EFFECT OF STRATEGIC MANAGEMENT DRIVERS ON FINANCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NAIROBI, COUNTY

Kiambi, J. G., & Kariuki, P.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 6, Iss. 2, pp 1446 - 1460, May 16, 2019. www.strategicjournals.com, ©Strategic Journals

EFFECT OF STRATEGIC MANAGEMENT DRIVERS ON FINANCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NAIROBI, COUNTY

Kiambi, J. G., [1*] & Kariuki, P.[2]

[1*] MBA Candidate, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya
[2]Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya [3]Ph.D, Senior

Accepted: May 15, 2019

ABSTRACT

The reason for this examination was to research impact of strategic management drivers on the performance of microfinance institutions in Nairobi, Kenya. The examination particularly intended to research on how ICT, organizational learning, strategic leadership and competitive positioning impact on the performance of microfinance institutions in Nairobi. The research study made use of simple random sampling and selected 32 microfinance institutions based in Nairobi. The research study used both secondary data from Bank Supervision report for year 2017 and primary data from administering of of questionnaires. For data analysis, descriptive statistics such as, mean and frequencies were used. To rate the factors in order of their importance, mean scores were applied. SPSS was employed for the purpose of creating frequencies, descriptive and inferential statistics which were then employed to deduct conclusions and generalizations with respect to the study population. Descriptive statistics employed were mainly frequencies, mean scores and standard deviation. Inferential measurement that the studies made use of were regression and correlation analysis. This research study study discovered that ICT and financial performance of MFIs in Nairobi had a positive and noteworthy relationship. The investigation detected that organizational learning and financial performance of MFIs in Nairobi County had a positive and meaningful relationship. The investigation further revealed that strategic leadership had consequential influence on the financial performance of MFIs in Nairobi County. Finally this investigation found out that organizational structure had positive and noteworthy impact on the financial performance of MFIs in Nairobi County. The investigation concluded that indeed there was significant relationship between financial performance of MFIs and ICT, organizational leadership, strategic leadership and the organizational structure. The investigations propose that MFIs should enhance their information communication technology by automating services for effective transactions.

Key words: *Strategic Management Drivers, Information Communication Technology, Organizational Learning, Strategic Leadership, Organizational, Financial Performance*

CITATION: Kiambi, J. G., & Kariuki, P. (2019). Effect of strategic management drivers on financial performance of Microfinance institutions in Nairobi, County. *The Strategic Journal of Business & Change Management,* 6 (2), 1446 –1460.

INTRODUCTION

Strategic management drivers of performance necessitate the conversion of business plans and procedures such as organizational structure, organizational culture, information communication technology, organizational leadership and into deliverable outcomes Uzel et al. (2003). It merges vital, working and money related gauges to quantify how a firm can meet its targets (Mshenga and Owuor, 2009). Key drivers of performance are strongly associated with specific approaches and value drivers with the end goal of optimizing firm performance. An organization is considered to have an upper hand when it can make more monetary value than adversary firms. This is the contrast between the apparent advantages picked up by a client that buys an organization's item or services and full monetary expenses of these items and services (Barney, 2006).

Strategic drivers for performance incorporate the elucidation of business techniques into deliverable outcomes (Uzel et al., 2013). It merges financial related, operating models, strategies and work models to check how an association can meet its destinations (Mshenga & Owuor, 2009). Imperative drivers of performance are strongly associated with specific strategic plans and value drivers with the end goal of optimizing firm performance. An organization is deemed to have an upper hand when it can make more monetary value than adversary firms. This is the distinction perceived benefits by a client when he makes a purchase with the total economic cost of the product (Barney, 2006). Firms require aggressive character which raises the issue of marketing and brand Kolter and Gertner, (2002). Therefore it is paramount for a firm to be clear on four measures of attaining competitive advantage which include: organizational management, stakeholders' internal processes and resources. Among these, effectiveness received much more consideration.

In the recent past, microfinance has gained prominence among poor and developing countries of Asia, Latin America and Eastern Europe. It has been prompted by the search for solutions to poverty alleviation. At first, the term microfinance was used interchangeably with microcredit and was easily understood as a credit methodology that employs effective collateral substitutes to deliver and recover short-term, working capital loans to existing (or potential) micro-entrepreneurs (Cull, 2014; Sengupta & Aubuchon, 2008). However, microfinance has evolved over time and is now accepted to be the provision of a full range of financial services to low-income earners (Hashemi, 2012). Over the years, institutions offering microfinance services have grown both in outreach and asset base raising safety concerns on such microfinance operations.

