellectual capital.

The study's overarching goal was to identify the relationship between human capital and the bottom lines of Serbian startups. Various aspects of human capital were represented by independent variables, while dependent variables included sales revenue and ROAs (ROA). The sample consisted of new, Serbian businesses from a variety of sectors that were founded in 2015 and had financial statements released in 2017. All of them had three or more workers. 151 of the 1,559 qualifying firms took part in the study. Numerical variables representing answers pertaining to human capital were loaded into factors using factor analysis. The connection between the entrepreneurial team, social skills, persistence, and the entrepreneur's expertise were found to be the characteristics of human capital that favorably influenced ROA, according to the results. Furthermore, the entrepreneurial team's interactions with one another had a beneficial impact on sales income, whereas the entrepreneur's expertise, perseverance, and social skills had no discernible effect.

In a similar spirit, Orwa, Ourma, and Okwemba (2022) looked at how staff costs affected the earnings of fifty-seven Kenyan publicly listed enterprises. The study used a longitudinal research technique and resource-based perspective theory to evaluate secondary panel data that was taken from audited financial statements that covered the period from 2017 to 2021. Applying a random effects Generalized Least Squares regression analysis approach with STATA, the results showed a significant positive relationship between financial performance and human expenses.

#### **2.3.4 Capital Structure and Financial Performance**

A company's capital structure is the assortment of many financing sources it uses to maintain its assets and activities. This refers to the percentage of debt (bonds and loans) and equity (common and preferred shares) that the business utilizes. The capital

structure decisions a firm makes have a direct influence on its ability to meet the needs and expectations of its many stakeholders, including creditors, workers, and shareholders. A company's capital structure essentially describes how it finances its assets via a mix of debt, equity, and hybrid instruments—instruments that include elements of both forms of capital (Saad, 2010). Stated differently, it refers to a business's mix of preferred equity, ordinary stock, and both long- and short-term debt. Although there isn't a unique ideal capital structure that suits every firm, a variety of conditional theories may be used to get a better understanding of the factors influencing a company's choice of debt-to-equity ratio. These ideas clarify the many aspects that companies must consider while determining their capital structure.

Ajibola, Wisdom, and Qudus (2018) examined the effect of capital structure on the financial performance of publicly traded manufacturing companies in Nigeria using the trade-off theory model and Pecking Order Theory. The study's panel technique was employed to look at secondary data. The panel ordinary least squares analysis revealed a high positive correlation between ROE (ROE), total debt ratio, and long-term debt ratio. However, it was shown that there is a positive but statistically insignificant link between ROE and ROA as well as between ROE and the ratio of STD(STD), suggesting that ROE is a superior performance metric. The study's findings indicated that capital structure improved financial performance and suggested that companies use long-term debt more often.

The purpose of the study by Sakr and Bedeir (2019) was to examine the effect of capital structure decisions on financial performance. The study used data from 62 non-financial enterprises registered in Egypt from 2003 to 2016, spanning a fourteen-year timeframe. Two common performance metrics, ROE (ROE) and ROAs (ROA), were used as dependent variables in the study. When analyzing the independent variable

"capital structure," three metrics were used: total debt to total assets (TD), total short-term debt to total assets (STD), and total long-term debt to total assets (LTD). As the data shown, ROA was considerably reduced by capital structure (TD, STD, and LTD). While capital structure did have a favorable effect on ROE (ROE) in certain contexts, it had a significant negative effect when standard testing was used.

Listed Egyptian firms' financial performance was unaffected by their capital structure, according to Ebaid (2009). Ebaid used three accounting-based metrics—GM (GM), ROE (ROE), and ROAs (ROA)—to assess its financial performance. The empirical study's findings demonstrated that capital structure negatively affects ROA-measured organizational performance. Additionally, when considering total debt, short-term debt, and overall debt, ROE and GM found no significant impact of capital structure on organizational performance. However, Zeitun and Tian (2007) discovered that accounting measures and market performance assessments were both adversely influenced by a company's capital structure..

According to Gloy and LaDue (2011), in today's corporate world, internal auditors provide management a lot more information on the company's financial, operational, and compliance activities. The aim is to enhance the performance and operations of management in a way that is more effective, efficient, and cost-effective. It is the responsibility of internal auditors to provide solutions to problems or opportunities when they are identified. And while management is ultimately responsible for internal controls, Lewis (2005) argued that the role of internal auditing is to provide assurance to both the audit committee and management that the controls are functioning as intended.

Internal auditors now play a far larger role than they did in the past when it came to financial auditing. They now operate as consultants, offering a thorough perspective of the company's operations, making recommendations for enhancements to improve management performance generally, and confirming the efficiency of internal control mechanisms.

Modigliani and Miller's capital structure theory, pecking order theory, and trade-off theory provided the theoretical groundwork for the work of Mutua and Atheru (2020). Companies listed on the Nairobi Securities Exchange in Kenya's manufacturing and allied sectors were to have their capital structure and financial performance evaluated. The research used a descriptive methodology and included multiple regression analysis to analyze the data. The eight companies that were part of the population that was targeted using a census approach were those that were listed on the NSE, Kenya, within the manufacturing and allied industry. The research found that manufacturing and associated sectors listed businesses in Kenya had worse financial performance when equity and retained earnings were considered. Financial success, as measured by ROE (ROE), was shown to be enhanced by long-term debt.

### **2.3 Conceptual Framework**

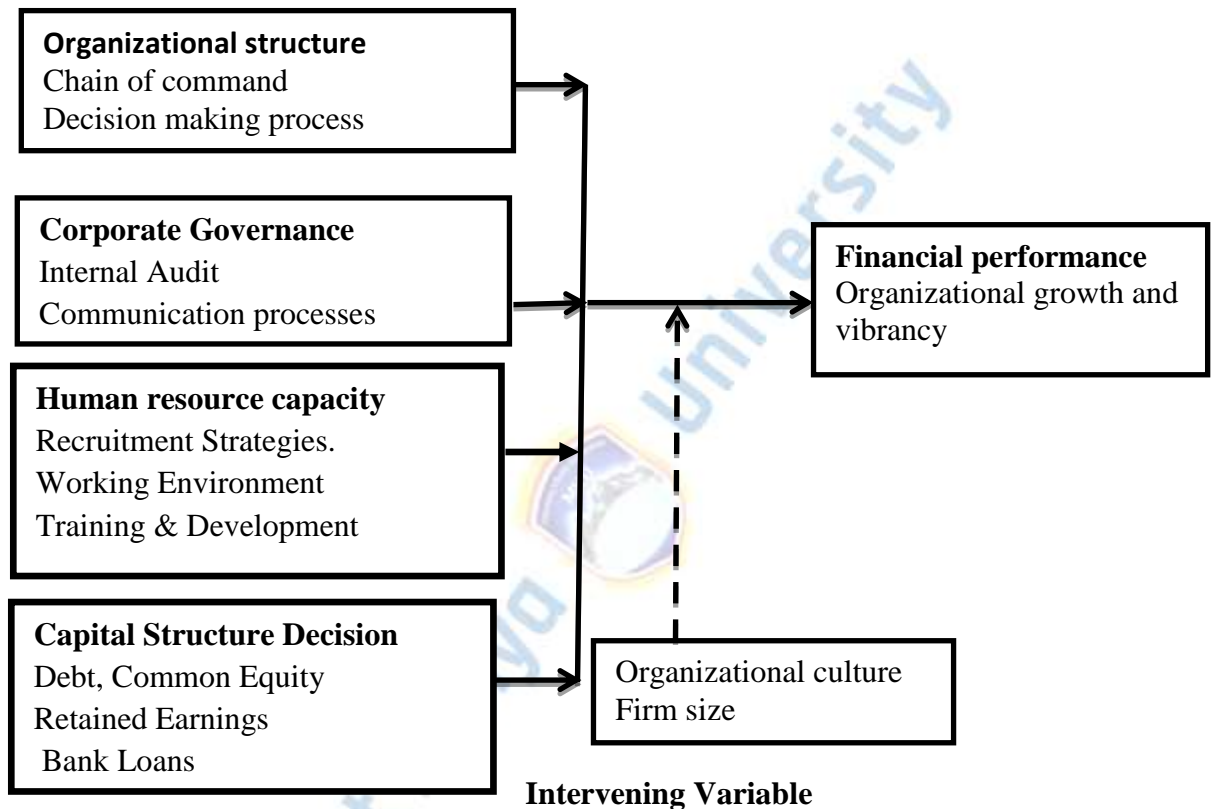
Both the dependent and independent variables were interwoven into the conceptual framework of this investigation. Organizational elements including corporate governance, human resource capability, organizational structure, and capital structure choices made up the study's independent variables. According to experts, these elements had a significant impact on the company's bottom line. Financial performance, which is an indication of the outcome or consequence of organizational characteristics, is the dependent variable in contrast. The framework also includes moderating variables that can affect the association between the independent variables and financial

performance; these include company size and organizational culture. The relationship between various study-related factors is shown by this conceptual framework.

