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INFLUENCE OF VALUES SYSTEM ON THE RELATIONSHIP BETWEEN ORGANISATIONAL RESOURCES AND ORGANISATIONAL PERFORMANCE OF INTERNATIONAL ORGANISATION FOR STANDARDISATION CERTIFIED ORGANISATIONS IN KENYA

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Abstract

The purpose of this study was to undertake an empirical examination on the influence of values system on the relationship between organisational resources and organisational performance of International Organisation for Standardization (ISO) certified organisations in Kenya. The study was anchored on Total Quality Management (TQM) theory. The study was guided by the philosophy of positivism. A cross-sectional research design was adopted on a sample size of

282 ISO certified organisations from which primary data was collected by use of a questionnaire and secondary data was obtained from financial statements of the 27 organizations under investigation. Data was analyzed descriptive and inferential statistics. Multiple regression model was used to estimate the control effect of values system on the relationship between organisational resources and organizational performance. The findings show that there is a positive effect of values system on the relationship between organisation resources and organisational performance. Therefore, the management should be guided by Constitution of Kenya (CoK) and TQM theory since this study contributed to their principles and tools which enable organisations to perform better with minimum organisational resources.

Keywords:ValuesSystem, Total Quality Management, Organisational Resources, Organizational Performance, ISO Certified Organizations

INTRODUCTION

Values are things or relationships that people would like to have or to enjoy (Starling, 2002). Values motivate action towards achieving goals and give reasons to do what needs to be done (Salonek, 2016). Only those values that are relevant to Operations Management (OM) are of concern in this study, being qualities people consider right, worthwhile or desirable and would therefore like to see in their organisation. These values are organisational resources, values system, and organisational performance, each of which is essential for the preservation of organisational responsibility. The TQM, a part of OM, is a transformation system and is itself the desired culture of an organisation committed to customer satisfaction through continuous improvement (Cameron & Sine, 1999; Goetsch & Davis, 1994; Kanji, 1990). Culture is that whole complex of learned human behavior patterns and perceptions (Tylor, 1971) which includes knowledge, belief, art, morals, law, custom, and institutions, products of human work and thought, and habits acquired by man as a member of society.

The TQM principles, concepts and practices are on close examination similar to the values and principles of governance stipulated under Article 10 of the Constitution of Kenya (Cok) 2010 (Raiborn & Payne, 1996; Government of Kenya (GoK), 2010). This provision of the constitution contains human values that are universal. These values provide a means to focus on goal setting in society including organisations. Thus, organisations are obliged to make these values concrete and tangible for people so that they can relate to them and blend them in their daily life, to retain their very purpose of existence.

Human values have a longer historical standing than modern day business management principles like TQM (Srinivasan, 2005). Management principles draw on human values and they must also be compatible with them, in order to make sense and be sustainable. Schmidheiny (1992) argues that business will play a vital role in the future health of this planet (earth) if together they are committed to meet the basic needs of the present without compromising the welfare of the future generations. King (2009) emphasizes the principles of governance and sustainability that seek to balance profits, people and planet in achieving organisational objectives.

The key to success, therefore is to recognize TQM as a driving force behind organisational changes by developing their culture to match that embraced in TQM and CoK 2010 (Kiruthu, 1996; Mbeche & Omutia, 1997; Omutia, 1995; Pike & Barnes, 1994). Bekker, Rautenbach and Goolam (2006) support the above views that seek to link religion (divine law), Article 10 of the CoK 2010 and business principles such as TQM. Thus, under the CoK, organisations especially ISO certified in Kenya need an appropriate culture that conforms to the Constitution 2010, supports business excellence and have a means to monitor the change process. To this extent, therefore values system, as cultural artifacts, influence the relationship between organisational resources and organisational performance. Due to the multi-disciplinary nature of OM, this study anchors on the TQM theory.

Research Problem

The values system would be national values and principles of governance comprising of legal concepts stipulated under Article 10 of CoK 2010, which fosters a rights-based culture. These concepts are in four categories (GoK, 2010), first patriotism; national unity; sharing and devolution of power; as well as the rule of law, democracy and participation of people (GoK, 2010). Second, human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalized (GoK, 2010). Third, good governance, integrity, transparency and accountability (GoK, 2010). Fourth, sustainable development (GoK, 2010). Despite the great emphasis on the linkage between values system, organizational resources and organisation performance, researches done on values system are limited (Juran, 1986; Kishtainy, 2014; Mankiw, 1998; Moyo, 2013; Teece, Pisano & Shuen, 2007).