Financial performance evaluation is without such a large number of alternatives and strategies in spite of basic significance of financial sustainability. Despite the fact that an aspiration for sustainable insititutions has been regularly enunciated, there was likewise a conclusion that most microfinance establishments working in this area have been unsustainable (Karlan, 2011). Research studies have shown that this is predominantly connected to the perception of micro borrowers' risk and creditworthiness, and the diseconomies of scale in making small loans (Karlan, 2011). Microfinance has been irresistible to lending institutions since it shows sustainability and minimal operations. In India, involvement of National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) shows that they see long term prospect for this sector (Srinivasan & Sriram, 2012).

Despite the vast potential for microfinance to boost the welfare of millions of people in Africa, poor leadership development practices and misdirected priorities mean that often their initiatives do not reach their targets. For instance, microfinance institutions enter the marketplace offering credit even though those who are living at subsistence levels often want a safe place to save rather than access to credit. They want to build assets that help mitigate risk before they incur debt. In fact the credit products that microfinance institutions offer usually meet best the needs of the better off or the entrepreneurial poor. They find it easier to invest a loan productively than does the individual of lesser means, whose greatest need is usually a place to safely store cash in order to be able to deal with a subsistence household's requirements (CARE, 2008).

Kenya is no exception to the mismanagement and poor leadership of microfinance institutions that has been described elsewhere. In 2005, for example, government regulators in Kenya closed Akiba micro finance on grounds that it had unlawfully taken customers deposits and reneged on payments (Kiiru, 2011). This is one of the factors that may make potential microfinance members wary of dealing with certain institutions. This reticence can be mitigated by leaders, if they set up microfinance institutions and equip them with the right leadership to ensure that members' funds are safe.

A government's inability to fundamentally enhance the country's speculation and investment propensities definitely compromises development, since considerable development will not happen without adequate capital.

Statement of the Problem

Financial condition is changing quickly and this change is described by such marvels as the globalization, changing client and speculator requests, regularly expanding product rivalry. To compete effectively in this environment, firms ceaselessly need to enhance their performance by decreasing cost, developing products and processes and enhancing quality, efficiency and speed to market. With organizations confronting massive and increasing rivalry, just those organizations that recognize what clients truly require will benefit. This can be accomplished by persistently examining the market condition in order to pick up bits of knowledge into methods for conveying most value to their clients.

With this ebb and flow drift, most associations are fusing strategic administration drivers to improve their performance. As indicated by the MFIs quarterly financial related report there is an expansion in the credit default rate (16%) and the non performing rate expanded by 15% from Sh70.3 billion in March 2016 to Sh77.3 billion out of 2017 which is because of the practices utilized by the establishments in the money financial segment (CBK, 2017), this has come to pass because of bad financial performance of the microfinance foundations.

A few examinations have been done on strategic management, for instance, Koros, (2017) on his examination on effect of key administration drivers on execution of airports terminals in Kenya, this investigation uncovers a theoretical gap as it concentrated on air terminals in Kenya while this study will be concentrated on microfinance organizations in Nairobi County. Kimani (2010) conveyed an examination on the impact of strategic management on performance in Kenyan manufacturing firms.

Moyi (2010) directed a research on the impact of competitive strategies on micro finance establishments in Kenya. These investigations have concentrated on strategic management drivers in different divisions, competitive systems and strategic reactions in microfinance establishment. Notwithstanding, there is a missing connection on how strategic management drivers influence performance of microfinance organizations which is crucial in supportability of an establishment.

This research study desired to fill the theoretical gap by establishing the impact of strategic management drivers on the performance of microfinance institutions in Nairobi County. The examination

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

investigated strategic management drivers, for example, organizational learning, strategic leadership, information and communication technology (ICT) and organizational structure which may have impact on performance of microfinance foundations in Nairobi County.

Study Objectives

The general objective of this study was to examine the effect of strategic management drivers on the financial performance of microfinance institutions in Nairobi, County. The specific objectives were;

- To determine the effect of information communication technology on financial performance of microfinance institutions in Nairobi County.
- To investigate the effect of organizational learning on financial performance of microfinance institutions in Nairobi County.
- To establish the effect of strategic leadership on financial performance of microfinance institutions in Nairobi County.
- To examine the effect of organizational structure on financial performance of microfinance institutions in Nairobi County.