**Independent Variables**

**Dependent**

**Variables**



**Figure 1: Conceptual Framework**

The term "organizational culture" describes the norms, expectations, and practices held by all members of an organization, shaping the behavior of its members (Needle, 2004). These shared values exert a significant influence on employee actions and job performance. The organizational culture has a direct or indirect effect on the organization's financial performance, according on how management manages and molds it. Employee engagement, creativity, and efficiency may all be fostered by a strong and supportive corporate culture, which can eventually lead to better financial

results. Conversely, a negative or dysfunctional culture may lead to disengagement, resistance to change, and inefficiencies, which can adversely affect financial performance. Therefore, understanding and effectively managing organizational culture is crucial for optimizing financial performance.

#### **2.4 Research Gap**

By providing a thorough understanding of the ways in which organizational variables affect organizational performance, this research sought to close a significant knowledge gap. Even though Figure 1's correlations between the dimensions clearly indicate a causal relationship, further conceptual framework analysis is required before any significant conclusions about the relationship between organizational variables and financial performance can be drawn. The research aimed to give useful insights that help guide realistic decision-making processes inside businesses by exploring these links in further detail. This study attempted to provide a strong basis for well-informed strategic management practices by shedding light on the complex interplay between organizational characteristics and financial performance via rigorous analysis and investigation.

#### **2.5 Summary of Literature Review**

Organizational characteristics are crucial in determining how well corporate organizations function financially, according to the synthesis of theoretical frameworks and actual study done by other scholars. Even while corporate governance and financial performance have been the subject of much study, there is still a significant literature vacuum when it comes to the direct effects of organizational characteristics on private firm performance. By concentrating on the organizational characteristics of Kenyan private corporations and examining how these characteristics affect corporate performance, this research aimed to close this gap. Through a comprehensive analysis

of organizational dynamics and their effects on financial outcomes, this research endeavored to contribute valuable insights to the existing body of knowledge in the field. By elucidating the mechanisms through which organizational factors shape performance in private corporations, this study aimed to provide actionable recommendations for enhancing organizational effectiveness and achieving sustainable financial success.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter details the study's methodology, which looked at how KTDA factories in the Kisii Highlands Region's financial performance was affected by organizational issues. The following components made up the chapter: study strategy, population of interest, sampling technique and size of sample, data gathering and analysis, and analytical model.

#### 3.1 Research Design

The descriptive research approach was used for this study because it allows for data collection to be conducted in an undisturbed natural setting. The purpose of this quantitative study was to investigate, at KTDA enterprises in the Kisii Highlands Region, how various organizational characteristics affected their financial performance. In order to get a thorough knowledge of the dynamics at work, a quantitative descriptive study approach was used to shed light on certain scenarios (Anastas, 2012). As a result, the best way to investigate the link between KTDA factories' organizational variables and financial performance in the Kisii Highlands Region was to use a quantitative descriptive study methodology.

#### 3.2 Target Population

Every single factory in the Kisii Highlands Region—including Sanganyi, Tombe, Gianchore, Nyansiongo, Kebirigo, Nyankoba, Rianyamwamu, Itumbe Nyamache, Ogembo, Eberage, and Kiamokama—was considered for this study's intended audience (KTDA, 2016). This population comprises 24 factory managers, which included both

factory unit managers and factory accountants, along with their assistants, as well as 12 finance officers, resulting in a total of 36 targeted respondents.

### **3.3 Sampling Procedure and Sample Size**

Given the small size of the population of interest, the census sampling approach was used. If the total population is little or if it is practically possible to include everyone in the research, then this approach is suitable. Here, the sample size of 36 people was thought to be just right for the research to draw valid conclusions. For that reason, this study's researchers decided that a census sample would be the best approach.

### **3.4 Data Collection**

This research made use of both primary and secondary sources to compile its data. Primary data was collected by surveying the management team, who voluntarily supplied information on organizational characteristics. These questionnaires were designed to elicit specific information regarding the organizational structure, corporate governance practices, human resource capacity, and capital structure decisions.

In addition to primary data collection, secondary data was obtained from organizational records that document financial performance over a specified period. These records provided valuable insights into the financial status and trends of the KTDA factories in the Kisii Highlands Region. The purpose of this research was to get a thorough knowledge of the link between organizational characteristics and financial performance by analyzing primary and secondary data sources.

### **3.5 Data Collection Tools**

In this research, structured questionnaires were the main means of data collection. The literature analysis served as the basis for the careful development of these questionnaires, which were designed to inquire about respondents' history and answer

research questions in a way that was pertinent to the study topic. Organizational elements' effects on KTDA factories were the intended focus of the inquiry.

Following the guidelines of Curmin and Slater (1996), the questionnaire were structured to facilitate a natural flow from one question to another, mirroring the progression of a conversation. Closed-ended items were utilized to solicit precise information required by the researcher, while open-ended questions encouraged respondents to provide detailed insights in their own words.

The use of structured questionnaires offers several advantages, as noted by Cooper and Schindler (2003). It requires minimal staffing, allowing for efficient data collection, and enables the researcher to gather large amounts of data within a short timeframe. Moreover, structured questionnaires provide anonymity to respondents, fostering an environment where they feel comfortable answering questions candidly without fear of reprisal. Overall, this approach is both economical and user-friendly, facilitating the collection of robust data for analysis.

### **3.6 Piloting of Data Collection Instruments**

Two factories outside of the research location in the Kisii Highlands were the sites of a pilot test. In this preliminary study, a subset of the management team filled out the surveys to see how reliable the research tools would be. To make sure the instruments were reliable and valid, the pilot test used a test-retest procedure. The results of the pilot tests informed the modifications that were made to the instruments.

#### **3.6.1 Validity of the Instruments**

A test is considered valid if and only if it reliably assesses the constructs for which it was developed. The extent to which the data analysis findings faithfully portray the examined phenomena is also relevant (Khan & Best, 1998). Researchers checked the questionnaire's content and face validity in this study.

Face validity concerns whether the questions are easily understood and interpreted by respondents. This was evaluated through pre-testing, where selected individuals reviewed the questionnaire to identify any potential misunderstandings or ambiguities. Content validity, on the other hand, assesses whether the questionnaire adequately covers the topic of interest. To establish content validity, the research instruments were meticulously prepared under the guidance of supervisors and experts in the field. Additionally, pre-testing of open-ended questions were conducted to ensure comprehensive coverage of the subject matter.

### 3.6.2 Reliability of the Instruments

Leedy and Ormrod (2014) state that the inner consistency of items reflecting a secret make is shown by instrument reliability. It indicates how well measuring devices are consistently quantifying the target variables. A primary need of any research process is the dependability of the data and results. By supposing that items measuring comparable constructs should correlate, the internal consistency coefficient provides the reliability of measurement estimate. The most common way to measure internal consistency is using Cronbach's alpha. With Cronbach's alpha values between 0 and 1, the reliability of this approach grows as the alpha value rises. An appropriate dependability number, according to Gorard (2013), is a correlation coefficient that falls anywhere between 0.7 and 0.8.

Thus, a Cronbach's alpha of 0.7 was deemed satisfactory in this investigation.

**Table 1: Cronbach's Reliability Alpha**

Construct	Cronbach's reliability alpha
organizational structure	0.811
corporate governance	0.820
human resource capacity	0.721
capital structure decisions	0.852

Average	0.801
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Source: Researcher (2024)

The results showed that Cronbach's reliability alpha for organizational structure was 0.811, for corporate governance it was 0.820, for human resource capacity it was 0.721, and for capital structure decision it was 0.852. There was no need to make any changes to the study apparatus since this proves its reliability.