The role played by quality is important in developing standards for organizations' management and business environment. ISO certified organisations in Kenya are challenged by the lack of a comprehensive implementation guide, hence making it difficult for the organisations to operationalize resources more successfully. Due to not combining the various resources and values system, organisations need to not only transform the whole system of management, but also have a comprehensive guide for practitioners (Gorecki, 1995; Hackman & Wageman, 1995). These organisations also continue to lag behind in converting resources to organisational performance due to the wrong reasons for seeking ISO registration (Kuo, et. al., 2009).

Scholars recognize that values system matter but there are limited studies, which have examined the influence of values system on the relationship between organisational resources and organisational performance (Beatty, 2013). The studies may also not have adequately taken into account the intermediate role of values system on the relationship between organisational resources and organisational performance. In particular, values system through commitment to values needs to be examined (Cloke & Goldsmith, 2002; Hill & Wetlaufer, 1998). Studies have not measured transformation, but instead inferred them from TQM characteristics. Scholars have linked organisational resources to organisational performance (Li & Hambrick, 2005) but most of these studies have measured organisational performance using the traditional financial measures hence the need to explore use of contemporary performance measures. Therefore, there exist conceptual and methodological gaps which the study sought to address. This study ascertained the effect of organisational resources on organisational performance by answering the following question: “what influence does values system have on the relationship between organisational resources and organisational performance within ISO certified organisations in Kenya?”

LITERATURE REVIEW

The TQM theory itself a behavioral theory that primarily entails a change in an organisations’ technology, its way of doing work; a change in an organisations’ culture its norms, values and belief systems about how organisations function; and a change in an organisations’ political system-decision making processes and power bases (Tichey, 1983). In the quality management essence, the managers who deal with quality management of ISO certified institutions in Kenya should ensure maximum customer satisfaction in terms of quality products and services given on market. This can also come about through involvement and empowerment of their employees to enhance and maintain goods and services of better quality (Okwiri, 2013). Therefore, to achieve such performance level, the organisations’ employees should focus more on identification of customers’ wants/expectations, and should have good understanding of organisations’ plans that can assist in achievement of their aims. The TQM theory benefited this study through the effect of organizational resources and values system on organizational performance of ISO certified organizations in Kenya.

The values and principles of governance stipulated under article 10 of the Kenyan Constitution 2010 represent values system. Complying with this obligatory provision is a form of social engineering by legislation (Kleyn & Viljoen, 2002). A more ethical approach to business is essential for long-term success. The UK Institute of Business Ethics suggests a simple 'test' for ethical decision-making in business: faced with a judgment call, first consider the ethical trilogy of transparency, then effect and finally fairness (Roberts, 2008).

Socrates in 399 BC, as cited in Popkin and Stroll (1998), proclaimed that the unexamined life is not worth living. Aristotle centuries ago, as cited in Cloke and Goldsmith, (2002), discerned that the test of ethics occurs when they run counter to ones' self-interest rather than when they serve them. In their study of the national aeronautics and space administration, USA, found that suppression of the truth was used to rationalize the goal of financial gain. A bottom-line commitment to values system contributes greatly to the development of collaboration, diversity, creativity, participation, responsibility, morale, and unity. When these are valued, performance improves as well. Values bring meaning to goals and serve as guiding principles when executing the work plan of goals (Salonek, 2016).

Rosete (2006) researched on how performance management systems and organisational values affect the job satisfaction and commitment of employees. The survey was conducted on 325 civil service of Australia. The study classified the target respondents into four major value types namely: meritocratic, collegial, elite, and leadership this was based on the typological theory of organizational values. From the factor analysis results, it was discovered that performance management items rely on two key aspects which include developing an individual and compensation. On the same topic, Gorenak and Košir (2012) did a research on the importance of organizational values for organization. Their study was done on 303 companies operating in Slovenia. The findings of their survey gave a revelation that there were performance factors are statistically significant to organizational values.