LITERATURE REVIEW

Theoretical Framework

Resource Based View Theory

This theory originated from studies of Penrose (1959), however unintentionally the view was once in the past exhibited by Wernerfelt (1984). He evaluated the firm utilizing resource –market matrices rather than the piece of the overall market share- growth blend of the competitive position view displayed by the Boston Consulting Group (1972). Instead of underlining market entry obstructions as a method for picking up a competitive advantage to expand benefits, the RBV centered on asset position limits as a strategy for extending benefits (Wernerfelt, 1984 and Barney, 1986). RBV underlines the institutions assets as the strategic determinants of competitive advantage and financial performance.

First the model presumes that companies inside an industry or inside a strategic group might be heterogeneous as for the heap of assets that they control (Bridoux, 1997). Second supposition is that asset heterogeneity may hold on after some time because assets used to execute company's strategies are not splendidly versatile crosswise over firms.

Dynamic Capabilities Theory

Dynamic Capability theory draws on Schumpeterian thinking, which sees dynamic capability as another rent- creating system dependent on the skills of organization (Schumpeter, 1950). Eisenhardt and Martin (2000) characterized dynamic capabilities as an arrangement of particular and identifiable procedures that are eccentric in subtle elements and in some way or another dependant on their emergence.

According to Teece, Pisano and Shuen, (1997) the theory involves the organization capacity to incorporate, form and reconfigure inside and outside capabilities to address quickly evolving enviromental conditions. The theory was propagated first by Hamel and Prahalad (1989). Research on dynamic capabilities is established in the RBV (Wernefelt, 1984). Dynamic capabilities of organization may represent the development of differing organization performance firm inside the sector (Zott, 2000). Zott (2000) incorporating bits of knowledge from both organizational and strategic theories, discovered performance applicable ascribes of dynamic capabilities to be the planning of dynamic capability learning and figuring out how to convey dynamic capabilities.

Contingency Theory

Contingency Theory is a class of behavioral hypothesis that guarantees that there is no most ideal approach to arrange an organization, to lead an organization, or to decide. Rather, the ideal game-

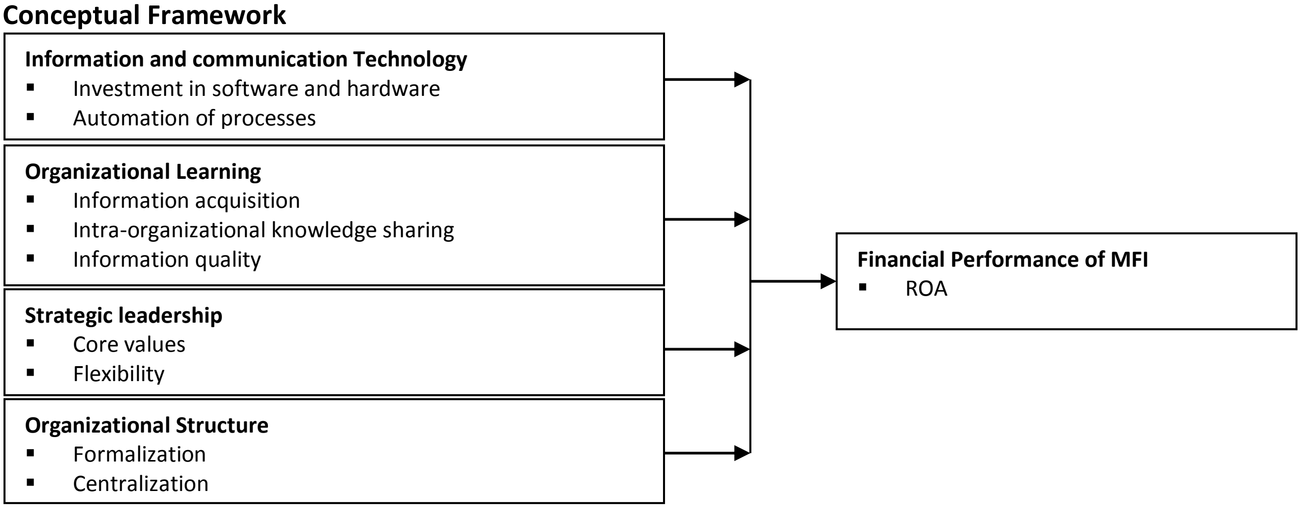
The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

plan is dependent upon the internal and outer circumstance. A few contingency approaches were created simultaneously in the late 1960s. They proposed that past theories, for example, Weber's bereaucracy and Taylor's scientific management had fizzled on the grounds that they dismissed that administration style and authoritative structure were affected by different environmental conditions, the contingency factors. There is one most ideal way for administration or organization.

