# Determinants of Financial Policies Compliance in Faith Based Hospitals in Kenya

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***Abstract-*** Faith-based organizations provide 30% of all health care in Kenya and 50-60% in the rural areas. Although the Government remains the main provider of health care services in Kenya, Faith Based Hospitals are a crucial component of our society today. In faith based hospitals, Political and bureaucratic leakage, fraud, abuse and corrupt practices occur at every stage of the process as a result of low compliance of financial policies, poorly managed expenditure systems, lack of effective auditing and supervision, organizational deficiencies and lax fiscal controls over the flow of public funds. The general objective of this study was to investigate the determinants of financial policies compliance in faith based hospitals in Kenya. The specific objectives were; to investigate whether top management oversight influences financial policies compliance in faith based hospitals in Kenya; to determine whether employee competence influences financial policies compliance in faith based hospitals in Kenya; to establish whether organizational structure influences financial policies compliance in faith based hospitals in Kenya and lastly to establish whether organizational culture influences financial policies compliance in faith based hospitals in Kenya. Descriptive design was used in the study. Therefore, the target population was 77 faith based hospitals. A sample size of 50% was used and thus sample population of 54 respondents. Both primary and secondary data was collected and used. Descriptive statistics such as, mean and frequencies and inferential statistics (regression and correlation analysis) was used to perform data analysis. A multiple linear regression analysis model was used to test the hypotheses and link the variable. The study found out that top management insight, employee competence, organizational culture and organizational structure have a positive and a significant effect on financial policies compliance. The study recommended that faith based hospitals sponsored by KCCB and CHAK should put more emphasis on financial policies (top management insight, employee competence, organizational culture and organizational structure) so as to improve the financial policies compliance.

***Index Terms-*** Financial Policies, employee competence, Management Oversight, Organization Culture

## I. Introduction

### 1.1 Background of the study

Institutions operate in a dynamic environment influenced by industry consolidation, convergence of financial services, emerging technology, and market globalization. To remain profitable in such an environment, institutions continuously assess and modify their product and service offerings and operations in the context of a business strategy. At the same time, new legislation may be enacted to address developments in the marketplace (Alabede, Ariffin & Idris, 2011).

All these forces combine to create inherent risk. To address this risk, institution must develop and maintain a sound compliance management system that is integrated into the overall risk management strategy of the institution. Ultimately, compliance should be part of the daily routine of management and employees of a financial institution. This study discussed the factors determining financial policies compliance.

Church health providers play an important role in the delivery of health services in the country. To date, institutions namely, Kenya Conference of Catholic Bishops (KCCB) and Christian Health Association of Kenya (CHAK) coordinate the bulk of not for-profit non-government health providers. As at 2011, FBHS were operating a total of 895 (about 35%) health facilities in the country comprising of large (secondary) and medium (primary) referral hospitals, health /centres and dispensaries. In addition, there were also 98 community based health care (CBHC) programs.

#### 1.1.1 The global perspective

In Japan, institutions were initially very reluctant to comply with the policies of disclosing their bad loan exposure, and disclosure was initially not required by the MOF. However, the public demand for bad loan disclosures grew as the situation deteriorated. This led to large banks (city banks, long-term credit banks, and trust banks) being forced to disclose the magnitude of loans to failed borrowers, which we label bad debt 1, and loans to borrowers who cannot pay within six months of due date, which we label bad debt 2, at the end of March 1993. First and second regional banks, which are on average smaller than large banks, were also forced to disclose bad debt 1, but they were not required to disclose bad debt 2. Because of the limited disclosure discretion faced by banks in the United States, evidence on voluntary bank disclosure among U.S. banks is limited. However, there is a large literature on voluntary disclosure across U.S. corporations. Skinner (2007) posits that managers choose voluntary disclosure to limit exposure to stockholder litigation. Skinner (2007) finds that managers voluntarily disclose adverse earnings news early or before the mandated release date. Skinner (2007) also finds that early voluntary disclosure lowers expected legal costs. These results suggest that managers voluntarily disclose bad news more than good news (Spiegel & Yamori, 2004).

In India the most important determinants of compliance, as brought out by the responses from the bankers, have been grouped and classified under 12 categories. These are generally along the lines as anticipated in theory, but the precise strengths of the relationships could vary due to various factors, such as age, size, complexity and ownership of banks. For instance, if one looks at the disaggregated data, the issues of legacy and volume of transactions were brought out by large public sector banks and not by either foreign banks or private sector banks which are relatively newer and thus have less of a legacy challenge, and also higher levels of technology induction, indicating better ability to deal with a higher volume of transactions. The following also turned up as important determinants of compliance though ranking below the above set of factors. (a) Different levels of approval for new products, processes, systems (b) Trust/confidence in regulator (c) Regulation flexible to specific requirements (d) HR Policies (e) Effective monitoring (f) Management commitment (g) Proactive in training (h) Adequate skilled, experienced and committed staff (i) System support to processes (j) Effect of compliance in controlling frauds and unethical practices (Zagaris, 2007).

In Bangladesh, corporate size, profitability, stock exchange security category (Zcategory or not), size and international link of company's auditor, and multinational subsidiary are all significantly associated with the extent of disclosure (Ahmed & Karim, 2005)

In Nigeria, taxpayers' perception about tax service quality and public governance quality is significantly related to the compliance behaviour. There is a significant difference in compliance behaviour of diverse ethnic groups of Nigeria. Furthermore, the financial condition significantly moderated the influences of tax system structure, moral reasoning and occupation on tax compliance behaviour. By implications, policies should be directed towards strengthening these factors to reawaken the culture of tax compliance among individual taxpayers in Nigeria (Alabede, Ariffin & Idris 2011).

### 1.1.2 Kenya Perspective

There are varied reasons wherever there is high non-compliance among taxpayers but they can basically be divided into two; economic and behavioural. Slemrod (2002) argues that the assumption of risk aversion that underlies economic rationality as propounded by Allingham and Sandmo (1992) cannot explain all the compliance behaviours of taxpayers. Social and psychological deterrence proponents of tax compliance models of tax compliance argue that decision concerning tax compliance is more than just a cost-benefit calculation but other factors like morality, characteristics of the taxpayer and perceptions of fairness of tax systems among other factors play a part in understanding of tax compliance decisions (Wenzel, 2002). This models moves away from the economic self-interest that had been outlined by Allingham and Sandmo (2012) which hold that people are motivated entirely by economic welfare where they calculate all associated risks and opportunities and disobey the law when they anticipate the probability of being got are lower than the economic gain that would result from non-compliance (Allingham and Sandmo, 2012).

According to the Australian Tax Office, any model which seeks to address the reasons for non-compliance must address the economic interests of the taxpayer, the" procedural justice" in the conception and design of tax system and the "distributive effects" of the tax regime. Taxpayers are considered rational actors who want to maximize their individual outcomes. In the model, tax compliance would increase with the increase in detection probability and the severity of penalties and sanctions. Other studies undertaken in OECD countries in 2004 has shown strong evidence across various context that perceived fairness of procedures involved in decision making and allocation processes affect the general acceptance of the tax regime. Procedural justice is be measured by the taxpayer input in formulating tax laws and whether enforcement procedures employed are fair. People would generally desire a process and decision control because it would give them control over the outcomes. It involves asking whether taxpayers have any say in the formulation of the tax code.

Distributive justice refers to the taxpayers perception as to whether there is fairness of tax burden borne by an individual or group as compared to the burden borne by other people or groups in the same category and secondly, if there is fair exchange between the taxpayers and the government in services received for taxes paid. Perceived inequity increases tax evasion and since most SMEs are managed at the individual level, these above variables tend to be rationalized and magnified than if the business is a corporation which is theoretically considered impersonal (Wenzel, 2002). According to ATO the value of this model is in the contribution it makes in developing a deeper understanding of taxpayer behaviour and being able to lay the groundwork for the development of targeted strategies which encourage the taxpayer to do the right thing and constrain the motivation to resist or evade compliance.