Ainin, Salleh, Bahri and Faziharudean (2015) relied on a sample size of 104 small and medium sized enterprises in the service industry in Malaysia through the use of a cross-sectional survey to conduct a research on the effect of performance of organization and customer value on functional capabilities of information systems. Their study discovered that capabilities of IS functionality influence customer value creation and eventually performance of organizational.

Fitriya and Locke (2012) explored the relationship between corporate governance mechanisms, ownership structure and firm performance but yielded different results due to the nature of the prevailing governance system for each country. Their study also stated that majority of the scholars only tested a linear relationship between variables, and found a non-linear relationship between board structures, ownership structures and firm performance. Their study, equally confirmed the non-linear relationship. The study used a balanced panel of 79

New-Zealand listed firms and employed a generalized linear model for robustness. The results found that board of directors, board committees, and managerial ownership have a positive and significant impact on firm performance. However, non-executive directors, female directors on the board and block-holder ownership did not have any significant relationship on firm performance.

Noriza (2010) looked at the compliance level among public listed companies with the implementation of corporate governance code of best practices and the association to the firm's capital structure. Corporate governance was looked at using ownership structure relationship with shareholders, financial transparency, information disclosure and board of directors' composition. Capital structure was measured using debt ratio, debt to equity and interest coverage. Methodologically, data was collected from annual reports and data streams for a sample of 126 companies over an eight year period that is, 1998 to 2006. Multiple regression analysis was performed and the findings revealed that most of the companies complied well with the code and that there was a significant association to the firm's capital structure.

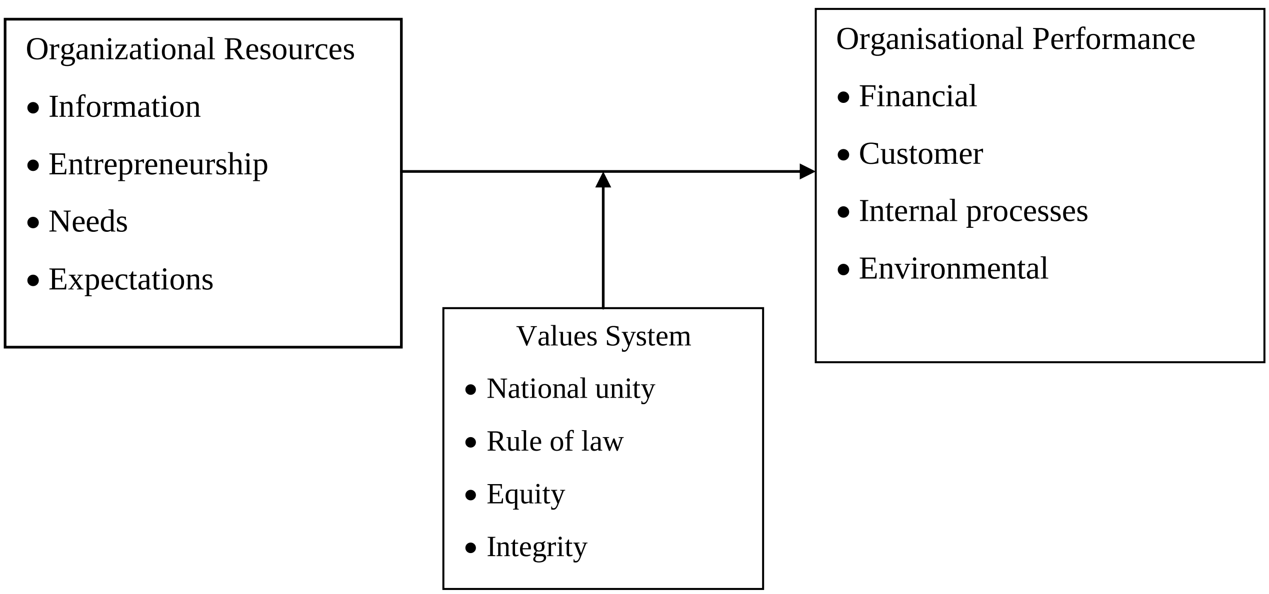
Bhagat and Bolton (2008) examined how corporate governance was measured and what the relationship between corporate governance and performance was. The study shed light on these questions while taking into account the endogeneity of the relationships among corporate governance, corporate performance, corporate capital structure, and corporate ownership structure. In terms of contributions; first, the study found that better governance indices, stock ownership of board members, and CEO-chair separation was positively significant and correlated with better contemporaneous and subsequent operating performance. Second, none of the governance measures were correlated with future stock market performance. In several instances inferences regarding the (stock market) performance and governance relationship depended on whether or not one took into account the endogenous nature of the relationship between governance and (stock market) performance. Third, given poor firm performance, the probability of disciplinary management turnover was positively correlated with stock ownership of board members, and board independence. However, better governed firms were less likely to experience disciplinary management turnover in spite of their poor performance.