### 3.7 Data Analysis and Presentation

Data cleansing, which entails locating and fixing any missing, incorrect, or otherwise irrational information, follows data gathering. Next, the data was coded so that it could be analyzed. Quantitative methods were used for the purpose of data analysis.

The statistical methods offered by the SPSS were carried out quantitatively utilizing spreadsheets and computers (Martin & Acuna, 2002).

Descriptive and inferential statistics were both used in the study. In order to examine the context, descriptive statistics were used, which included metrics like mode, SD, and means. The study adopted inferential statistics like regression and one-way ANOVA to find out whether the variables impacting financial performance were significantly different from one another.

Using regression analysis, the study was able to answer the study questions on how various organizational characteristics impact the financial performance of tea manufacturers. The financial performance was the dependent variable, whereas organizational characteristics were the independent ones. Equation one below represents the postulated model.

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_0 \quad \text{équation (1)}$$

From the equation (1),

Y = Financial performance,

$\alpha_0$  = constant showing financial performance devoid of the influencing factors,

$\beta_i$  = Coefficient of the independent variables

$X_1$  = Organizational structure,

$X_2$  = Corporate governance,

$X_3$  = human resource capacity

$X_4$  = capital structure decisions

$\epsilon_0$  = error term associated with the regression model.

### **3.8 Ethical Considerations**

All participants were apprised of the study's goals and their role in it before any data was collected. Before data collection could begin, all participants gave their informed permission. The researcher prioritized the privacy of the respondents, adhering to ethical guidelines. Anonymity was maintained by requesting respondents not to include their names anywhere in the questionnaires, thus safeguarding their privacy (Gay, Mills & Airasian, 2009).

During data analysis and report writing, the researcher strived to eliminate bias by accurately reporting the results obtained from the field without introducing personal biases. Additionally, proper citation of academic materials was ensured, and authorship was credited appropriately to avoid plagiarism.

Furthermore, the study upheld precision in data collection and analysis, ensuring accurate interpretation and presentation of findings without exaggeration or manipulation. By adhering to these ethical principles and academic standards, the research aimed to maintain integrity and rigor throughout the study process.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

In keeping with the goals of the research, this section details the data analysis, interpretation, and response rate. Organizational variables' effects on KTDA factories' bottom lines in the Kisii Highlands Region were the focus of this research. This research set out to answer the question, "How do KTDA factories in the Kisii Highlands Region's organizational structure, corporate governance, human resources, and capital structure affect their financial performance?" Tables and figures displayed the study's findings.

#### **4.2 Response Rate**

The study's sample size was 36 people, including accountants and manufacturing managers from KTDA enterprises in the Kisii Highlands Region. A response rate of 94.4% was achieved when 34 out of 36 questionnaires that were issued were properly filled out and returned. Analysis, judgments, and generalizations about a population may be made with a response rate of 75%, according to Nulty (2011). Furthermore, according to Fincham (2013), it is considered appropriate to analyze responses with a rate of 60% or above. The results may be inferred and reported with confidence from the 94.4% response rate.

#### **4.3 Demographic findings**

Demographic findings refer to the statistical characteristics of populations, often used in social sciences, marketing, economics, public health, and policy making to understand trends, distributions, and patterns within specific groups. These findings are crucial for shaping decisions and strategies across various sectors. The purpose of this

study was to collect demographic information on the managers who work in tea factories, including their gender, educational background, and length of service, and to draw connections between this data and their knowledge of the organizational factors that impact the factories' financial performance.

#### 4.3.1 Respondent's Gender

The respondents' genders were as indicated in the Table 2.

**Table 2: Respondents' gender**

		Frequency	Percent
<b>Valid</b>	Male	23	67.6
	Female	11	32.4
	<b>Total</b>	<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

Based on the data in Table 2, it is evident that there is a gender imbalance in the management teams of the tea factories that were sampled. Specifically, 68.8% of the respondents were male and 32.4% were female. This suggests that these factories tend to hire more male managers. It can also be inferred that men are more likely to pursue management roles in these tea factories.

#### 4.3.2 Academic Qualification

The respondents' academic qualifications were as indicated in the Table 3.

**Table 3: Highest academic qualification**

		Frequency	Percent
<b>Valid</b>	Diploma	4	11.8
	Degree	22	64.7
	Post-graduate	8	23.5
	<b>Total</b>	<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

According to Table 3, one advantage of the research was that it was able to draw from a wide range of respondents' academic backgrounds. Most of those who took the survey have advanced degrees. This showed that the manufacturers had made an effort to make academic qualification a crucial requirement for hiring staff. Having participants from a variety of academic backgrounds also improved the study's exposure.

#### 4.3.3 Lengths of Service

The respondents' lengths of service were as indicated in the Table 4.

**Table 4: Years worked in tea factory**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	Less than 1 year	2	5.9
	1-5 years	23	67.6
	6 - 10 years	5	14.7
	11 - 15 years	4	11.8
	<b>Total</b>	<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

As shown in Table 4, the vast majority of respondents (67.6%) had worked in the tea industry for one to five years. In order to prevent workers from becoming too accustomed to their new workplace, this might have been a reference to transfer policies. Additional factors might include new job advertisements and employment opportunities. So, it seems the tea manufacturers had a solid strategy of transferring employees away from familiarity with the workplace in order to guarantee high performance. Work roles within the tea industry

Each responder had a unique role to play in the tea manufacturing process. It was verified that the presence of financial managers, human resources managers, and assistants to the plant managers was present. The research was able to reach diverse management cadres, as verified by the replies.

Table 5 shows how the respondents rated the financial performance.

**Table 5: Rating of financial performance**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	Very good	4	12.5
	Fair	30	87.5
<b>Total</b>		<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

The majority of respondents judged the financial performance of the tea factories as fair, as shown in Table 5. There was a hint of disapproval in the replies about the financial performance requirements set by the tea factory. Their dissatisfaction with the tea manufacturers' financial performance was evident from this. One possible reading is that respondents were not totally content with the current financial performance, even if it was pretty excellent and allowed them to satisfy their shareholder duties. The reasons given by the respondents for their financial performance assessment were diverse. They hinted that the tea factory's financial situations were impacted by external causes such as inflation, currency devaluation, and the inability to control growing operating expenses.

**Table 6: Cross tabulation on the academic qualifications and ability to rate tea factory financial performance**

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.543 <sup>a</sup>	54	0.000
Likelihood Ratio	15.737	54	0.001
Linear-by-Linear Association	1.120	1	0.290

N of Valid Cases	34
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a. 69 cells (98.6%) have expected count less than 5. The minimum expected count is .09.

With a p-value less than 0.000, Table 6 displays  $\chi^2$  (23.543a, N=34) =15.737. The crucial value of  $\chi^2 = 15.737$  was determined to be less than the computed statistic  $\chi^2 = 23.543a$ . The statistical analysis suggests a strong correlation ( $\alpha = 0.09$ ) between the academic degrees of the managers and their capacity to assess the financial performance of the tea factory. In terms of evaluating the tea manufacturers' financial performance, the replies from the managers revealed a scenario in which their academic credentials affected the degrees of knowledge and comprehension.

**Table 7: Cross tabulation on the length of service and known efforts to improve financial performance in tea factory Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	28.819 <sup>a</sup>	24	0.000
Likelihood Ratio	24.715	24	0.001
Linear-by-Linear Association	0.009	1	0.926
N of Valid Cases	34		

a. 31 cells (88.6%) have expected count less than 5. The minimum expected count is .20.

Source: Researcher (2024)

The result in Table 7, which indicates  $\chi^2$  (28.819a, N=34) =24.715,  $p < 0.000$ , is shown. The crucial value of 24.715 was determined to be less than the computed statistic  $\chi^2 = 28.819$ . Based on statistical analysis, it can be concluded that there was a very significant correlation ( $\alpha = 0.20$ ) between the duration of service and the reported attempts to enhance financial performance in the tea factory. Managers' comments

revealed a scenario in which workers' length of service was crucial in helping them comprehend and value the efforts made to improve the tea factories' financial performance.

The ratings given by the respondents about the initiatives aimed at enhancing the financial performance of tea factories are shown in table 8.