### 1.1.3 The Health industry perspective: Faith Based Hospitals in Kenya

Faith-based organizations provide 30% of all health care in Kenya and 50-60% in the rural areas. Among our key implementing partners are the Kenya Conference of Catholic Bishops (KCCB) and the Christian Health Association of Kenya (CHAK), both of which work as umbrella organizations linked to a network of faith-based health facilities. Key health indicators that reflect a critical need to strengthen Kenya's health care system include: High under-five mortality at 120 per 1,000 live births' High proportion of inpatient respiratory infections, diarrheal disease, tuberculosis and malaria; National adult HIV prevalence is high at 6.1% and 71% of children under one year old are not immunized. Improving these outcomes requires strengthening systemic weaknesses in the areas of oversight and leadership, financing, procurement and stock management systems, and human resources (RoK, 2010)

The government is aware and supportive of the need to strengthen faith-based health systems. In 2008, an assessment of Kenyan faith-based hospitals and identified weaknesses across six key areas: service delivery, health work force, health information systems, leadership and governance, financing, and essential medical products. Faith based health systems traditionally have had insufficient financing, limited service delivery, weak management and administration and poor coordination. Current networks focus on advocacy and lobbying rather than providing tangible improvements in service delivery and administration (RoK, 2010)

## 1.2 Statement of the Problem

Financial management in hospitals has been a constraint and an obstacle to other functions that contribute to service delivery due to the non-compliance of financial policies (Wanjau, Muiruri & Ayodo, 2012). In many developing countries, governments do not have the financial and technical capacity to effectively exercise such oversight and control functions, track and report on allocation, disbursement and use of financial resources in regards to compliance (Smee, 2002). In faith based hospitals, Political and bureaucratic leakage, fraud, abuse and corrupt practices occur at every stage of the process as a result of low compliance of financial policies, poorly managed expenditure systems, lack of effective auditing and supervision, organizational deficiencies and lax fiscal controls over the flow of public funds (Peters et al., 2000). Falsification of financial statements is more of a problem in the hospital. Executives will sometimes exaggerate revenue and misstate expenses in order to meet expectations of industry analysts and shareholders (Maureen, 2005). Therefore this study would wish to investigate factors that determine financial policies compliance in faith based hospitals.

Locally few studies have been conducted on determinants of financial policies compliance. Wanjau, Muiruri and Ayodo (2012) conducted a study on the Factors affecting provision of service quality in the public health sector: A case of Kenyatta national hospital. The study was bias to Kenyatta national Hospital thus presenting a conceptual gap. The current study focuses on faith based hospitals in Kenya. Sreekumar and Prakash conducted a study on Examining Regulatory Compliance in Indian Banking: Some Issues in the context of Anti Money Laundering Regulation. The study presents a geographical gap/contextual since it focused on Indian economy. The current study will focus on Kenya economy. Ahmed & Karim (2005) conducted a study on the determinants of IAS disclosure compliance in emerging economies. The study presents a conceptual gap since it focused on determinants of IAS disclosure compliance in emerging economies. Tsalavoutas and Dionysiou (2014) conducted a study on worldwide application of IFRS 3, IAS 36 and IAS 38, related disclosures, and determinants of non-compliance. From these studies it is evident that majority of them focused on developed economies therefore this study will focus on developing economy (Kenya). This study would wish to narrow down the research gaps by investigating factors that determine financial policies compliance in Faith Based Hospitals sponsored by KCCB and CHAK.

## 1.3 Objectives of the Study

### 1.3.1 General Objective

The general objective was to establish the determinants of financial policies compliance in faith based hospitals sponsored by KCCB and CHAK

### 1.3.2 Specific Objectives

The specific objectives of the study were;

1 To establish the effect of top management oversight on financial policies compliance in faith based hospitals sponsored by KCCB and CHAK
2 To determine the effect of employee competence on financial policies compliance in faith based hospitals sponsored by KCCB and CHAK
3 To establish the effect of organizational structure on financial policies compliance in faith based hospitals sponsored by KCCB and CHAK
4 To establish the effect of organizational culture on the financial policies compliance in faith based hospitals sponsored by KCCB and CHAK

## 1.4 Research Questions

The research questions of the study were;

1. Does top management oversight influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK?
2. What are the effects of employee competence on financial policies compliance in faith based hospitals sponsored by KCCB and CHAK?
3. Does organizational structure influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK?
4. Does organizational culture influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK?

## 1.5 Justification of the Study

The study was meant to investigate the determinants of financial policies compliance in faith based hospitals in Kenya. The study formed a basis for further research on ways of instituting health financing policies and procedures for effective management of the faith based health facilities. Government agencies may find the information useful in formulation of policies and regulatory framework for the health industry. The results of the study and subsequent implementation assisted Faith Based Hospitals improve the way in which they do business with regard to health care financing. The study will be useful to other researchers who may use this as a basis to conduct related research on the topic. Currently, most of the studies focus on developed economies. Knowledge gained in one socio- cultural context will not always work effectively in another context. Thus, it is necessary to study determinants of financial policies compliance in different socio-cultural contexts so as to better understand their effectiveness in those particular industries.

The findings of this study enriched existing knowledge by adding to the pool of information available in regard to the topic under study. Hence, it was of interest to both researchers and academicians who sought to explore and carry out further investigations. It provided basis for further research since it has not covered all the determinants of financial policies compliance

## 1.6 Scope of the Study

The study focused on The Christian Health Association of Kenya (CHAK) and the Kenya Conference of Catholic Bishops *(*KCCB) faith based hospitals. There are 23 faith based hospitals sponsored by CHAK and 54 faith based hospitals sponsored by KCCB (Africa Christian Health Associations Platform ACHAP, 2015). Therefore, the target population was 77 faith based hospitals. The target respondent from each of the 77 faith based hospitals was top management. The sample size of the study was 54 respondents who were the top management of each of the hospitals sampled.

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## II. LITERATURE REVIEW

### 2.1 Introduction

The purpose of this study was to investigate the determinants of financial policies compliance in faith based hospitals in Kenya. The chapter commenced by reviewing the theories that informed the discussion on determinants of financial policies compliance. This chapter presents a review of the literature on the study topic. In the empirical, the findings were critiqued to establish the knowledge gaps. A conceptual framework was then developed from a review of existing studies. A conceptual framework showed the relationship between independent and dependent variables.

### 2.2 Theoretical Literature

The study presented various theories that inform the variables underlined in the current study. These theories included corporate governance, competency theory and organization structure theory

### 2.2.1 Agency Theory

Jensen (1983) defines Agency theory as the branch of financial economics that looks at conflicts of interest between people with different interests in the same assets. This most importantly means the conflicts between: shareholders and managers of companies, shareholders and bond holders. The theory explains the relationship between principals, such as a shareholders, and agents, such as a company's managers. In this relationship the principal delegates (or hires) an agent to perform work.

Ross stipulated that in solving the agency problem of getting the agent to do what the principle wants or desires compensation is a good incentive (Ross, 1973). The question is whether that is what takes place in the health sectors.

Agency theory is an ultimate theory of corporate governance. The theory was relevant to this study topic since it informed top management oversight variable. Faith based hospital managers are required to act in favour of the organization rather than their own self-interests. The top management may decide not to comply with the financial policies if they have their own self-interests in running the organizations.