Verifiably, contingency theory has looked to figure expansive generalizations about the formal structures that are ordinarily connected with or best fit the utilization of various technologies. The point of view started with works of Joan (1958), who contended that innovations straightforwardly affect the differences in such firm qualities as range of control, centralization of power, and the formalization of standards and procedures. Some imperative possibilities for organizations are recorded as: innovation, suppliers and wholesalers, consumer interest groups, clients and competitors, government and unions. The theory gives a method of reasoning to investigating various elements that an enterprise thinks about when settling on a competitive environment and because of that, the performance of the firm will be better.

This investigations prime objective was to establish the influence of ICT on microfinance establishments performance, consequently contingency theory was embraced in this investigation as it manages the formal structures that are commonly connected with or best fit the utilization of various technologies. As indicated by Joan (1958) advances in technology specifically determine contrasts in such organizational properties as range of control, centralization of power, and the formalization of principles and techniques. Hence the theory shaped the foundation whereupon the impacts of strategic information and communication technology (ICT) were examined. This theory informed the investigation on the impact of ICT on performance of microfinance institutions.

Conceptual Framework



Independent Variables **Dependent Variable Figure**

Figure 1: Conceptual Framework

Author (2019)

Empirical Review

Agboola (2016) in his study on Information and Communication Technology (ICT) in banking activities in Nigeria utilizing the nature and level of appropriation of innovative advancements, level of use of the identified technologies, and the effect of the reception of ICT gadgets on banks, discovered that innovation was the primary thrust of rivalry in the banking sector. During his study he witnessed an increase in the 37 adoption of ATMs, EFT, smart cards, electronic, home and office banking, and phone banking. He demonstrates that selection of ICT enhances the banks' picture and prompts a more extensive, quicker and more proficient market. He affirms that it is basic for bank administration to escalate interest in ICT items to encourage speed, comfort, and precise administrations, or generally miss out to their rivals.

Awbrey and Feurig (2012) in their empirical study on relationship between learning organization dimensions and adaptation to changes, innovations and performance identified learning characteristics as open communication and information sharing, risk taking and new idea promotion, support and recognition for learning and development, resource availability to perform ones job in a professional manner, availability of high performance team, reward for learning and performance ,positive training transfer and continuous learning climate and knowledge management.

Schreder (2015) conducted a study on Organizational learning and organisational performance of various industries including insurance in Australia. The study used Cross sectional survey, 215 forms were involved in data collection. A factor analysis method was used to analyse the data. The study found that there exists strong relationship between organisational learning and organizational performance. This study reveals a contextual gap as it was conducted in Australia, the current study will be conducted in Kenya.

Njanja et al., (2013) carried out a study among 176 micro small and medium enterprises (MSME) in Kenya to determine the effect of management factors on their performance. The research established that the leadership function was well applied across all categories of MSMEs; however managers reported that resources would be required to implement the strategies.

Gichunge (2014) investigated the influence of strategic management on firm performance of medium sized manufacturing firms in Kenya. It inspected the degree to which formal strategic management is embraced by medium sized firms in Kenya and examined the impact of different authoritative/lawful factors on the degree to which formal strategic management are adopted. It likewise decided the connection between dimension of rivalry and selection of formal strategic management and researched the impact of managerial/legal aspects on firm performance. The investigation simply portrayed theoretical gap because it did not touch on the effect of strategic management drivers on the performance of MFIs in Nairobi.

Kihara (2016) conducted a carried out an investigation on impact of hierarchical structure on performance of large scale manufacturing firms in Kenya. The investigation embraced a blended research plan of cross - sectional research structure and descriptive study. The investigation populace ponder was 499 large scale manufacturing organizations. The discoveries of the examination uncovered that lion's share of the organizations had a particular organizational structure.

METHODOLOGY

A descriptive research design was employed in this research study. Mugenda (2008) describes a descriptive research as an attempt to collect data from members of the population in order to determine the current status at that point in time with respect to one or more variables under study.

The use of descriptive research design is justifiable since it offers the study an opportunity to collect data across microfinance institutions and empirically test the relationship of the constructs along its conceptualization of strategic management drivers in microfinance institutions.