**Table 8: Efforts improve financial performance**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	To a high degree	20	58.8
	To a fair degree	11	32.4
	To a low degree	3	8.8
	Total	34	100.0

Source: Researcher (2024)

According to Table 8, the majority of respondents were aware of the initiatives made to improve the tea manufacturers' financial performance. All of the respondents acknowledged the existence of initiatives to enhance the tea manufacturers' financial performance, although to different degrees, as seen in the replies. One possible reading is that the tea manufacturers knew how important it was to boost their bottom line and were actively working to do just that. The management fulcrum's responses to the specific initiatives demonstrated attempts to reduce operating costs, streamline staffing, and incorporate technology.

Table 9 displays the results of the respondents' evaluations of the initiatives aimed at enhancing the financial performance of tea factories.

**Table 9: Financial improvement efforts ability to realize positive results**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	highly	7	20.6
	fairly	27	79.4
	<b>Total</b>	<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

According to Table 9, a majority of the respondents, namely 79.4%, believed that the efforts made to enhance the financial performance had yielded rather favorable outcomes. The replies showed that, in spite of the efforts made, more needed to be done to increase operational efficiency-focused initiatives in order to improve the tea manufacturers' financial results.

#### **4.3 Organizational structure**

The goal of the research was to determine how organizational structure affected the KTDA factories in the Kisii Highlands Region's financial performance. Table 10 shows the respondents' evaluation of the organization.

**Table 10: Rating Organizational Structure**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	Lean	11	32.3
	Highly Layered	23	67.7
	<b>Total</b>	<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

Based on Table 10 Majority organizational structures of the tea factories were deemed extremely complex by 67.7% of the respondents. Their answers suggested that they had seen a lengthy chain of command among the various organizational spectrums. The replies demonstrated that the respondents had taken the time to consider and

comprehend the management and decision-making processes that were in place, particularly since they were in management positions. It may be taken to indicate that the majority of the tea manufacturers had elaborate hierarchical organizational systems. The respondents gave reasons for their opinions, the most important of which was the abundance of middle-level management cadres and committees participating in the factories' administrative structures and decision-making processes.

The study's results align with the findings of Kotlar et al. (2018), who noted that organizational structure plays a crucial role in achieving a firm's objectives, strategic direction, and goals. An organizational structure is most effective when it aligns with the firm's resources, objectives, competitive environment, and mission. Galbraith (2014) supports this by demonstrating a positive relationship between the level of organizational structure and a company's strategies, effectiveness, and performance. This implies that a well-aligned organizational structure can enhance both operational and financial performance.

**Table 11: Cross tabulation on the academic qualifications and rating of the organizational structure**

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.284 <sup>a</sup>	3	.016
Likelihood Ratio	14.165	3	.003
N of Valid Cases	34		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .81.

Source: Researcher (2024)

Table 11 shows  $\chi^2 (10.284, N=34) = 14.165, p < 0.000$ . The calculated statistic  $\chi^2 = 10.284$  was found to be less than the tabled critical value of  $\chi^2 = 14.165$ . With an  $\alpha$  value of

0.19, it can be concluded that there was no statistically significant correlation between academic credentials and organizational structure rating. The replies from the tea plant managers demonstrated that the organizational structures maintained their customary status and positions irrespective of the respondent's academic credentials.

Table 12 displays the results of the respondents' organizational ranking.

**Table 12: Instances of organizational structure effecting decision making**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	Always	5	14.7
	Occasionally	29	85.3
<b>Total</b>		<b>34</b>	<b>100.0</b>

Source: Researcher (2024)

Table 12 reveals that 85.3% of those who took the survey thought that the organizational structures in the tea factories might sometimes get in the way of good decision-making. The results proved that the very complex organizational structures had a detrimental impact on the decision-making procedures. This proved that the several tiers of decision-making in the tea industry had unintended consequences. One possible reading is that the tea manufacturers' day-to-day operations were negatively affected by the complex organizational systems. A lack of communication between the boards of directors, who had executive power, and the managers responsible for running the tea factories on a daily basis was the main reason why the decision-making processes were impaired, according to the respondents. This pointed to the need of bringing the two groups' management styles into harmony with the organization's values in order to lessen the frequency of disagreements caused by divergent perspectives.

Dosi and Marengo (2017) argued that the impact of organizational structures on performance is often regulated by environmental dynamics; the results of this study support their stance. So, it's crucial for a company to devote great attention to making sure its structure fits the dynamics of its environment if it wants to achieve high financial and non-financial success. Making sure that decision-makers at all levels use the hierarchical constraints as a basis for their decision-making is the control function. Table 13 displays the results of the respondents' ratings on the impact of poor decision making on the performance of the organization.

**Table 13: Impaired decisions making on organizational performance**

		<b>Frequency</b>	<b>Percent</b>
<b>Valid</b>	To a great extent	6	17.6
	To a fair extent	19	55.9
	Not at all	9	26.5
	Total	34	100.0

Source Researcher (2024)

According to table 13's findings, the majority of respondents—55.9%—confirmed that the tea factories' financial performance had been somewhat impacted by the decision-making processes that were seen to be impeded by their multilayered organizational structure. The answers suggested that poor decision-making procedures had a significant influence on the tea manufacturers' overall performance, even to the point of adversely affecting their financial performance and raising the possibility of losses. However, several of the factories benefited from low risks, to the point where the decision-making procedures had no adverse effect whatsoever on the financial performance. Thus, it may be understood to imply that control over the decision-

making procedures was necessary to lower the possibility of losses brought on by the activity's deterioration.

**Table 14: Influence by organizational structure to financial performance**

statements	N	Min	Max	Mean	Std. Deviation
The cost of maintaining the tea factory's complex organizational structure results in high operating expenses for the facility.	34	1	5	3.87	0.828
The finances of the tea manufacturers are severely strained by the directors' allowances and emoluments.	34	1	5	3.30	0.860
The democratic procedure of electing new directors each election cycle has significant financial ramifications that impact the tea factory's profitability.	34	1	5	3.57	0.984
The tea factory's profits are eroded by ongoing expenses incurred to satisfy the factory's commitments to the parent KTDA firm.	34	1	5	3.17	0.877
The expenses incurred by the management team and the workforce represent a significant financial strain that has an impact on the tea factory's profitability.	34	1	5	3.80	0.958

With a mean of 3.87 and a SD of 0.828, Table 14 demonstrates that respondents were in agreement that the cost of maintaining the tea factory's multilayered organizational structure results in high operational costs. However, respondents were unsure about the claim that the **directors'** allowances and emoluments severely strain the manufacturers' finances (M=3.30, SD=0.860). On whether the democratic procedure of electing new directors each election cycle has significant financial ramifications that impact the tea factory's profitability, respondents were neutral on the statement with a mean of 3.17 and a SD of 0.877. The responses reflected a situation where obligations to meet the operational expenses of the mother company negatively impacted on the organization's bottom line. This was with regard to having contributions being made being a heavy drain on the organization's budget but not drawing any immediate benefits in terms of the ability to confer financial rewards to the organization. As a result, it is possible to conclude that the direct costs accruing to the tea factories in terms of their duty to the head office had negative impacts. The recurring expenditure geared towards meeting the factories' obligations to the parent KTDA company has been determined to have the potential to erode the profitability of the tea factories (M=3.80 SD=0.958).

#### **4.4 Corporate governance**

The goal of the research was to determine how much corporate governance influences the tea manufacturers' financial success. Table 15 shows the replies regarding the existence of a code of ethics.

**Table 15: Code of Ethics**

Response	Frequency	Percent
Yes	34	100.0
Total	34	100.0

Source: Researcher (2024)

Every responder acknowledged that the tea factories had an ethical code that governed how the institutions and shareholders interacted. This demonstrated that the parent firm, KTDA, had made an effort to guarantee consistent standards for the institutional governance systems. Therefore, it may be understood to indicate that the manufacturers made an effort to develop strong internal governance systems, even going so far as to establish codes of ethics that the membership was expected to follow.

The use of codes of ethics as a gauge of corporate governance is linked to earlier research on the subject by Qaemi and Shahyari (2009), which looked at the relationship between financial performance and corporate governance in 77 different organizations. The results of the research indicate a strong correlation between financial success and corporate governance. Since corporate governance establishes the guidelines on which processes, regulations, and practices are managed and directed, it is clear from these research that there is a substantial link connecting corporate governance on financial performance (Awino, 2015).

The responses on the ability of the code of ethics to ensure harmonious interaction was as indicated in the Table 16.