### 2.2.2 Competency Theory

Initially, this theory was described as “Four Stages for Learning Any New Skill”, the theory was developed at the Gordon Training International by its employee Noel Burch in the 1970s. It has since been frequently attributed to Abraham Maslow, although the model does not appear in his major works. It suggests that individuals are initially unaware of how little they know, or unconscious of their incompetence. As they discover their incompetence, they consciously acquire a skill and then consciously use it. Eventually, the skill can be utilized without it being consciously thought through, the individual is said to have then acquired unconscious competence. Several elements, including helping someone know what they do not know or recognize a blind spot, can be compared to some elements of a Johari window, although Johari deals with self-awareness, while the four stages of competence deals with learning stages (Flower, 1999). According to Flower (1999), the four stages include; unconscious incompetence, Conscious incompetence, Conscious competence and Unconscious competence. This theory was relevant to the study as it informed the employee competence variable. The theory described the various competences types and its applicability in real life situations required for employees.

### 2.2.3 Organization Structure theory

Theories about organizational structure can help with plans for organizational success. These theories may influence how an organization allocates resources. Organizational theory describes how an organization interacts with its environment. Early theories were overly bureaucratic and have given way to organizational theories that apply to a multitude of dynamic situations (Miles et al., 2008).

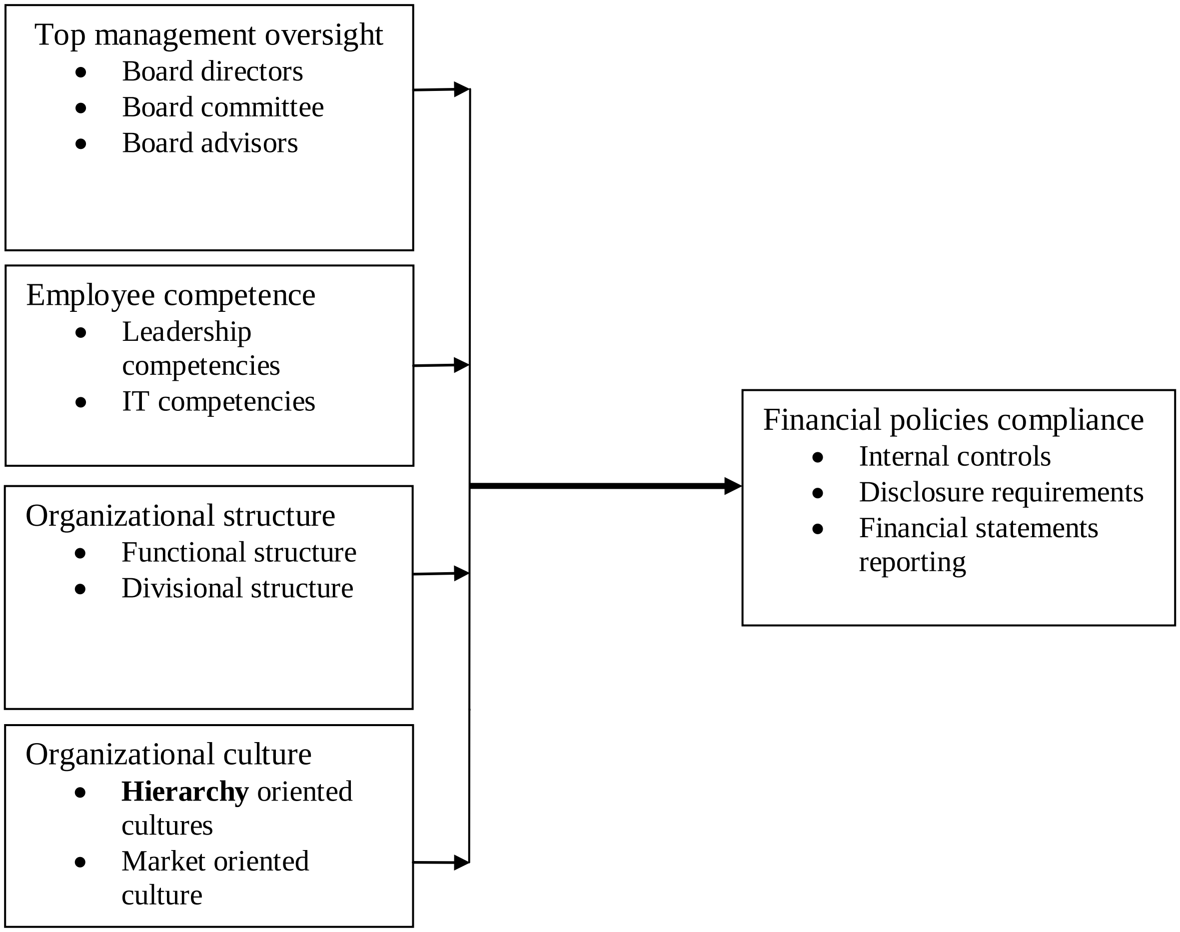
The famous theory of organization structure is classical organization theory. Classical organization theory was developed in the first half of the 20th century as a way of bringing together scientific management, bureaucratic theory and administrative theory. Scientific management focused on getting the best people and equipment, and scrutinizing each production task. Bureaucratic theory involved establishing a hierarchy to describe the division of labor in a company and recognizing the importance of specialization. Administrative theory worked to establish a set of management principles that applied to all organizations (Miles et al., 2008).

Organizational structure theory was deemed relevant to the study topic since it informed the organization structure variable. Classical organization theory worked because it described motivation only as a function of economic rewards.

### 2.2.4 Compliance Theory

According to compliance theory, organizations can be classified by the type of power they use to direct the behavior of their members and the type of involvement of the participants (Zagaris, 2007). In most organizations, types of power and involvement are related in three predictable combinations: coercive-alienative, utilitarian-calculative, and normative moral. Of course, a few organizations combine two or even all three types. Nevertheless, organization officials who attempt to use types of power that are not appropriate for the environment can reduce organizational effectiveness (Zagaris, 2007). This theory was relevant to the study topic since it informed the dependent variable (compliance). The government may use power to gain organization’s compliance.

### 2.3 Conceptual Framework




**(Independent Variables)** **(Dependent)**

**Figure 2.1: Conceptual framework**

**2.3.1 Top management oversight**

Every high-performing organization's success is, in large part, due to a sound top management oversight, and highly disciplined planning and execution of that strategy. Strategic planning is an ongoing process rather than a single event. Given the constantly changing business environment, leading organizations need to step back at least once a year to refresh the plan as significant unforeseen events dictate and reaffirm the strategic direction. This process requires the board's knowledge and experience, plus a willingness to challenge the assumptions and variables behind the strategy

The components of top management oversight are Board directors Board committee and Board advisors. Okumu (2008) in his study entitled "An investigation into effective performance in Financial Management of NGOs in Kisumu District, Nyanza Province" set out his objectives as; to determine the factors that affect effective financial management of local NGOs, assessing the extent to which these factors affect financial management of NGOs and drawing policies implications on the financial management of local NGOs. He also sought to suggest ways and means of enhancing good financial practices among local NGOs. In his findings the researcher noted that there is a low level of competency on financial management amongst the managers of local NGOs in Kisumu District. The managers have not appreciated that one of their roles as managers is to analyze financial 23 reports and work with the fiancé staff to make decisions. This therefore indicates that the performance of financial management is ineffective. This has exposed the local NGOs to financial risks because donors are increasingly getting interested on how their money is used. To undertake this role effectively they will need to have some financial skills and knowledge that are sufficient to perform these roles. The researcher concludes that while finance staff should be left to handle the day to day financial management, the managers must participate effectively in the overall financial management function.