In the study, the target population was the various Microfinance institutions in Nairobi County registered under Association for Micro-finance Institutions (AMFI, 2017). The study adopted a census approach where the ICT managers, human resource and operations managers of 32 Microfinance institutions in Nairobi were taken as the content of investigation. Primary data was gathered by administering questionnaires whereas the secondary data was acquired from the bank Supervision report for year 2017. The data gathered was first corrected, classified, coded and analyzed. This was achieved by use of descriptive and inferential statistics that comprised of the mean, frequency, percentages and standard deviation. The data was then analyzed using statistical package for social science (SPSS). Multiple regression analysis models was used to portray the connection between independent variables

RESULTS

Information Communication Technology

The respondents were required to offer their answers to the query on ICT. The response were rated on a five likert scale as follows: SA is strongly agree, **A** is agree, **N** is neutral, **D** is disagree and **SD** is strongly disagree. Results are presented in table 1

Majority of 84% (57.1%+26.5%) of the respondents agreed with the statement that the institution had automated its process, 69% agreed that most services in the institution are computerized, 82% agreed that employees need to be trained on how to use computers, 70% agreed that trained employees were able to use computers efficiently, 86% agreed that Information communication technology had improved the firms performance significantly.

Table 1: Information Communication Technology

Statements	SA	A	N	D	SD	M	S.Dev
The institution has automated its process	57.10%	26.50%	6.10%	10.20%	0.00%	3.37	0.98
Most services in the institution are computerized	38.80%	30.60%	0.00%	20.40%	10.20%	3.87	1.44
Employees need to be trained on how to use computers	36.70%	44.90%	8.20%	8.20%	2.00%	3.59	0.99
Trained employees are able to use computers efficiently	51.00%	38.80%	2.00%	6.10%	2.00%	4.25	0.94
Information communication technology has enhanced the performance of the company	34.70%	51.00%	4.10%	10.20%	0.00%	4.50	0.90
Average						**3.92**	**1.04**

Organizational Learning

The response were rated on a five likert scale as follows: **SA** is strongly agree, **A** is agree, **N** is neutral, **D** is disagree and **SD** is strongly disagree. Results were presented in table 2 .

Majority of 63% (34.7%+28.6%) of the respondents agreed with the statement that The firm defines success on the basis of efficiency as dependable delivery, smooth scheduling and low-cost operation are critical, 57% agreed that the firm is results oriented workplace, people are very competitive and achievement oriented as a major concern is with

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

getting the job done. 80% of the respondents agreed that the firm emphasizes competitive actions and achievement as hitting stretch targets and winning in the marketplace are dominant. Further, 81% agreed that the management style in the firm is characterized by training employees on new skills while 67% agreed that Workshops and seminars are conducted to facilitate organizational learning.

Table 2: Organizational Learning

Statement	SA	A	N	D	SD	M	S.Dev
The firm defines success on the basis of efficiency as dependable delivery, smooth scheduling and low-cost operation are critical	34.70%	28.60%	20.40%	12.20%	4.10%	2.22	1.18
The firm is results oriented workplace, people are very competitive and achievement oriented as a major concern is with getting the job done	30.60%	26.50%	22.40%	20.40%	0.00%	2.33	1.13
Workshops and seminars are conducted to facilitate organizational learning	4.08%	46.90%	6.10%	32.70%	10.20%	4.10	1.15
The management style in the firm is characterized by training employees on new skills	38.80%	42.90%	14.30%	4.10%	0.00%	1.84	0.83
The firm emphasizes competitive actions and achievement as hitting stretch targets and winning in the marketplace are dominant	40.80%	26.50%	26.50%	6.10%	0.00%	1.98	0.97
Average						**2.49**	**1.05**

Strategic Leadership

The respondents were asked to give their responses to the questions on rural electrification vandalism. The response were rated on a five likert scale as follows: **SA** is strongly agree, **A** is agree, **N** is neutral, **D** is disagree and **SD** is strongly disagree. Results were presented in table 3.

Majority of 65% (36.7%+28.6%) of the respondents agreed with the statement that All investment decisions must be approved by board of directors before are undertaken the corporation, 61% agreed that Employees were usually motivated by the management, 55% agreed that Our institution is well organized and structured, 69% were in agreement that there is separation of roles in the organization whereas 61% of the respondents were of opinion that We offer friendly services to our customers.

Table 3: Strategic Leadership

Statements	SA	A	N	D	SD	M	S.Dev

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

All investment decisions must be approved by board of directors before are undertaken the corporation	36.70%	28.60%	20.40%	14.30%	0.00%	2.12	1.07
Employees are usually motivated by the management	30.60%	30.60%	18.40%	20.40%	0.00%	2.29	1.12
Our institution is well organized and structured	36.70%	18.40%	18.40%	22.40%	4.10%	2.39	1.30
There is segregation of duties within the organization	30.60%	38.80%	10.20%	18.40%	2.00%	2.22	1.14
We offer friendly services to our customers	28.60%	32.70%	22.40%	16.30%	0.00%	2.27	1.06
Average						**2.26**	**1.14**

Organizational Structure

The respondents were asked to give their responses to the questions on vandalism. The response were rated on a five likert scale as follows: **SA** is strongly agree, **A** is agree, **N** is neutral, **D** is disagree and **SD** is strongly disagree. Results are presented in table 4.