**Table 16: Code of ethics to ensure harmonious interaction**

Response	Frequency	Percent
To a high degree	9	26.5
To a fair degree	14	41.2

To a low degree	11	32.3
Total	32	100.0

Source: Researcher (2024)

The ability of the codes of ethics to assure harmonious interactions by the membership was confirmed. This was an attachment of the capacity of the codes of ethics to guide and provide direction as pertains to the institutional interactions. It was also an indication of the ability of the tea factories to go beyond having policy provisions guiding the conduct of the membership but also put it into practice. Thus, it may be understood to suggest that the tea factories made great efforts to guarantee that the established codes of ethics were actualized and put into practice in order to promote harmonious relationships and the realization of their values in an institutional context. Most of the respondents deemed the ability of the codes of ethics in place to influence harmonious relations to have been fair. The responses denoted failure to be totally satisfied by the provisions of the codes of practice in use in terms of total enforcing provisions for harmonious co-existence in the factories.

The responses on instances of strained internal relations were as indicated in the Table 17

**Table 17: Instances of strained internal relations**

Response	Frequency	Percent
Often	13	38.2
Rarely	21	61.8
Total	34	100.0

Source: researcher (2024)

All the respondents confirmed there had been instances of strained internal relations which they attributed to the inadequacies of the codes of ethics in use. The responses were an indication that the situations of strained internal relations were profound within

the institutional setting and this was aptly captured as a factor occasioned by the inadequacies in the code of ethics applied by the tea factories. Most of the respondents were of the view that the strained internal relations were rare though a very significant percentage alluded to often cases of strained internal relations in the human resource component. The responses reflected the situation of inter-relational dynamics attributed to different character and personality traits in the work force. This had negative implications on how the personnel related and equally affected the ability to have harmonious co-existence in the tea factories. Thus, it may be understood to suggest that, in order to lessen internal conflict, the requirements of the code of ethics used in the tea factories need to be strengthened and brought into line with the dynamics of the institutional contexts. To guarantee improved internal relations free from conflict, it is also crucial to make sure that the membership embodies both the text and the spirit of the code of ethics.

Amba (2012) found that corporate governance has a significant impact on financial performance and that regulators, policymakers, and think tanks should be in charge of deciding how to manage the various components of corporate governance to make sure that the company is profitable and serves the interests of all stakeholders.

**Table 18: Cross tabulation between presence code of ethics and presence of strained internal relations owing to inadequacies of the code of ethics in place**

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.945a	2	.000
Likelihood Ratio	27.953	2	.000
N of Valid Cases	34		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 3.66.

Source: Researcher (2024)

$\chi^2 (20.945, N=32) = 27.953, p < 0.000$ , as shown in Table 18. It was discovered that the computed statistic,  $\chi^2 = 20.945$ , was less than the crucial number,  $\chi^2 = 27.953$ , as shown in the table. Because of the code of ethics' shortcomings, it may be concluded that there was no statistically significant correlation between the existence of strained internal relations and the code's presence at  $\alpha = 0.94$ . The responses showed that despite the presence of a code of ethics the individual dispositions of the membership of staff affected the way the internal relations of the organizations were modeled. This was an inclination towards the situation of personal character devoid of the rules prescribing how persons should relate being the core integral factor in influencing internal relations.

**Table 19: Corporate Governance**

Statements	N	Min	Max	Mean	Std. Deviation
Presence of an internal audit system ensures effective controls and ensures minimal risks of loss to the tea factory	34	1	5	3.67	1.028
The internal audit committee is independent and its recommendations for action are always enforced to safeguard shareholder interests	34	1	5	3.80	0.960
Background checks for the directors and top managers are strictly carried out to ensure the integrity of the persons in office	34	1	5	3.77	1.004

All professionals working in the tea factory are required to get accreditation from their professional bodies	34	1	5	4.17	0.977
The tea factory has a good system of internal governance with a defined calendar of events as regards the meetings, adequacy of the notices for meetings and prior communication on the agenda as a measure to ensure probity for the institution	34	1	5	4.07	1.008
Valid N (listwise)	34				

Source: Researcher (2024)

Results in table 19, indicated that respondents agreed that presence of an internal audit system ensuring effective controls and minimal risks of loss to the tea factories as supported by a mean of 3.67 and a SD of 1.028. The study also indicated that respondents agreed that the tea factories had endeavored to ensure that the accounting procedures and internal audit processes ensured that the shareholders were insulated from the risk of loss (M=3.80 SD=0.960). This was an indication that the tea factories had put in place measures to safeguard themselves by way of always auditing the processes within their operational confines with an aim of deterring and detecting systemic failures before they occurred.

The responses can be interpreted to mean that the internal audit systems put in place to infuse checks and balances in the operational confines was robust enough and served the factories well with regard to enhancing the efficiency levels. A negligible percentage of the respondents were of a contrary view. This was an indication that regardless of the measures put in place to guard against losses to the tea factories, part of the membership was not comfortable with the measures taken. It can thus be

interpreted to mean that in some of the factories the measures put in place in the name of internal audit mechanisms were not enough to cushion the shareholders from the risk of loss.

The independence of the internal audit committee and its ability to have its recommendations for action enforced was confirmed by most of the respondents. The responses were reflective of a situation whereby the capacity of the internal audit committee as pertains to having its mandate realized was esteemed by most of the respondents. This was confirmation that the committee had the ability to duly safeguard shareholders' interests owing to the independence that it enjoyed. The responses denoted clarity with regard to separation of mandates and achievement of the ideals of the internal audit committee. It can thus be interpreted to mean that the members of the internal audit committee were knowledgeable and understood their mandates thus effectively discharging the responsibilities in most of the factories. Situations whereby the independence the internal audit committee was questioned equally sufficed. This was an indication that in some of the tea factories the internal audit committees were not empowered enough to carry out their mandates effectively without fear or favour.

With a mean of 3.77 and a SD of 1.004, the majority of respondents affirmed the need to do background checks on directors and senior managers in order to ensure honesty. In order to protect their reputation from potential harm, the tea manufacturers took steps to ensure that the integrity of their senior management and board members was unquestionable, and their efforts were validated by the answers. This action served to reassure shareholders about their ability to have faith in the qualifications of those appointed to positions of authority. It may be taken to indicate that the tea manufacturers took the time to learn about the unique characteristics of each person

entrusted with management and leadership roles inside the companies. The goal of doing this was to safeguard stockholders' interests for future generations.

With a mean of 4.17 and a SD of 0.977, the respondents attested to their competence to enforce professional certification to the organizations with whom they are associated. This demonstrated that the tea manufacturers went above and above to register the experts with their accrediting organizations, in addition to verifying the staff members' qualification and skill. This was a policy that fostered professional discipline because the workers understood that their conduct have consequences that extended beyond their relationship to their place of employment. This may thus be understood to suggest that the power to require employees' accreditation to their respective professional associations imbues them with accountability and the capacity to follow the guidelines set out by their regulators. A significant portion of the respondents also affirmed that professionals are not coerced into pursuing certification. This suggested that the procedures for implementing accreditation had been inadequate in certain workplaces, which is why workers had not registered with their professional organizations.

The ability to have good systems of internal governance with defined calendars of events as pertains to meetings, adequacy of the notices for meetings and prior communication the meeting's agenda as a measure of ensuring probity was confirmed the respondents with a mean of 4.07 and a SD of 1.008. This was an indication that the tea factories had entrenched systems of governance which were borrowed heavily from the parent company especially so as pertains to the operations and transparency to shareholders. The applied programs in line with the dictates of the tea factories instruments of association and responsibility to shareholders were thus confirmed to be a key guiding principal which affirmed the modes of interaction within the legal spectrums guiding their operations. Thus, it might be understood to imply that the tea

manufacturers made an effort to guarantee that, as specified according to their memoranda and articles of organization, they operated within the bounds of the law in order to satisfy and fulfill shareholder expectations.

#### 4.5 Human Resource Capacity

The ultimate objective of the research was to ascertain how human resource capability affected the KTDA factories' financial performance in Kenya's Kisii Highlands Region.

The replies regarding the existence of a human resource code are shown in Table 20.