Persons (2007) in his study "Corporate governance in Thailand: what has been done since the 1997 financial crisis?" indicates that Thailand has taken many steps to improve its CG, including voluntary approaches such as best practice guidelines for board of directors and audit committees, and CG rating; and mandatory approaches such as enhancing the rights of minority shareholders and creditors, increasing the board of directors' accountability, making accounting and auditing standards consistent with internationally acceptable standards, and strengthening the enforcement of securities regulation.

According to Mfinanga (2008), managerial skills are important in running any business. In recent years, organizations have been buffeted by massive need for reaching social, technological and economic changes. This puts a lot of pressure on business from all sectors. Managerial skills assist managers to solve issues that are directly relevant to the current, fast shifting business environment (Martin and Staines, 2008). Managing today requires the full breadth of management skills and capabilities. In the tradition of world of work, management was to control and limit people, enforce rules and regulations, seek stability and efficiency, design top-down hierarchy and achieve bottom line results. To spur innovation and achieve high performance, managers need different skills to engage workers hearts and minds as well as take advantage of their physical labour. According to Kamuhanda and Schmidt (2009), purchasing a Matatu and recovering initial costs is a concern for owners. This can be initially difficult but general expectation is that a sizeable profit can be realized in a relatively short period of time. The owners must consider the basic cost of operations, including expenditures. Expenditures such as fuel, salaries and insurance are the most expensive costs for owners. For them to ensure that costs are recovered, owners set a target for daily profits, and this encourages Matatus to overcrowd.

Ardichvili, Cardozo and Ray (2003) points out that the identification of business problems and development of the appropriate training programs to address these problems which will assist in equipping small and medium enterprise owners with the necessary managerial skills to survive in today's competitive world.

**2.3.2 Employee competence**

Employee competencies are those traits, skills or attributes that employees need to perform their jobs most effectively. Clearly, these competencies will vary by job and position, but there are some commonalities that apply to just about any job in just about any organization. Companies can hire employees with basic foundational competencies and then teach more specific competencies directly related to the employees' job descriptions.

Nguyen and Leclerc (2011) conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable. A hierarchical multiple regression analysis was performed on data collected from 445 customers in a financial service setting to assess the influence of competence and benevolence, as well as their interactive effects on corporate image. The results show a significant interaction between competence and benevolence in their influence on corporate image. The results reinforce the idea that benevolence intervenes as a moderator variable that enhances the impact of competence on corporate image. The study has limited generalization given the convenient sample and the great variety of service industries. The efficacy of the direct measures and the hierarchical multiple regressions must be considered. It would be helpful to realize similar studies in other service settings by using multidimensional scales of competence, benevolence and corporate image.

To improve efficiency in service delivery, hospitals must build the capacity to o attract and employ an adequate number of high-quality nurses (Argote and Ingram, 2000) suggests that the key to service delivery is to adapt to circumstances that are constantly changing and that the long-term winners are the best adapters, but are not necessarily the winners of today's race for market share.

Cole (2007) argues that the benefits of training are minimize learning costs, improve individual team and corporate performance in terms of output quality, speed and overall productivity. Improve operational flexibility through multi skilling. Attracting high quality employees by offering learning and development opportunities, increasing their level of competence, enhance their skills, enabling them to obtain more job satisfaction, to gain higher rewards and to progress. Increase employee commitment by encouraging them to identify with the mission and objectives of the organization, provide knowledge and skills that help employees manage change. Helps develop positive culture in the organization; provide higher levels of service to customers

Salem (2007) found out that training is the process of increasing knowledge and skills of an employee for doing particular jobs. It is an organized activity designed to create a change in thinking and behavior of people and to enable them do their jobs in more efficient manner. It is also imparting technical knowledge, manipulative skills, and problem solving ability and positive attitudes. The purpose of training is to improve knowledge and skills and to change attitudes. It is one of the most important motivator and is the key to improved organizational performance. It helps to reconcile the gaps between what should happen and what is happening. New skills and aptitudes are required to operate effectively top the new techniques and equipment. Workers have to be trained for new jobs and for handling the present jobs more effectively. New employees must be trained properly so that they may become efficient. Existing employees must be trained for taking up high level jobs. Training is useful not only for the organization but also for employees. Effective training enhances knowledge, skill and behaviors of the people their performance. Improved performance will lead to increased productivity, increased profits for the organization and therefore good results of investing in training (Mullins, 2002).

Kimando and Njogu (2012) conducted a study on factors that affect quality of customer Service in the Banking Industry in Kenya: A Case Study of Postbank Head Office Nairobi. Customer service is an integral factor in the success of any firm and therefore a great deal of professionalism is required of the provider with an ever-increasing competition. It is no longer enough to satisfy customers. You must delight them. A lot has been done to build a stronger customer focused culture through training programs which have been tailored to meet every customers need and ensure satisfaction. However there is still much that has to be done hence the reasons why the study sought to find out the factors that affect quality customer service in financial institutions in Kenya. Investigation was done to establish whether human resource factors such as training, staff motivation and job satisfaction, and product range affect the quality of customer service. The study recommendation was that Post bank need to continuously endeavor maintaining a motivated workforce.

### 2.3.3Organizational structure

Organizational structure is defined as the formal system of authority relationships and tasks that control and coordinate employee actions and behavior to achieve goals in organizations (Jones, 2013). Organizational structure describes the formal arrangement of jobs and tasks in organizations (Robbins and Coulter, 2007); it describes the allocation of authority and responsibility, and how rules and regulation are executed by workers in firms (Nahm et al., 2003). In organization theory Borgatti (2006) asserts an organization develops based on its size, its technology and its environmental requirements. Borgatti includes degrees and types of horizontal and vertical differentiation control and coordination mechanisms, formalization and centralization of power as determinants of organizational structure. Hierarchical organizations of past years must be flattened to today's, so as to become process-oriented, learning, team-based, and fast-cycle organizational models; Flat, flexible and focusing on core competence. Inside, empowered, inter functional teams of knowledge workers are reengineering and continually improving core business processes. To accomplish the organizations of the year 2000 and beyond, firms must change the way they are organized, and employees at all levels must become information literate - not just computer literate and should think globally and act locally.

The relationship between structure and performance is mediated by many organizational constructs. It is for this reason, that a linkage between organizational structure and communication may improve communication capabilities, resulting in different levels of integration. Many authors argue the existence of this relationship. Porter and Roberts (2006) and Frederickson (1986) theorizes that organizational structure strongly influences communication and facilitates the flow and processing of information, while Koufteros et al. (2007) and Kim (2005) provide empirical evidence about the relationship between organizational structure and internal communication. Chandler (2002) cited memos from Du Pont's reorganization in 1919 that were explicit about the role of information processing: "The most efficient results are obtained at least expense when we coordinate related efforts and segregate unrelated efforts." Similarly, Barnard (2008) mentions that the function of executives is to serve as channels of communication so far as communication must pass through central positions. Simon (2007) developed a more formal understanding of organizations as information processing devices composed of bounded rational individuals. Under this view, organizational structure plays a central role, as it defines how information flows and is aggregated inside organizations, allowing organizations to accomplish goals that would be otherwise unattainable by any of its individual members.

Transforming an organization requires more than just changing the structure. True change occurs deep within the organization as individuals and work teams redefine the way they work and the values that guide decision making and action (Schminke et.al., 2000). Managers need to rethink the nature of control and authority and they should know smashing together the features of the hierarchy with features of an entrepreneurial firm will not work. Work must change and people must change as new knowledge and skills are needed. A major change must occur in the organization, including structure, culture, and compensation schemes and the very nature of the business enterprise itself may even change (Turban and Keon 2003).