Majority of 57.2% (28.6%+28.6%) of the respondents agreed with the statement that Sections/departments formal meetings/briefings are conducted on a regular basis, 85% agreed that There are few levels of hierarchy before a decision is made, 61% agreed that Staff are asked to give their input on the adoption of new policies and procedures, 72% agreed that No or little action can be taken by a staff on any matter without supervisor permission while 63% of the respondents agreed that All investment decisions must be approved by board of directors before are undertaken the corporation.

Table 4: Organizational Structure

Statement	SA	A	N	D	SD	M	S.Dev
Sections/departments formal meetings/briefings are conducted on a regular basis	28.6%	3.55%	16.30%	28.60%	4.10%	22.40	1.24
There are few levels of hierarchy before a decision is made	0.00%	20.40%	24.50%	32.70%	22.40%	3.57	1.06
Staff are asked to give their input on the adoption of new policies and procedures	28.60%	32.70%	14.30%	24.50%	0.00%	2.35	1.15
No or little action can be taken by a staff on any matter without supervisor permission	12.20%	61.20%	18.40%	8.20%	0.00%	2.22	0.77
All investment decisions must be approved by board of directors before are undertaken the corporation	32.70%	12.20%	24.50%	30.60%	0.00%	3.84	1.03
Average						**3.11**	**1.05**

Inferential Statistics

Correlation Analysis

This study carried out correlation analysis in order to establish if there was any significant relationship between information communication technology, organizational learning, strategic leadership, organizational structure and the financial performance of microfinance institutions in Nairobi County.

Correlation analysis results showed that there was a positive and noteworthy correlation between ICT and ROA (r = 0.611, p-value= 0.000). This meant that increased use of ICT increased financial performance of microfinance institutions. Findings in table 5 also revealed that there was a positive and significant relationship between organizational learning and ROA (r = 0.449 p-value= 0.004). Thus an increase in organizational learning resulted to an increase in the financial performance. The correlation between strategic leadership and ROA is positive and significant (r= 0.534, p-value 0.000). Thus, an increase in strategic leadership resulted to overall financial performance of the microfinance institutions. Results in table 5 indicate that there was a positive correlation between organizational structure and the ROA (r= 0.435 p-value=0.005). Thus an increase in organizational structure resulted to increase in financial performance of the microfinance institutions.

Table 5: Correlation Matrix for the Study Variables

	ROA	ICT	Organizational Learning	Strategic Leadership	Organizational Structure
ROA	1.000				
ICT	0.611**	1.000			
	0.000				
Organizational Learning	0.449**	0.287	1.000		
	0.004	0.072			
Strategic Leadership	0.534**	0.165	0.296	1.000	
	0.000	0.31	0.064		
Organizational Structure	0.435**	0.541	0.013	0.448*	1.000
	0.005	0	0.937	0.004	

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

Regression Analysis

The finding illustrated in table 6 showed the fitness of model employed to explain the study phenomena. ICT, organizational learning, strategic leadership and organizational structure provide a moderately good fit in predicting changes in financial performance measured by the return on asset. This is supported by coefficient of determination also known as the R square of 45.1%. This meant that ICT, organizational learning, strategic leadership and organizational structure describe 45.1% of the disparities in the dependent variable which is financial performance of microfinance institutions. This finding further implies that the model used to measure the relationship of the variables was adequate.

Table 6: Regression Model Summary

Indicator	Coefficient
R	0.671
R Square	0.451
Adjusted R Squared	0.388
Std. Error of the Estimate	1.8597

Table 7 gave the outcome on the analysis of the variance (ANOVA). The significance value is .000 which is less than 0.05; therefore the model is statistically significant in estimating the influence of strategic management drivers on the financial performance of the microfinance institutions in Nairobi County. The results showed that the independent variables are adequate predictors of financial performance. This was supported by an F statistic of 5.323 and the reported p value (0.000) which was less than the standard probability of 0.05significance level

Table 7: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	99.332	4	24.833	5.323	.000
Residual	121.043	26	4.665		
Total	220.375	30			

a. Dependent Variable : Financial Performance

b. Predictors : (Constant), ICT, Organizational Learning, Strategic Leadership, Organizational Structure