**Table 20: Human resource capability**

Statements	N	Min	Max	Mean	Std. Deviation
The newest workers are capable of carrying out their responsibilities and obligations	34	1	5	4.07	1.008
Older workers have the necessary tools to do their jobs	34	1	5	2.80	0.860
There is a clear policy in place that gives preference to internal applicants for any openings in the finance department.	34	1	5	3.97	0.904
Promotions are given based on performance.	34	1	5	2.17	0.877
Valid N (listwise)	34				

Source: Researcher (2024)

A mean of 4.07 and a SD of 1.008 support the construct among respondents in Table 20 that the newest employees of KTDA are capable of fulfilling their duties and obligations. The respondents also indicated whether KTDA has a clear policy in place that gives preference to internal candidates for any openings. The statement was endorsed by respondents, as shown by a mean score of 3.97 and a SD of 0.904. Respondents' opinions on whether KTDA's elderly workers had the abilities needed for

the job were inconclusive (Mean=2.80, SDiation=0.860). Furthermore, respondents disagreed with the statement that KTDA promotions are determined by performance, as shown by a mean score of 2.17 and a SD of 0.877.

#### 4.6. Capital Structure Decisions

The goal of the research was to determine how capital structure choices affected the KTDA companies' financial performance in the Kisii Highlands Region. The grades used in the research were 1 for Not at All, 2 for Little Extent, 3 for Moderate Extent, 4 for Great Extent, and 5 for Very Great Extent.

**Table 21: Mix of Capital Structures**

Statements	1	2	3	4	5
Debt					
Percentage	4.6	6.5	19.4	39.8	29.7
Preferred Stock					
Percentage	1.9	4.6	25.9	26.9	40.7
Common Equity					
Percentage	0.9	9.3	25.9	39.8	24.1
Retained Earnings					
Percentage	1.9	5.6	15.7	25.9	50.9
Bank Loans					
Percentage	5.6	3.7	17.6	35.2	37.9

**Source: Survey Data (2018)**

The poll found that among the capital structures that significantly boost shareholder value, preferred stock was seen by 40.7% of respondents and retained profits by 50.9%. Hirdinis (2019) states that the quantity of stock in a company has an inverse relationship with its profitability. Taking market dominance and investment levels into consideration, Mohammed et al. (2020) investigated the correlation between debt-to-

equity ratios and profitability. They found that the debt-to-equity ratio was negatively correlated with organizational.

**Table 22: Capital Structure Decisions**

Statements	1	2	3	4	5
Firm size influences appropriate capital structure choices.					
Percentage	2.8	15.7	13.0	38.9	29.6
The ideal state of the stock market has a significant impact on capital structure choices.					
Percentage	7.4	11.1	15.7	30.6	35.2
The firm's financial risk and profitability have an impact on capital structure choices.					
Percentage	4.6	6.5	15.7	40.8	32.4
The retained profits are affected by the ownership structure.					
Percentage	1.9	4.6	14.8	28.7	50.0
The usage of borrowed capital affects the cost of capital.					
Percentage	3.7	9.3	14.8	24.8	47.4

**Source: Survey Data (2018)**

Furthermore, 38.9% of respondents to the poll said that their ability to choose an appropriate financial structure was considerably influenced by the size of their company. The investigation's results align with those of Neves et al. (2020). He makes the argument that a company's capital structure plays a crucial role in defining how different financing sources affect the business's capacity to function and grow. This supports the assertions made by Khan (2013) that a bigger company often has a more advantageous financial structure. Larger businesses benefit from lower interest rates,

easier access to the capital market, stronger credit ratings, and more diversity when it comes to debt financing. Larger businesses are thus more prone to use loan financing. Furthermore, half of those who participate (50%) discovered that retained earnings are highly impacted by ownership structure. Furthermore, 40.8% of respondents believe that the firm's financial risk and profitability significantly influence the capital structure decisions. Nenu, Vintilă, and Gherghina's (2018) research on the relationship between capital structure and profitability discovered that changes in capital structure and defects in the market had a significant effect on enterprises' profitability performance.

#### 4.7 Inferential Statistics

To find out how the independent factors affected the dependent variable, the investigation used inferential statistics including multiple regression and correlation analysis.

##### 4.7.1 Correlation Analysis

The study's findings are shown in Table 23. The study used Pearson product moment correlation to measure the extent to which the dependent variable (financial performance) and the independent variables (organizational structure, corporate governance, human resource capacity, and Capital Structure Decisions).

**Table 23: Correlation Coefficients**

		organization structure	corporate governance	human resource capacity	Capital Structure Decisions	financial performance
Organizational Structure	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	34				
Corporate Governance	Pearson Correlation	0.615	1			
	Sig. (2-tailed)	0.000				

	N	34	34			
Human Resource Capacity	Pearson Correlation	0.103	0.146	1		
	Sig. (2-tailed)	0.000	0.007			
	N	34	34	34		
Capital Structure Decisions	Pearson Correlation	0.177	0.113	0.126	1	
	Sig. (2-tailed)	0.003	0.005	0.105		
	N	34	34	34	34	
financial performance	Pearson Correlation	0.887	0.869	-0.886	0.887	1
	Sig. (2-tailed)	0.000	0.033	0.016	0.003	
	N	34	34	34	34	34

The organizational layout and financial performance of KTDA enterprises in Kenya's Kisii Highlands Region showed a high, positive significant link, as shown by a correlation value of ( $r=0.890$ ,  $p<0.05$ ), according to the correlation study findings in Table 23.

According to the research, there is a considerable positive link ( $r= 0.869$ ,  $p<0.05$ ) amongst corporate governance and financial success. Similarly, there was a high positive connection ( $r = 0.887$ ,  $p<0.05$ ) between capital structure choices and financial performance of KTDA factories, and a substantial negative correlation ( $r = -0.886$ ,  $p<0.05$ ) between human resource capacity and financial performance. These findings suggest that organizational structure, corporate governance, human resource capacity, and capital structure decisions were positively and significantly associated with financial performance.

#### 4.7.2 Multiple Regression

All the study variables for the regression equation were considered for the regression equation thus they were all model fit.

**Table 24: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.896 <sup>a</sup>	0.803	0.792	0.494

a. Predictors: (Constant), organizational structure, corporate governance, human resource capacity and Capital Structure Decisions

Having an overall correlation coefficient (R) of 0.896, the model summary in Table 24 shows a strong association between the selected organizational characteristics and the financial performance of KTDA industries in the Kisii Highlands Region of Kenya. The model's adjusted R square value was 0.803, meaning that modifications to organizational structure, corporate governance, human resource capacity, and capital structure decisions could account for about 80.3% of the variation in the financial performance of KTDA factories in Kenya's Kisii Highlands Region. Other variables not accounting for 19.7% of the variation in financial performance are the cause of the remaining variability.

**Table 25: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.280	4	0.320	31.310	.000 <sup>b</sup>
	Residual	21.006	29	0.244		
	Total	22.286	33			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), organizational structure, corporate governance, human resource capacity and Capital Structure Decisions

Table 25 presents the F-calculated value of  $31.310 > 2.53$ ;  $P = 0.000 < 0.05$  from the ANOVA findings. The model was able to forecast the combined impact of certain organizational characteristics on the financial results of KTDA industries in Kenya's

Kisii Highlands Region, according to these findings. Additionally, the ANOVA findings show that there is a statistically significant correlation between a few organizational characteristics and the financial performance of KTDA firms in Kenya's Kisii Highlands Region (P-value = 0.000<0.05).

**Table 26: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.662	0.307		5.318	0.000
Organizational Structure	0.816	0.039	0.062	0.580	0.000
Corporate Governance	0.428	0.038	0.222	-2.075	0.034
Human Resource Capacity	-0.643	0.038	0.020	-0.191	0.012
Capital Structure Decisions	0.517	0.042	0.013	0.120	0.025

a. Dependent Variable: Financial Performance

In table 26, the results of the regression coefficients showed that the constant,  $\beta=0.662$ , with a p-value of  $0.000>0.05$ , the coefficient for organizational structure,  $\beta=0.816$ , with a p-value of  $0.000<0.05$ , the coefficient for corporate governance,  $\beta=0.428$ , with a p-value of  $0.034<0.05$ , and the coefficient for human resource capacity,  $\beta=-0.643$ , with a p-value of  $0.012>0.05$ , with a coefficient of  $\beta=0.517$  and a p-value of  $0.023>0.05$  for capital structure decisions.