The theoretical model of the relationship between organizational structure, internal communication, integration, and performance is presented in Figure 2.2. This model is based on the resource-based view assumption that integration allows organizations to mobilize and acquire complementary resources from their partners, improving their activities and achieving a better performance (Teece, Pisano, & Shuen 1997). Previous studies have shown that integration it is related to customer service performance (Vickery et al., 2004; Vickery et al., 2003), partnership performance (Mohr & Spekman, 2004), enterprise resource planning adoption (Masini & Wassenhove, 2009), and innovation (Ettlie & Reza, 2002). In the below theoretical model, integration is a broader construct composed of three parts: supplier integration, customer integration, and functional integration.

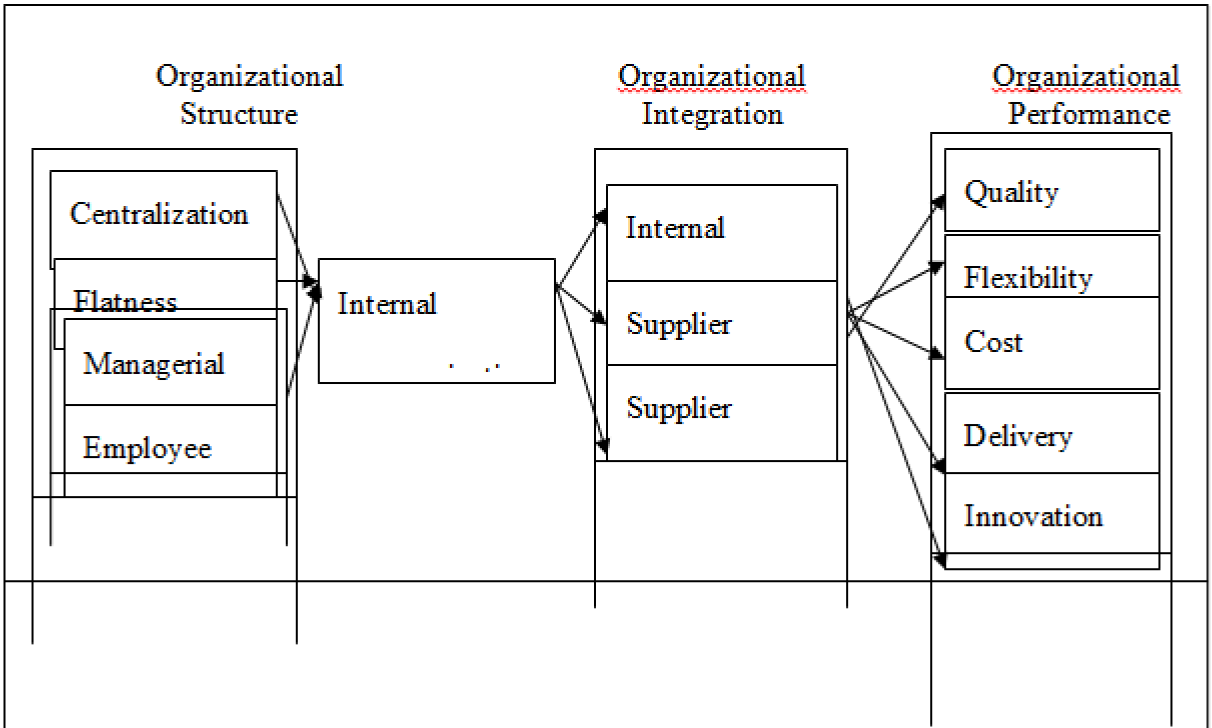



**Figure 2.2: Theoretical model of organizational structure**

*Source: Teixeira, R., Koufteros, X. A., Peng, X. D.*

The theoretical model has three organizational structure constructs; Centralization: Centralization of decision making process can be defined as the degree to which the right to make decisions and evaluate activities is concentrated on the top hierarchy levels of organizations (Fry & Slocum, 2004). Centralization can be seen as an increase of decisions made at higher hierarchical levels within organizations and a decrease of participation of employees in the decision making process (Daft, 2005). It can also be conceptualized as a locus/place of authority and decision-making in the organization. Environment plays an important role for locus of authority since organizations in uncertainty environments should delegate decisions to lower hierarchy levels in order to quickly adjust to changing situations (Doll & Vonderembse, 2001).

Flatness: Flatness of organization hierarchy is conceptualized as the degree to which an organization has many or few levels of management hierarchy. Walton (2005) argues that a traditional command and control model is characterized by an expanded hierarchy that may be a by-product of the systems and is justified by the need to control employee behavior. On the other hand, a commitment model is characterized by a management system that tends to be flat, relies upon shared goals for control and lateral coordination, bases influence on expertise and information rather than position and minimizes status differences. Organic organizations tend to have few levels of hierarchy and be characterized by more efficient and effective flows of information and decision-making. A flat organization can reduce problems of information delays, distortion and corruption as information flows from one level to another.

Functional/specialization: Specialization of departments and employees refer to the level of horizontal integration existent within an organization. In other words, it is the degree to which departments and employees are functionally specialized or integrated. Low levels of horizontal integration reflects an organization in which the departments and employees are functionally specialized, whereas high levels of horizontal integration reflects an organization in which departments and employees are integrated in their work, skills, and training (Davenport & Nohria, 2004). Given that cross-trained employees tend to be responsive to changes in customers' needs (Vonderembse et al., 2007), managers can use horizontal integration to address fast changing environments. At the same time, a great variety of specialists in a horizontally integrated organization may provide a broader knowledge base (Kimberly & Evanisko, 2001), increasing cross-fertilization of ideas (Aiken & Hage, 2001). For example, Wiersema and Bantel (1992) found that educational specialization heterogeneity of top management team was a significant predictor of organizational change.

Empirical research done by Rick Ledbetter (2003) at Grand Prairie Fire Department Texas on influencing factors and impact of organizational structure identified consistent components underlying organizational restructuring. These common determinants include environment, technology, size, strategy, goals, culture and philosophy. He recommended that the institution should undertake an internal review of the administrative functions that impact the suppression/operations division and identify structure as one the determining factor of performance. Anderson and Zbirenko (2014) undertook a research on the Effect of organizational structure, leadership and communication on efficiency and productivity in a public health-care organization and from their findings, they concluded that structure facilitates processes and to what extent they are performed efficiently.

**2.3.4 Organizational culture**

Organizational culture has been defined as patterns of shared values and beliefs over time which produces behavioral norms that are adopted in solving problems (Owens 1987; Schein, 2000). Chatman and Eunyoung (2003) refer to organizational culture as a system of shared assumptions, values, and beliefs that show people what is appropriate and inappropriate behavior. The organization's internal environment is represented by its culture and is construed by the assumptions and beliefs of the managers and employees (Aycan et al., 1999). Organizational Culture manifested in beliefs and assumptions, values, attitudes and behaviors of its members is a valuable source of firm's competitive advantage (Hall, 1993; Peteraf, 2001) since it shapes organizational procedures, unifies organizational capabilities into a cohesive whole, provides solutions to the problems faced by the organization, and, thereby, hindering or facilitating the organization's achievement of its goals (Yilmaz, 2008).

According to Kandula (2006) the key to good performance is a strong culture. He further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement. Therefore organizational culture has an active and direct role in performance. Murphy and Cleveland (1995) believe that research on culture contributes to the understanding of performance.