Tsifora and Eleftheriadou (2007) studied corporate governance mechanisms and financial performance of Greek manufacturing sector. Findings showed that companies that had an expanding board of directors had better internal control and therefore performed better than companies, with a limited number of members on the board of directors. Companies which belonged to an expanded group of shareholders performed better than those companies which belonged to a small group of shareholders or are family owned. Companies that introduced corporate governance systems were characterized by high profitability. Thus, values system may have a moderating effect between resources and organisational performance

Conceptual Framework

The knowledge gaps highlighted above led to the development of the conceptual framework below (Figure 1) that was adopted to guide empirical research in answering the gaps identified from the review of conceptual and empirical literature. From the framework, organisational performance is the dependent variable, organisational resource is the independent variable, whereas values system is control variable on the influence of organisational resource and organisational performance.

Figure 1: Conceptual Framework



RESEARCH METHODOLOGY

This study used a positivism philosophy since it is directly associated with the idea of objectivism. Cross-sectional research design was found to be appropriate for this study since it helps in giving a better understanding of the relationship between predictor variables and dependent variable. The population of interest was all 1,060 ISO certified organisations in Kenya accredited through Kenya Bureau of Standards, where a sample size of 282 organisations were selected for the study by use of stratified random sampling technique. Primary and secondary data was used in this study where primary data was collected using self-designed semi-structured questionnaire and secondary data through examination of records. Data was analyzed descriptively. Inferential statistics was used to determine the relationships between values system, organisational resources and organisational performance. The t-test was used to determine significance of the variables. Assessment of the overall significance of the regression models was done using the *p*-value of the *F*-test statistics.

FINDINGS

Descriptive Statistics

The findings indicate that 59.4 percent of the respondents were males and 40.6 percent were women. This implied that most information emanated from males and that there was inclusiveness in gender representation in the study. About 27.6 percent of the respondents indicated that they were in the senior management, 19.7 percent indicated that they were in the middle level management, 19.3 percent indicated that they were in the supervision, 17.7 percent were in the top management and 15.7 percent of the respondents indicated that they were in operational level of management. This implied that all the management hierarchy was fairly engaged in this research. Majority (96.1 percent) of the respondents indicated that their respective organizations had been in operations for over 15 years, 2.8 percent of respondents between 5 years and less than 10 years and 1.2 percent of the respondents between 10 and 15 years. This implied that they had adequate knowledge on the effects of organisational resources and values system on performance of ISO certified organisations in Kenya.

The results on descriptive statistics for values system are as given in Table 1. The respondents strongly agreed that work standards, laws and regulations were obeyed and maintained (mean score = 4.68, SD = 0.468); there was honesty in all dealings (mean score = 4.68, SD = 0.581); organisations invested in sustainable community programs compatible with their goals (mean score = 4.53, SD = 0.626); and organisations structure allowed more authority at lower levels in both planning and execution of work (mean score = 4.50, SD = 0.652). This implied that ISO certified organisations in Kenya were very strong in terms of power sharing, honesty, community commitment and the rule of law.

Further, there was mutual trust and respect in the organisation (mean score = 4.46, SD = 0.499); all affairs were conducted with openness (mean score = 4.40, SD = 0.491); people entrusted with resources in the organisation managed them properly (mean score = 4.39, SD = 0.490); people in the organisation appreciated each other's differences (mean score = 4.30, SD = 0.669); organisations were committed to managing its activities in an environmentally responsible manner (mean score = 4.18, SD = 0.866); diversity and inclusivity was a major consideration in the organisations' employment policy (mean score = 4.12, SD = 0.464); people generally enjoyed their God-given, inherent, inalienable liberties and entitlements in the organisations (mean score = 4.09, SD = 0.293); equal opportunities are given to all people (mean score = 4.06, SD = 0.243); and employees were dedicated to and proud of belonging to the organisations (mean score = 4.05, SD = 0.221). Accountability in the organisations belonged to the people who chose the responsibilities they wanted and were answerable for the results (mean score = 4.05, SD = 0.588).