Therefore, the multiple regression equation was summarized as follows;

$$Y = 0.662 + 0.816X_1 + 0.428X_2 - 0.643X_3 + 0.517X_4$$

This indicates that KTDA industries in the Kisii Highlands Region, Kenya, would have a financial performance of 0.662 if all factors were kept constant. The financial performance of KTDA industries in the region would improve by 0.816 when Organizational Structure is increased by one unit, all other variables being equal. In a same vein, KTDA industries in the Kisii Highlands Region would see a 0.428 rise in financial performance for every one unit increase in corporate governance, all else being equal. Additionally, KTDA companies in that area. would have a 0.643 drop in financial performance for every one unit increase in human resource capacity, all else being equal. The capital structure choices have a positive coefficient, which means that KTDA factories in the region would have a 0.517 gain in financial performance for every one unit rise in capital structure decisions, everything else being equal.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

Concerning the organizational elements impacting the financial achievements of the tea factories, this chapter summarizes the results, draws conclusions, and offers suggestions based on the results. The following goals served as the basis for the research: the impact of organizational structures, support from upper management, and corporate governance on the tea manufacturers' financial success.

#### 5.2 Summary of findings:

The study's aims served as a framework for the results overview:

The majority of those who took the survey saw the tea manufacturers' organizational structures as highly tiered. Their comments revealed an in-depth analysis and understanding of the decision-making and management processes, which is especially noteworthy considering their positions as managers. A number of individuals who took part in the study felt that the decision-making processes were often impeded by the organizational structures present in the tea factories. Their responses affirmed that the highly layered organizational structures had a negative impact on decision-making processes. This served as evidence that the multitude of decision-making levels within the tea factories resulted in adverse implications.

The financial performance of the tea factories was significantly impacted, according to most respondents, by the hindered decision-making processes caused by the multilayered organizational structure. According to the results, the tea manufacturers' total performance was severely affected by the impaired decision-making processes,

which in turn had a knock-on effect on their financial performance and put them at danger of losing money.

All respondents affirmed the presence of a code of ethics within the tea factories, which governed interactions between shareholders and the institutions. This signified KTDA's commitment to maintaining consistent standards of governance throughout the organization. The effectiveness of these codes in fostering harmonious interactions among members was validated. This underscored the codes' capacity to not only provide guidance but also to actively steer institutional interactions. It also demonstrated the tea factories' commitment to not only having policies but also implementing them in practice.

All the respondents confirmed there had been instances of strained internal relations which they attributed to the inadequacies of the codes of ethics in use. The replies demonstrated the serious internal relations issues that existed inside the institutional framework, which was appropriately attributed to the tea manufacturers' inadequate application of a code of ethics. Although a sizable portion of respondents mentioned instances of strained internal interactions in the human resource department often, the majority of respondents said that strained internal relationships were uncommon.

### **5.3 Conclusions of the study**

The investigation came to the following findings:

The tea plants had high operating expenses as a result of the expense of maintaining their complex organizational structure. The several layers of governance that were in place had an impact on the total cost of operating the tea operations. Due to the operating expenditures directly associated with paying the board of directors, allowances and other benefits owed to the directors were one element that significantly depleted the coffers of the tea companies. Elections must be held every three years in

order to meet the criteria of democratic procedures. This has financial repercussions, which must be addressed in order to fulfill the necessary duty.

The corporation's financial performance suffered as a result of the need to pay the parent company's operating costs. This was mainly because the donations had a large negative impact on the organization's spending plan and did not immediately result in financial gains for the organization. The costs associated with compensating management teams and employees imposed a substantial financial burden on the organization, thereby impeding its profit-making capability. The expenditures allocated to remunerating management teams and employees depleted the organization's resources to the extent of diminishing the returns received by farmers.

Confirmation was provided regarding the presence of an internal audit system that ensured effective controls and minimized risks of loss for the tea factories. The factories had made efforts to guarantee that accounting procedures and internal audit processes shielded shareholders from potential losses. Measures were implemented to safeguard the factories by consistently auditing operational processes, aiming to prevent and detect systemic failures proactively. The robustness of the internal audit systems, which aimed to instill checks and balances within operational boundaries, was affirmed. These systems effectively enhanced efficiency levels within the factories.

It was confirmed that the internal audit committee operated independently and had the authority to enforce its recommendations for action. This independence enabled the committee to adequately protect shareholders' interests. Additionally, it was confirmed that background checks were conducted for directors and top managers to ensure integrity. This elevated the profile of the tea factories, demonstrating their commitment to ensuring the impeccable integrity of board members and top managers, thereby mitigating reputational risks

The ability of enforcing accreditation of professionals to the bodies that they are aligned to was confirmed. In order to guarantee certification and competency, the employees of the tea manufacturers went above and above to register as professionals with their accrediting agencies. This instilled professional discipline in the members of staff. Good systems of internal governance with defined calendars of events as pertains to meetings, adequacy of the notices for meetings and prior communication the meeting's agenda as a measure of ensuring probity was confirmed.

The findings showed that working capital management and investment assessment methods had the least effect on the financial results of KTDA-managed tea plants, while capital structure and investment budget management made the biggest differences. It was found that the monetary performance of KTDA-managed tea plants was not significantly influenced by working capital management or investment assessment methodologies.

#### **5.4 Recommendations of the study**

The study's recommendations were as follows:

To save expenses and boost productivity, organizations should work to develop lean structures for organization. This endeavor will also mitigate instances of redundancy in function execution and establish well-defined decision-making pathways within the organization, thereby minimizing disputes among members. Such attributes can significantly advance organizations by fostering harmony and instilling a culture of decisiveness among members, who take ownership of the decisions made. Additionally, lean structures may alleviate the high operational costs associated with meeting directorial allowances and emoluments in multi-layered setups.

In the situation of the tea factories, conferring them with independence from the KTDA parent company may greatly enhance their positions in terms of freeing them from the

cost expended towards obligations to the parent company. This may translate to enormous savings transferable to the shareholders 'and increasing the profitability of the tea factories. This may enhance the financial position of the tea farmers who are shareholders of the factories placing them on a better pedestal as regards their returns from the tea growing. Private companies ought to focus on elevating their corporate governance standards. This is imperative for earning respect within their industry and garnering attention from peers. Moreover, it serves as a pathway to gaining international recognition, aligning with prevailing trends in the global business landscape. Enhanced corporate governance practices can potentially attract international acclaim for companies, influencing consumer perception and driving product acceptance not solely based on quality but also on the organization's reputation. Thus, tea factories should prioritize adherence to prescribed corporate governance principles to instill confidence among peers and collaborators across various business sectors. This endeavor has the potential to bolster their standing, attract more business opportunities, and ultimately improve financial outcomes and shareholder returns.

### **5.5 Suggestion for further studies**

Researcher in the study are interested in reproducing the present large-scale ranging study, to ascertain whether the findings in the Kisii Highlands region are representative of other areas in the country. The report also suggests looking at the organizational elements impacting coffee manufacturers' financial performance to see whether the issues affecting the tea business are the same as those affecting the coffee industry.

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## APPENDICES

### APPENDIX I: Questionnaire For KTDA Factory Management Team Members

Dear Participant

This research aims to explore how organizational factors impact the financial outcomes of KTDA factories in Kenya. I'm asking for your help to collect the appropriate information needed for this research. The data gathered will only be used for academic research.

#### Section A: Socio-Demographic Information

1. Kindly indicate your gender Male  Female
2. What are your highest academic qualifications?
  - Tertiary
  - Graduate
3. Post Graduate Diploma   
MA/MSC/MBA   
Any other (specify).....
4. How long have you worked in the tea factory?

- Less than 1 year
- 1 – 5 years
- 6 – 10 yrs
- 11 – 15 yrs
- Any other (Specify).....

1. Kindly indicate the position that you hold in the tea factory

.....

**Section B: Study Questions**

**Financial Performance**

2. How would you rate the financial performance of your tea factory?

- Very good
- Fair
- Bad

3. What makes you draw the consideration? Kindly explain \_\_\_\_\_

4. Have there been any known efforts to improve on the financial performance of the tea factory?

- To a high degree
- To a fair degree
- To a low degree

5. What particular efforts have been put in place? Kindly explain.....

6. Have the efforts to improve the financial performance realized positive results?

- Highly
- Fairly
-

Not at all

**Organizational Structure**

1. How would you rate the organizational structure of your tea factory?

Lean

Highly layered

2. What are the reasons for your answer? Kindly explain.....

3. Have there been instances when the decision-making processes have been affected by the prevailing organizational structure?