There has been a great deal of anecdotal evidence and some empirical evidence regarding the performance effects of organizational culture. Anecdotal evidence begins Peters and Waterman's *In Search of Excellence* (2002). This book basically stimulated the now familiar business school case study approach. More recent anecdotal evidence regarding the most successful companies in the last several decades has also been proffered. According to Cameron and Quinn (1999), many of the most successful companies, including Southwest Airlines (21,775% return on investment [ROI]), Wal-Mart (19,807% ROI), Tyson Foods (18,118% ROI), Circuit City (16,410% ROI), and Plenum Publishing (15,689% ROI), score low on well-established critical success factors (i.e., entry barriers that prevent organizations from competing for the same market, non-substitutable products, low levels of bargaining power on the part of buyers due to customer dependence, low levels of bargaining power for suppliers because they have no alternative customers, a large market share that promotes economies of scale, and rivalry among the competition that deflects head-to-head competition with a potential dominator). These unlikely winners have strong leadership that promotes unique strategies and a strong culture to help them realize these strategies. There is also strong anecdotal support indicating that the primary cause of failure of most major change efforts (such as TQM and reengineering) has been the failure to successfully change the organizational culture (CSC Index 1994; Caldwell 1994; Goss et al. 1993; Kotter and Heskett 1992).

Kotter and Heskett (1992) have attempted to make this intriguing, but admittedly inconclusive, anecdotal evidence more systematic and empirical. They had financial analysts identify the firms they considered most successful and then describe the key factors discriminating these firms from those that were less successful. Seventy-four of the seventy-five analysts indicated that organizational culture was a key factor. In addition, Denison (1990) found empirical support for the participation/involvement view of culture – higher levels of employee participation were correlated with better organizational performance.

Yilmaz (2008) states that the core of Denison's model is the underlying beliefs and assumptions that represent the deepest levels of organizational culture. These fundamental assumptions provide the foundation from which (1) more surface-level cultural components such as values and observable artifacts – symbols, heroes, rituals, etc. – are derived, and (2) behavior and action spring (Denison, 2000). In Denison's model comparisons of organizations based on relatively more ''surface-level'' values and their manifest practices are made. Such values are deemed both more accessible than the assumptions and more reliable than the artifacts (Denison, 2000 in Yilmaz, 2008).

Denison's organizational culture model is based on four cultural traits involvement, consistency, adaptability, and mission that have been shown in the literature to have an influence on organizational performance (Denison & Mishra, 2005).

The four traits of organizational culture in Denison's framework are shown in the figure below;

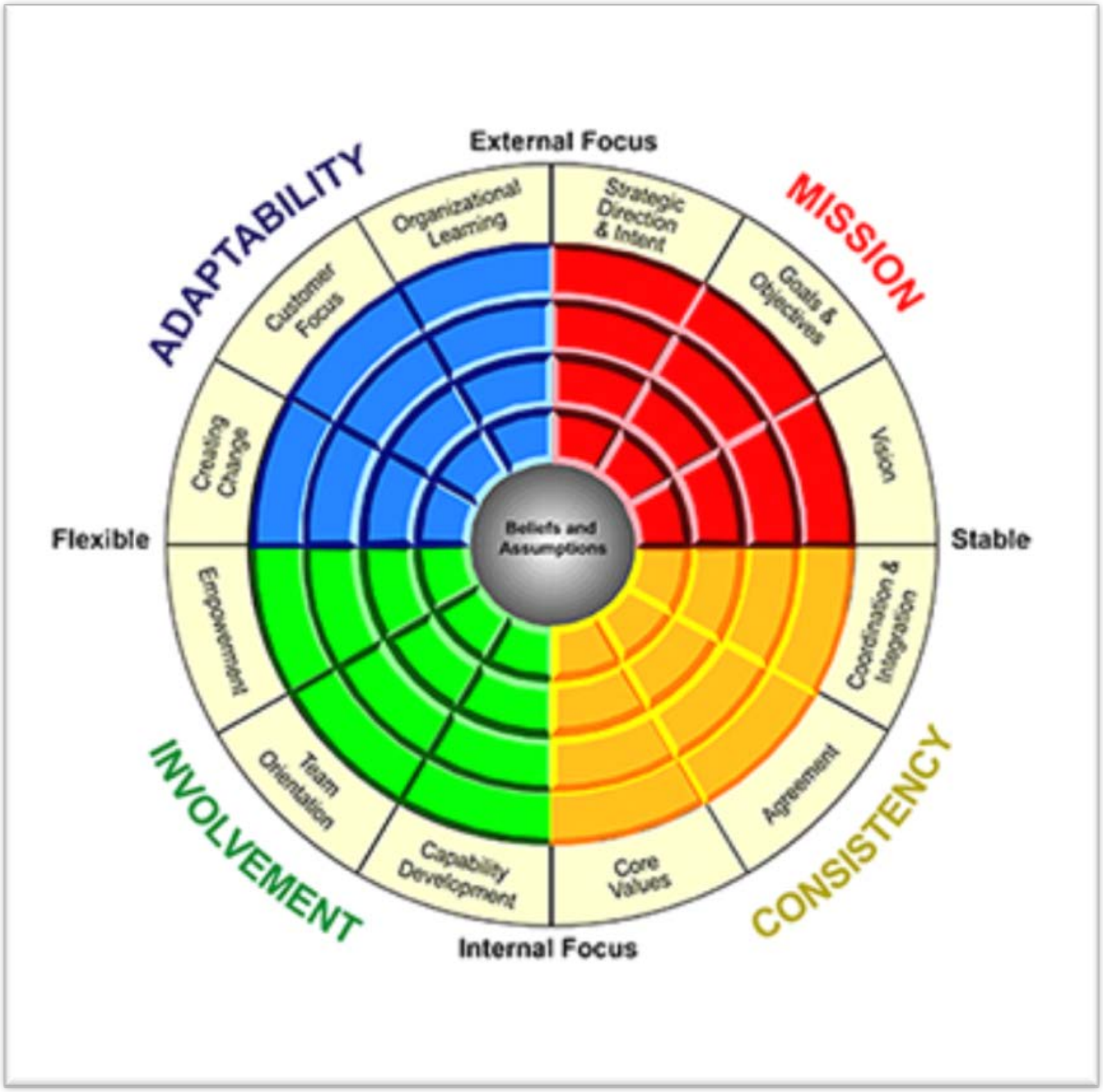



**Figure 2.3: Denison's framework**
*Source:* www.denisonconsulting.com

Involvement: Effective organizations empower their people, build their organizations around teams, and develop human capability at all levels (Becker, 2004). Executives, managers, and employees are committed to their work and feel that they own a piece of the organization. People at all levels feel that they have at least some input into decisions that will affect their work and that their work is directly connected to the goals of the organization (Katzenberg, 2003; Spreitzer, 2005).

Consistency: Organizations also tend to be effective because they have "strong" cultures that are highly consistent, well-coordinated, and well integrated (Davenport, 1993). Behavior is rooted in a set of core values, and leaders and followers are skilled at reaching agreement even when there are diverse points of view (Block, 2001). This type of consistency is a powerful source of stability and internal integration that results from a common mindset and a high degree of conformity (Senge, 2000).

Adaptability: The idea that norms and beliefs that enhance an organization's ability to receive, interpret, and translate signals from the environment into internal organizational and behavioral changes will promote its survival, growth, and development. Ironically, organizations that are well integrated are often the most difficult ones to change. Internal integration and external adaptation can often be at odds. Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experience at creating change. They are continuously changing the system so that they are improving the organizations' collective abilities to provide value for their customers.

Mission: Successful organizations have a clear sense of purpose and direction that defines organizational goals and strategic objectives and expresses a vision of how the organization will look in the future (Mintzberg, 2004). When an organization's underlying mission changes, changes also occur in other aspects of the organization's culture.