The results also indicated that organisations ensured that everyone had part to play in the management process and that they understood that part (mean score = 4.03, SD = 0.371). The work environment provided adequate income and opportunity for work enjoyment, happy living, subsistence, growth and respect for humanity (mean score = 4.02, SD = 0.402); there was harmony in the organisations (mean score = 4.01, SD = -0.295); employees were involved in decisions related to their work and problem solving appropriate to their levels (mean score = 4.00, SD = 0.000);organisations pursued environmental excellence by implementing best policies, systems and procedures to bring about a continual improvement in environmental management (mean score = 4.00, SD = 0.000); fairness and equity was observed in all dealings (mean score = 3.90, SD = 0.304); and agreed that power and authority in the organisations was controlled and answerable (mean score = 3.90, SD = 0.304).

The results in Table 1 had an overall mean score of 4.21. This implied that ISO certified organisations in Kenya are strong in values system. The spread about the mean was low (coefficient of variation = 9.98 percent) and therefore more consistent or less variable. From skewness, the findings show that the average score of the values system constructs were positively skewed (0.106) and was very near to zero that clarified that the constructs were asymmetrical. Kurtosis values indicated that all the sub constructs had a platykurtic distribution (2.441).

Table 1: Descriptive Statistics for Values System

Values System	Sample	Mean Score	Standard Deviation	Skewness	Kurtosis
Work standards, laws and regulations are obeyed and maintained.	254	4.68	0.468	-0.762	-1.430
There is honesty in all dealings.	254	4.68	0.581	-1.634	1.627
Organisation invests in sustainable community programs compatible with its goals.	254	4.53	0.626	-0.995	-0.063
Organisation structure allows more authority at lower levels in both planning and execution of work.	254	4.50	0.652	-0.949	-0.214
There is mutual trust and respect in the organisation.	254	4.46	0.499	0.175	-1.985

All affairs are conducted with openness.	254	4.40	0.491	0.404	-1.851
People entrusted with resources in the organisation manage them properly.	254	4.39	0.490	0.438	-1.823
People appreciate each other's differences.	254	4.30	0.669	-0.432	-.774
Organization committed to managing activity in environmentally responsible manner.	254	4.18	0.866	-0.359	-1.575
Diversity and inclusivity is a major consideration in the organisations' employment policy.	254	4.12	0.464	0.410	1.204
People generally enjoy their God-given, inherent, inalienable liberties and entitlements in the organisation.	254	4.09	0.293	2.789	5.825
Equal opportunities are given to all people.	254	4.06	0.243	3.619	11.185
Employees are dedicated to and proud of belonging to the organisation.	254	4.05	0.221	4.098	14.908
Accountability in the organisation belongs to the people who choose the responsibilities they want and are answerable for the results.	254	4.05	0.588	-0.008	-0.091
Organisation ensures that everyone has part to play in the management process and that they understand that part.	254	4.03	0.371	0.321	4.317
Work environment provides adequate income and opportunity for work enjoyment, happy living, subsistence, growth and respect for humanity.	254	4.02	0.402	0.158	3.267
There is harmony in the organisation.	254	4.01	0.295	0.230	8.728
Employees are involved in decisions related to their work and problem solving appropriate to their level.	254	4.00	0.000		
Organisation pursues environmental excellence by implementing best policies, systems and procedures	254	4.00	0.000		
Fairness and equity is observed in all dealings.	254	3.90	0.304	-2.639	5.005
Power and authority in the organisation is controlled and answerable.	254	3.90	0.304	-2.639	5.005
Average scores	254	4.21	0.420	0.106	2.441

Bankruptcy ratios assess the likelihood of an organisation collapsing. The study findings used the bankruptcy ratio (Fulmer H-factor) for the target organisations by sectors. The Fulmer H Factor can also be referred to as Fulmer H Score and is a model used in classification of bankruptcy of any given organisation. This model states that if the Fulmer H Factor score is below zero, then an organisation or a company is supposed to be classified to be bankrupt, and if this score is well above zero then should be otherwise. The frequency results of Fulmer H Factor are as analyzed in Table 2 below. The findings indicate that majority (74 percent) of ISO certified organisations provided a positive Fulmer H score, while 26 percent of them had a negative one. This could clearly imply that a majority of organisations have successfully deployed resources coupled with values system for the purpose of creating value addition.