Regression of coefficients results in table 8 showed that ICT and financial performance of microfinance institutions are positively and significant related (β =0.544, p=0.004). The table also indicates that organizational learning and financial performance of microfinance institutions are positively and significant related (β =0.247, p=0.005). It was established that strategic leadership and financial performance of microfinance institution were positively and significantly related (β =0.255, p=0.003). It was also established that organizational structure and performance of microfinance institution were positively and significantly related (β = 0.060, p= 0.005)

Table 8: Regression Coefficients

	Unstandardized Coefficients B	Std. Error	T	Sig.
(Constant)	0.334	0.138	2.420	0.000
ICT	0.544	0.181	3.053	0.004
Organizational learning	0.247	0.110	2.245	0.005
Strategic leadership	0.255	0.111	2.297	0.003
Organizational structure	0.060	0.032	1.875	0.005

a. Dependent Variable: Financial Performance

Thus, the optimal model for the study was;

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathit{e}}$

$\mathbf{Y = 0.334 + 0.544X_1 + 0.022X_2 + 0.255X_3 + 0.06\, X_4 + \acute{\varepsilon}_i}$

Y= Financial Performance of Microfinance institutions

X_1 = Information Communication Technology

X_2 =Organizational Learning

X_3 = Strategic Leadership

X4 = Organizational Structure

e=Error term of the model.

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

From the regression model obtained from table 8, holding all the other factors constant, financial performance of microfinance institutions would be 0.334. A unit change in ICT would cause financial performance of real MFIs to increase by 0.544, a unit change in organizational learning will cause the financial performance of MFIs to increase by 0.247, a unit change in strategic leadership will make the performance of MFIs to increase by 0.255 and a unit change in organizational structure will make the performance in MFIs to increase by 0.060.

There exists positive and significant relationship between ICT (β= 0.544, p= 0.004), also the results showed that organizational learning and financial performance had appositive and significant relationship (β =0.247,p= 0.005) and the financial performance of MFIs, also there exist positive and significant relationship between strategic leadership and financial performance (β= 0.255, p= 0.003), organizational structure and financial performance showed positive and significant relationship (β= 0.060 , p=0.005). The regression findings found that ICT had the highest significance to the financial performance in microfinance institutions in Nairobi County, followed by strategic leadership, organizational learning and last was organizational structure. Koros (2017) in his study examined effect of strategic management drivers on performance of airports in Kenya and found that strategic information and communication technology, strategic human capital and strategic customer focus had a strong relationship with performance.

CONCLUSION

From the findings, the study found that information communication technology on financial performance of MFIs. The study established that there was strong relationship between financial performance of MFIs and ICT. The study revealed that a unit increase in ICT would lead to increase in financial performance of MFIs in Nairobi County; this was an indication that there was positive association between ICT and financial performance of MFIs.

The study concluded that there was a significant and positive relationship between organizational learning and financial performance of microfinance institutions .An increase in organizational learning would lead to increase in financial performance of MFIs in Nairobi County. This could be explained by the fact that learning the essential skills in the organization will increase the profitability of the MFIs which will result to increased financial performance.

The study concluded that there was significant and positive relationship between strategic leadership and financial performance. This could be explained by the fact that , the toplevel management of most microfinance institutions have formulated strategies such as corporate strategic direction, effectively managed corporate resource portfolio, emphasized effective organizational culture, emphasized ethical practices and balanced organizational controls which enhance the financial performance.

The investigation came to a conclusion that there was a positive and significant relationship between the organizational structure and the financial performance of the microfinance institutions in Nairobi County. This could be explained by the fact that most institutions have directors that take active part in corporate governance of the institutions and workers that participate actively in decision making of the institutions which may lead to increased financial performance.

RECOMMENDATIONS

Information and Communication Technology (ICT) conclusively affects financial performance, therefore the study recommended that MFIs need to invest in the latest and modern technology. Organizations need to come up with policies to support automation and use of ICT so as to acquire and sustain a competitive advantage. The policies should be formulated in such a way that personnel at all levels

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

in the company adopt ICT so as to advance performance.

The investigation on organizational learning had a positive and significant connection with the financial performance; thereby, the findings recommend that the institutions should devise mechanisms to train its employs on new skills and emerging technologies in the institutions, also the institutions should organize frequent workshops and seminars to train its employees.

It was highly recommended for executives in in MFIs in Nairobi County to engage in high performance strategic leadership practices. This aspect will ensure the strategic competitiveness and financial performance of their institutions. There is also a need to focus on effectively managing the corporate resource portfolio which is the most important task for strategic leaders as it is categorized into financial capital, human capital, social capital and organizational culture. This aspect will enhance the financial performance of their MFIs.