### 2.4 Empirical Review

Huang (2010) examined the effects of board structure and ownership on a bank's performance using a sample of 41 commercial banks in Taiwan. The results indicated that board size, number of outside directors, and family owned shares are positively associated with bank performance, whereas the number of supervisory directors has a negative influence on performance. The findings provide empirical support for CG, which improves the performance of banks with a dual board system in Taiwan. The relations between dimensions of CG and corporate performance of Lebanese banks were examined by Chalhoub (2009). He found significant relationships between performance and five dimensions of CG comprising governance as daily practice: governance literacy, code of ethics, transparency, shareholders' participation in governance, and accountability. On the other hand, the study found insignificant correlation between performance and three dimensions of CG, namely, governance training, transparency, and shareholder input in decisions. The study focused on effects of board structure and ownership as the only construct. The current study focuses on more than one construct. The study used commercial banks as the case study thus presenting a conceptual gap. The current study will focus on faith based hospitals. There is also a contextual gap since it looked on Taiwan economies which may not be the same with those of Kenya.

Wanjau, Muiruri and Ayodo (2012) conducted a study on the Factors affecting provision of service quality in the public health sector: A case of Kenyatta national hospital. The paper reports empirical evidence drawn from a case study of Kenyatta National Hospital the largest referral hospital in Eastern & Central Africa. A total of three respondents, comprising; sixteen doctors, thirty two nurses, twenty nine clinical officers, fourteen laboratory technologists and twelve pharmacists. Data was collected using closed and open ended questionnaires. The study found out that low employee's capacity led to a decrease in provision of service quality public health sector by factor of 0.981 with while Inadequate Technology adoption in provision of health service led to a decrease in provision of service quality by a factor of 0.917. The Ineffective communication channels affected delivery service quality in public health sector by a factor of 0.768 while insufficient financial resources resulted to decrease in provision of health service quality by factor of 0.671. This implied that low employees capacity, low technology adoption, ineffective communication channels and insufficient fund affect delivery of service quality to patients in public health sector affecting health service quality perceptions, patient satisfaction and loyalty. The study was bias to Kenya national Hospital thus presenting a conceptual gap. The current study focuses on faith based hospitals in Kenya.

Tavitiyaman, Zhang and Qu (2012) conducted a study on the effect of competitive strategies and organizational structure on hotel performance. This study employed a causal and descriptive research design to determine the cause-and-effect relationships among competitive strategies, organizational structure, and hotel performance based on previous studies. A 28-question self-administered questionnaire comprising three sections was employed. The target population for this study was US hotel owners and general and executive managers whose e-mail addresses were listed on a publicly available database. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results show a competitive human resources (HR) strategy to have a direct impact on a hotel's behavioral performance, and a competitive IT strategy to have a direct impact on a hotel's financial performance. Organizational structure is found to have a moderating effect on the relationship between both of these strategies and behavioral performance, a result similar to those reported by Jogaratnam and Tse and by Tarigan. However, the results of the current study show that organizational structure has no influence on the relationship between a brand image strategy and a hotel's behavioral performance, nor does it have any moderating effect on the relationship between a hotel's financial performance and its competitive brand image, HR or IT strategy. The study focused on the effect of competitive strategies and organizational structure on hotel performance in USA thus presenting both a conceptual and contextual gaps.

Moradi, Safari and Torkestani (2013) conducted a study on the Impact of Organizational Culture on the Performance of Insurance Companies in Iran. The analyzed statistical society was the managers and vice presidents of 15 Iranian private insurance companies. The effect of organizational culture test was conducted through patterning structural equations. The results indicate that organizational culture impacts competitive strategy directly and organizational performance indirectly. This study confirmed that a firm's competitive advantage can be enhanced by culture and strategy fit. Strategy fit could also moderate the relationship between organizational culture and organizational performance. The study used only one construct that is organizational culture thus presenting a conceptual gap. The current study uses the four constructs.

Yesil and Kaya (2013) conducted a study on the effect of organizational culture on firm financial performance: Evidence from a developing country. Research hypotheses are developed from the related literatures and tested through the data collected from managers of the firms in Gaziantep in Turkey. Data is analyzed via SPSS program using the regression analyses. The results show that organizational culture dimensions have no effect on firm financial performance. Considering the limitations of the current study, the findings need to be evaluated with caution. The study presents a conceptual gap since it focused on the effect of organizational culture on firm financial performance. While the current study focuses on the determinants of financial policies compliance.

**2.5 Critique of existing literature**

Argote (2000) conducted a study on Organizational Learning: Creating, Retaining, and Transferring Knowledge. The study presents a conceptual gap since it focused on Organizational Learning: Creating, Retaining, and Transferring Knowledge while the current study focused on employee competence. Nguyen and Leclerc (2011) conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable .The study presents a methodological gap due to the introduction of benevolence as the moderator variable in the model. Mink (2012) conducted a study on the Effects of Organizational Structure on Sustainability Report Compliance. The study focused on only the sustainability reporting compliance while the current study focused on all financial policies compliance. Skouloudis, Evangelinos and Kourmousis, (2010) conducted a study on assessing non-financial reports according to the Global Reporting Initiative guidelines: Evidence from Greece. The study focused on only non-financial reporting compliance assessment while the current study focuses on all financial policies compliance. In addition, the study used Greece as a case study thus presenting a geographical/contextual gap. Tavitiyaman, Zhang and Qu (2012) conducted a study on the effect of competitive strategies and organizational structure on hotel performance. The study focused on the effect of competitive strategies and organizational structure on hotel performance in USA thus presenting both a conceptual and contextual gaps. Moradi, Safari and Torkestani (2013) conducted a study on the Impact of Organizational Culture on the Performance of Insurance Companies in Iran. The study used only one construct that is organizational culture thus presenting a conceptual gap. The current study used the four constructs.

### 2.6 Research Gaps

Al-Tamimi, (2012) conducted a study on the effects of corporate governance on performance and financial distress: The experience of UAE national banks. This study focused on banks thus presenting a conceptual gap. The current study focuses on faith based hospitals. In addition there exists a contextual/geographical gap since it focused on UAE economies. Huang (2010) examined the effects of board structure and ownership on a bank's performance using a sample of 41 commercial banks in Taiwan. The study focused on effects of board structure and ownership as the only construct. The current study focuses on more than one construct. The study used commercial banks as the case study thus presenting a conceptual gap. The current study will focus on faith based hospitals. There is also a contextual gap since it looked on Taiwan economies which may not be the same with those of Kenya. Wang and Xiao (2006) investigated the relationship between CG characteristics and the risk of financial distress in the context of the Chinese transitional economy. There exist a conceptual gap in the study since it focused on the effects of corporate governance on financial distress. The current study has financial policies compliance as the dependent variable. Wanjau, Muiruri and Ayodo (2012) conducted a study on the Factors affecting provision of service quality in the public health sector: A case of Kenyatta national hospital. The study was bias to Kenyatta national Hospital thus presenting a conceptual gap. The current study focused on faith based hospitals in Kenya. It is because of these research gaps that this study is conducted so as to bridge the gaps.

### 2.7 Summary

The above chapter reviewed the various theories that explain the independent and dependent variables. The reviewed theories are then critiqued for relevance to specific variables. The chapter also explored the conceptualization of the independent and the dependent variables by analyzing the relationships between the two set of variables. In addition, an empirical review was conducted where past studies both global and Local is reviewed in line with the following criteria, title, scope, methodology resulting into a critique. It is from these critiques that the research gap was identified.

## III. RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter discussed the methodology that was used in gathering the data, analyzing the data and reporting the results. Here, the researcher aimed at explaining the methods and tools that were used to collect and analyze data to get proper and maximum information related to the subject under study. The chapter also presented the research design and the sample size which was derived from the population. In addition the chapter discusses on the validity and reliability tests which was performed on the questionnaire. Lastly it presented the ethical practices.

### 3.2 Research Design

Research design refers to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically (Chandran, 2006). According to Cooper and Schindler (2007) research design is the plan and structure of investigation so conceived as to obtain answers to research questions.