Table 2: Descriptive Statistics for Selected Bankruptcy Ratios

Fulmer H-Factor	Frequency	Percent
Greater than 0	20	74
Less than 0	7	26
Total	27	100

Inferential Statistics

From regression analysis illustrated in Table 3, the value of R-Square before moderating variable was 0.150 while with addition of the moderating variable the value increased to 0.256. This indicated that moderating variable positively influenced the relationship between organisational resources and performance of ISO certified organisations in Kenya. The change statistics shows that there was change in explanatory power of the model upon addition of the moderating variable by a 0.106 positive change in R-Square. This was also represented by F change from 20.959 to 33.534 and was significant with a p-value of 0.000. With the introduction of the moderator, F-value = 20.595, and p-value = 0.001; change in F-value = 27.069 and p-value = 0.001, which meant that the regression model was significant and there was moderation effect.

From the data in above, the estimated regression equation was:

OP = 6.816 - 0.380*OR- 0.245*VS + 0.068*MOD

Where, MOD is moderator.

From the above equation, a unit increase in organisation resources would lead to a decrease in the performance of ISO certified organisations by a factor of 0.380 units. A unit increase in values system would lead to decrease in performance of ISO certified organisations by 0.245 units and a unit increase in moderation effect would lead to an increase in performance of ISO certified organisations by 0.068 units.

Table 3: Model Summary, Analysis of Variances and Coefficients for Values System, Organizational Resources and Organizational Performance

1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.388[a]	.150	.143	.18769	.150	20.959	2	237	.000
2	.506[b]	.256	.247	.17600	.106	33.534	1	236	.000

2. Analysis of Variances

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.477	2,237	.738	20.959	.000b
	Residual	8.349		.035		
	Total	9.826	239			
2	Regression	2.516	3236	.839	27.069	.000c
	Residual	7.310		.031		
	Total	9.826	239			

3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.104	.751		10.791	.000
	Organizational resources	-.260	.065	-.253	-4.009	.000
	Values system	-.663	.187	-.224	-3.541	.000
2	(Constant)	6.816	.738		9.231	.000
	Organizational resources	-.380	.064	-.370	-5.918	.000
	Values system	-.245	.190	-.083	-1.290	.198
	Moderator	.068	.012	.359	5.791	.000

a. Predictors: (Constant), Values system, Organizational resources

b. Predictors: (Constant), Values system, Organizational resources, Moderator

c. Dependent Variable: Organizational performance

Only two variables (organization resources and moderator) were statistically significant (p-value less than ($\alpha = 0.05$)) with t values of -5.918 and 5.791 respectively and p values of 0.000. This implied that changes in the values system moderated the relationship between organisational resources and organisational performance and the null hypothesis was therefore rejected.

CONCLUSION

Changes in values system affected the relationship between organisational resources and organisational performance, depending on the circumstances. The TQM theoretical review was revealed in this study where majority of ISO certified organisations seemed to stress on organisational value. Values system has some variation on the relationship between organisational resources and organisational performance of ISO certified organisations. There is need to strengthen values system among ISO certified organisations in Kenya as it was found that values system positively affect the relationship between organisational resources and organisational performance in Kenya. Regulators should insist on TQM among ISO certified organisations to ensure quality and value. The regulatory organisations should seriously continue to do the supervisory guidance of the organisations since they are charged with both regulation and supervision. Government needs to develop and implement policies that encourage adoption of values system as espoused in this study. Therefore, the study established that there is a link between CoK and TQM, and this can be used as a method to materialize the values and principles contained in article 10 as well as observation of quality standards among ISO certified organisations.

This study focused on the influence of values system on the relationship between organisational resources and performance of ISO certified organisations in Kenya. A further similar study should be conducted focusing on non-ISO certified organisations in Kenya and compare the results. This may help in understanding the causes underlying productivity in organisations and the challenges facing organisation resource conversion among organisations in Kenya. Furthermore, future studies should consider alternatives to the cross-sectional study using the quantitative approach that may be available. A longitudinal research study using qualitative approach may be considered, given available time and financial resources.

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