The investigation came to a conclusion that there is a noteworthy and significant relationship between organizational structure and financial performance. The investigation advocates that ownership concentration must to be decreased in order to shun small number of individuals controlling the financial performance of the MFI. Workers should be motivated to be proactive in financial management facets of the MFIs. A constitution which clearly indicates how to select and replace the CEO and directors need to be adopted. MFIs should consider adopting conduct of regular Corporate Governance Audits and Evaluations. Good Corporate Governance has a positive economic impact on the institution in question as it saves the organization from various losses for example, those occasioned by frauds, corruption and similar irregularities.

Area of Further Study

The investigation was restricted to microfinance institutions in Nairobi County only. Researches need to be carried out in other counties in Kenya. The investigation also focused on only four strategic management driver whereas we have many others that all influence performance of MFIs. A similar investigations can be carried out on other strategic management drivers that can influence the financial performance of the microfinance institutions.

REFERENCES

Aaker, D. A., & Shansby, J. G. (2013). Positioning your product. *Business horizons*, *25*(3), 56-62.

Agboola, A. (2016). Information and communication technology (ICT) in banking operations in Nigeria–An evaluation of recent experiences. *African Journal of Public administration and Management*, *18*(1).

Anderson, E., & Gatignon, H. (2012). Modes of foreign entry: A transaction cost analysis and propositions. *Journal of international business studies*, *17*(3), 1-26.

Armstrong, M., & Taylor, S. (2014). *Armstrong's handbook of human resource management practice*. Kogan Page Publishers.

Baland, J. M., Guirkinger, C., & Mali, C. (2011). Pretending to be poor: Borrowing to escape forced solidarity in Cameroon. *Economic development and cultural change*, *60*(1), 1-16.

Bierly III, P. E., Kessler, E. H., & Christensen, E. W. (2013). Organizational learning, knowledge and wisdom. *Journal of organizational change management*, *13*(6), 595-618.

Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2010). *Portfolios of the poor: how the world's poor live on $2 a day*. Princeton University Press.

Cull, R., Harten, S., Nishida, I., & Bull, G. (2014). *Benchmarking the financial performance, growth, and outreach of greenfield microfinance institutions in Sub-Saharan Africa*. The World Bank.

Czepiel, J. (2010). Service encounters and service relationships: Implications for research. *Journal of Business Research*, 20, 13–21.

Eisenhardt, K. M, & Martin, J. A. (2000). *Dynamic capabilities: what are they*? Strategic management Journal 2.

Hashemi, S., & Rosenberg, R. (2012). *Graduating the poorest into microfinance: linking safety nets and financial services.Implementation*, 5 th edition, Richard Irwin inc, USA.

Karlan, D. S. (2011). Microfinance impact assessments: The perils of using new members as a control group. *Journal of Microfinance/ESR Review*, *3*(2), 5.

Kiiru (2012), Case Study of Kenyan Micro Finance Programme. Africa Region. Nairobi.

Kombo, D.K. & Tromp, L.A. (2006). *Proposal and Thesis Writing: An Introduction*. Kiambu: Paulines Publications Africa

Kothari, C. (2004). *Research Methodology: Methods & Techniques*, 2ndedition.New age International Publishers, New Delhi, India

March, J. G. (2014). Exploration and exploitation in organizational learning. *Organization science*, *2*(1), 71-87.

Mithas, S., Krishnan, M. S., & Fornell, C. (2012). Why do customer relationship management applications affect customer satisfaction?. *Journal of Marketing*, *69*(4), 201-209.

Mugenda, O. M. &Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Kiambu, KE: Acts Press

Newbert, S. L. (2007). Empirical research on the resource-based view of the firm: an assessment and suggestions for future research. *Strategic management journal*, *28*(2), 121-146.

Ng'oo, R. K. (2013). Positioning Strategies adopted by large Audid Firms in Kenya. *Unpublished MBA Project, School of Business, University of Nairobi*.

Penrose, E.T., (1959). *The Theory of the Growth of the Firm*. Basil Blackwell, Oxford.

Powell, T. C. (2001). Competitive advantage: logical and philosophical considerations. *Strategic management Journal,* 22

Protogerou, A., Caloghirou, Y. & Lioukas, S., (2008). *Dynamic Capabilities and their Indirect impact on Firm performance.* Entrepreneurship and Innovation – Organizations, Institutions, Systems and Region.

Schumpeter, J. (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.

Singh, S. K., Watson, H. J., & Watson, R. T. (2011). EIS support for the strategic management process. *Decision Support Systems*, *33*(1), 71-85.

Teece, D. J., Pisano, G. & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic management Journal,* 18.