Always

Occasionally

Not at all

4. What would you attribute to the impairment of the decision-making processes? Kindly explain.....

5. Have the impaired decision-making processes affected the financial performance of the tea factories?

To a great extent

To a fair extent

Not at all

6. Kindly indicate your level of agreement with the following attributes on the organizational structure and its influence on the financial performance of your tea factory; SA – Strongly Agree, A – Agree, U – Undecided, DA – Disagree, SDA – Strongly Disagree

Statements	SA	A	U	DA	SDA
The complicated organizational structure of the tea industry is costly to maintain, which drives up operational costs for the establishment.					
The finances of the tea manufacturers are severely strained by the directors' allowances and emoluments.					
The democratic procedure of electing new directors each election cycle has significant financial ramifications that impact the tea factory's profitability.					
The tea factory's profits are eroded by ongoing expenses incurred to satisfy the factory's commitments to the parent KTDA firm.					
The expenses incurred by the management team and the workforce represent a significant financial strain that has an impact on the tea factory's profitability.					

1. Does the financial success of the tea factories depend on the organizational arrangement?

Yes

No

### Corporate Governance

2. Does the tea-making factory have an ethical code that directs how the institution and its shareholders interact? Yes

No

3. Does the code of ethics assure the tea factory harmonious interactions between the memberships?

- To a high degree
- To a fair degree
- To a low degree

4. What makes you draw the consideration? Kindly explain.....

5. Have there been instances of strained internal relations attributed to inadequacies of the code of ethics in use?

- Often
- Rarely
- Not at all

6. Please mark the extent to which you agree with the following characteristics of corporate governance and how they affect the tea manufacturers' financial performance: Strongly Agree (SDA), Agree (A), Undecided (U), Disagree (DA), and Strongly Disagree (SDA).

Statements	S A	A	U	D A	SD
Presence of an internal audit system ensures effective controls and ensures minimal risks of loss to the tea factory					
The internal audit committee is independent and its recommendations for action are always enforced to safeguard shareholder interests					
Background checks for the directors and top managers are strictly carried out to ensure the integrity of the persons in office					
All professionals working in the tea factory are required to get accreditation from their professional bodies					

The tea factory has a good system of internal governance with a defined calendar of events as regards the meetings, adequacy of the notices for meetings and prior communication on the agenda as a measure to ensure probity for the institution					
---	--	--	--	--	--

7. Does business ethics affect tea factories' financial results?

Yes

No

8. How can financial performance of tea factories be improved on? Kindly explain

.....  
 .....  
 .....

**Human Resource Capacity**

9. Please indicate how much you agree or disagree with the following characteristics of human resource capability and how it affects the tea manufacturers' financial performance; Strongly Agree (SDA), Agree (A), Undecided (U), Disagree (DA), and Strongly Disagree (SDA).

Statements	SA	A	U	D	SD
Newest workers are capable of carrying out their responsibilities and obligations.					
Older workers have the necessary tools to do their jobs.					
There is a clear policy in place that gives preference to internal applicants for any openings in the finance department.					
Promotions are given based on performance.					
Training curricula are carefully designed to meet the needs of each area of expertise.					

Flexible work hours are offered.					
Performance is measured and managed via regular performance reviews.					

### Capital Structure Decisions

10. How would you rank the following combination of capital structures in terms of maximizing value to shareholders or organization value? Strongly Agree (SDA), Agree (A), Undecided (U), Disagree (DA), and Strongly Disagree (SDA).

Statements	SA	A	U	D	SD
Debt					
Preferred Stock					
Common Equity					
Retained Earnings					
Bank Loans					

11. How much of the following has an impact on the tea factories supervised by KTDA in terms of their financial performance?


Strongly Agree (SA), Agree (A), Undecided (U), Disagree (DA) and strongly disagree (SDA)

Statements	SA	A	U	D	SD
Firm size influences appropriate capital structure choices.					

Capital structure decisions are heavily influenced by the perfect state of the stock market.					
The capital structure decisions are influenced by the financial vulnerability and profitability of the company.					
The retained profits are affected by the ownership structure.					
The usage of borrowed capital affects the cost of equity.					



## APPENDIX II: ERC Certificate



# Mount Kenya University

REF: MKU/ISERC/ 3629 Date: 22 April 2024  
TO: Dickson Ontarige Kenyando REG:MBA/2019/51210

Dear Sir/Madam,


**RE:ORGANIZATIONAL FACTORS INFLUENCING FINANCIAL PERFORMANCE OF KTD A FACTORIES IN KISII HIGHLANDS REGION**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2154**. The approval period is 22/04/2024 - 21/04/2025.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,  
  
The Chairman  
Mount Kenya University  
Ethics Review Committee  
P. O. Box 342 - 1100, Thika

**Dr. Alfred Owino, PhD**  
Chairman, Mount Kenya University ISERC

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## APPENDIX III: Introduction Letter

  
**Mount Kenya University**

**DIRECTORATE OF GRADUATE STUDIES**

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MBA/2019/51210

25<sup>th</sup> April, 2024

*National Commission for Science Technology & Innovation (NACOSTI)*  
*Off Waiyaki Way, Upper Kabete,*  
*P.O Box 30623- 00100*  
**NAIROBI, KENYA**

Dear Sir/Madam,

**RE: DICKSON ONTARIGE KENYANDO REGISTRATION NO:MBA/2019/51210.**

The purpose of this letter is to introduce the above named student who is pursuing Master of Business Administration in department of Business and Economics in Administration and Finance.

The title of the research is "ORGANISATIONAL FACTORS INFLUENCING FINANCIAL PERFORMANCE OF PRIVATE COMPANIES IN KENYA: A CASE OF KTDA FACTORIES IN KESHI HIGHLANDS REGION" it has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between May, 2024 and July, 2024.

Any assistance accorded to the student will be highly appreciated.

Thank you,






  
  
Office of the Director,  
Graduate Studies

Dr. Samuel M. Karenga, PhD  
Director, Graduate Studies  
Enc.

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**APPENDIX V: Research permit**

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 563218	Date of Issue: 3/April/2024
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that <b>Mr. Dickson Ontarige Kenyando</b> of <b>Mount Kenya University</b>, has been licensed to conduct research as per the provision of the <b>Science, Technology and Innovation Act, 2013 (Rev.2014)</b> in <b>Kisii</b> on the topic: <b>ORGANISATIONAL FACTORS INFLUENCING FINANCIAL PERFORMANCE OF PRIVATE COMPANIES IN KENYA: A CASE OF KTDA FACTORIES IN KISII HIGHLANDS REGION</b> for the period ending : <b>3/May/2025</b>.</p>	
License No: <b>NACOSTI/P/24/64132</b>	
563218	
Applicant Identification Number	Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	
See overleaf for conditions:	

## APPENDIX VI: Field entry authorization



Dickson Ontarige Kenyando,  
MBA/2019/51210  
3<sup>rd</sup> May 2024

### RE: APPROVAL TO CARRY OUT RESEARCH REGION SIX

The above matter refers.

The K.T.D.A region six (covering both Kisii and Nyamira counties) has hereby approved your request collect data for your research topic, "Organizational factors influencing financial performance of private companies in Kenya: a case of K.T.D.A factories in Kisii highlands region" for the period ending 2<sup>nd</sup> may 2025.

Best wishes as you prepare for the research.

Regards,

KTDA LTD. REGION VI  
REGIONAL MANAGER  
*Thomas*  
03/05/2024

Thomas Nyagetari  
Manager R6

**ORGANISATIONAL FACTORS  
INFLUENCING FINANCIAL  
PERFORMANCE OF KTDA  
FACTORIES IN KISII  
HIGHLANDS REGION**

*by* DICKSON ONTARIGE

---

**Submission date:** 28-May-2024 04:32PM (UTC+0300)

**Submission ID:** 2389933043

**File name:** Dickson\_final\_project\_1\_1\_.doc (703.5K)

**Word count:** 20098

**Character count:** 118495

## APPENDIX VII: Summary page

### ORGANISATIONAL FACTORS INFLUENCING FINANCIAL PERFORMANCE OF KTDA FACTORIES IN KISII HIGHLANDS REGION

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