The study will adopt a descriptive research method. According to Mugenda (2012), descriptive study is a type of study conducted to generate explanatory information or characteristics about a specific phenomenon. It can be used when the purpose is to describe the characteristics of certain events or situations, estimate the proportion of people who behave in certain ways and to make specific predictions (Saunders, Lewis and Thornhill, 2009). This method will therefore be suitable for this study as it will allow the researcher to describe the determinants of financial policies compliance in Faith Based Hospitals. The design will enable the researcher to do the research with the available budget through rapid collection of data and within a reasonable time.

### 3.3 Target Population

A study population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that the population of interest is homogeneous.

The study focused on The Christian Health Association of Kenya (CHAK) and the Kenya Conference of Catholic Bishops faith based hospitals. There were 23 faith based hospitals sponsored by CHAK and 54 faith based hospitals sponsored by KCCB (Africa Christian Health Associations Platform ACHAP, 2015). Therefore, the target population was 77 faith based hospitals. The target respondent from each of the 77 faith based hospitals was top management. Therefore, the total target population of the study was 77 respondents.

### 3.4 Sampling Frame

A simple definition of a sampling frame is a set of source materials from which the sample is selected (Mugenda and Mugenda, 2003). The definition also encompasses the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey (Bailey, 2008). The sampling frame of this survey was 77 management staff in finance and administration department of each of the faith based hospitals sponsored by KCCB and CHAK.

### 3.5 Sample Size

Kombo and Tromp (2009) assert that a sample is a subset of a population that has been selected to reflect or represent characteristics of a population.

The study used 70% of the target population as the sample size. According to Mugenda and Mugenda (2003) and Kothari (2004), a sample size of 50% is adequate for a descriptive study which has a small population. This implies that a sample population of 54 respondents would suffice.

### 3.6 Data Collection Instruments

Primary data was collected through the administration of the questionnaires. A questionnaire is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives. The questionnaires quantifiable measures assisted in converting the qualitative responses into quantitative values (Mugenda & Mugenda, (2003) and Zikmund et al., 2010). Open ended questions were useful because the data obtained may not be normally distributed since the respondents are not restricted to a common way of answering the questions. In addition, open ended questions are usually returned unfilled since many respondents see it as a tedious activity when it comes to filling the questionnaire.

Data collection was carried out using a semi-structured questionnaire and intended respondents were those in the finance and administration department in these hospitals. Questionnaire was used to collect primary data while secondary data was collected through literature review on the independent variables. These variables were expected to determine factors influencing financial policies compliance. Questionnaire was used as an instrument because it is free of bias, gives the respondent the opportunity to respond to the questionnaire in their own words and does not need face to face session with respondents considering that the target populations are people with busy schedules. The researcher obtained a letter of recommendation from the University to facilitate administration of the questionnaire to the respondents. This letter was then taken to the management of faith based Hospitals. The questionnaire was dropped at the respondents' offices and picked up as agreed between the researcher and respondent.

### 3.7 Pilot Testing

Prior to using a questionnaire to collect data it was pilot tested. The purpose of the pilot test is to refine the questionnaire so that respondents will have no problems in answering the questions and there will be no problems in recording the data. In addition, it enabled one to obtain some assessment of the question's validity and the likely reliability of the data that was collected. Preliminary analysis using the pilot test data was undertaken to ensure that the data collected enabled the investigative questions to be answered (Saunders et al., 2012).

Baker, Veit and Powell (2001) states that the size of a sample to be used for piloting testing varies depending on time, costs and practicality, but the same would tend to be 5- 10 per cent of the main survey. According to Cooper and Schindler (2006), the respondents in a pilot test do not have to be statistically selected when testing the validity and reliability of the instruments.

In this study, data collection instrument which was a questionnaire was tested on 10% (that is, 8 respondents were used for pilot testing in this study) of the sample of the questionnaires to ensure that it is relevant and effective.

#### 3.7.1 Validity Test

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. Validity exists if the data measure what they are supposed to measure. In order to test and enhance the validity of the questionnaire, eight questionnaires' was pilot tested and reviewed with a view to improving validity of the data that will be collected (Kothari, 2004). Industry experts and the research supervisor went through the questionnaire to enhance validity.

#### 3.7.2 Reliability Test

Reliability is the consistency of a set of measurement items (Cronbach, 1951). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is considered reliable if a person's score on the same test given twice is similar. Eight questionnaires were piloted by issuing them to respondents who were not be included in the final study sample. The eight questionnaires were then be coded and responses input into Statistical Package for Social Sciences (SPSS) which was used to generate the reliability coefficient. The researcher used the most common internal consistency measure known as Cronbach's Alpha (α) which will be generated by SPSS. It indicated the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut–off of reliability for this study.

### 3.8 Data Analysis

The data and information obtained through the questionnaire was first checked for completeness. Data gathered from correctly filled questionnaires was coded, tabulated and analyzed using SPSS by both descriptive statistics which included mean and standard deviation to capture the characteristics of the variables under study and inferential statistics which include regression coefficient which was used to analyze the relationship of the dependent and the independent variables. Editing and coding was used to give a clear picture of the targeted objectives while frequency distribution enabled the researcher to meaningfully describe the distribution of measurements used as graphs and charts. This analysis enabled the researcher to determine factors influencing financial policies compliance

A multivariate regression model was used to link the independent variables to the dependent variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where;

Y=Financial Policies Compliance

$X_1$ = Top Management Oversight

$X_2$ = Employee Competence

$X_3$ = Organizational Structure

$X_4$ = Organizational Culture

μ=Error term

In the model, $\beta_0$ = the constant term while the coefficient $\beta_i i = 1\ldots4$ will be used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables $X_1$, $X_2$, $X_3$ and $X_4$. μ is the error term which captures the unexplained variations in the model.

### 3.9 Presentation

The results obtained were presented using tables, bar graphs and pie charts. Demographic information was presented pie charts, descriptive statistics were presented using tables and bar graphs while inferential statistics (correlation analysis and regression) was presented by tables.

## IV. RESULTS AND DISCUSSIONS

### 4.1 Response Rate

The number of questionnaires that were administered was 54. A total of 51 questionnaires were properly filled and returned. This represented an overall successful response rate of 94.4% as shown on Table 4.1. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good, 70% is very good while above 80% is excellent

Based on these assertions from renowned scholars, 94.4% response rate is excellent for the study.

**Table 4.1: Response Rate**

| Response | Frequency | Percent |
|---|---|---|
| Returned | 51 | 94.4% |
| Unreturned | 3 | 5.6% |
| **Total** | **54** | **100%** |

### 4.2 Reliability

The Cronbach alpha was calculated in a bid to measure the reliability of the questionnaire. This was done by subjecting the eight questionnaires to 8 managers of hospitals that were randomly selected. All the variables were reliable since their Cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study. Table 4.2 shows the reliability results.

**Table4.2: Reliability**

| Variable | No of items | Respondents | α=Alpha | comment |
|---|---|---|---|---|
| Financial policies compliance | 5 | 8 | 0.8112 | Reliable |
| Top management insight | 3 | 8 | 0.7123 | Reliable |
| Employee competence | 3 | 8 | 0.7962 | Reliable |
| Organizational structure | 3 | 8 | 0.7632 | Reliable |
| Organizational culture | 3 | 8 | 0.8521 | Reliable |

### 4.3 Demographic Characteristics

This section consists of information that describes basic characteristics such as gender of the respondent, number of years worked and the years of operation of the hospital.

#### 4.3.1 Gender of the respondents

The respondents were asked to indicate their gender. Majority of the respondents were male who represented 78% of the sample while 22% were female. This implies that the top positions in faith based hospitals sponsored by KCCB and CHAK are male dominated.

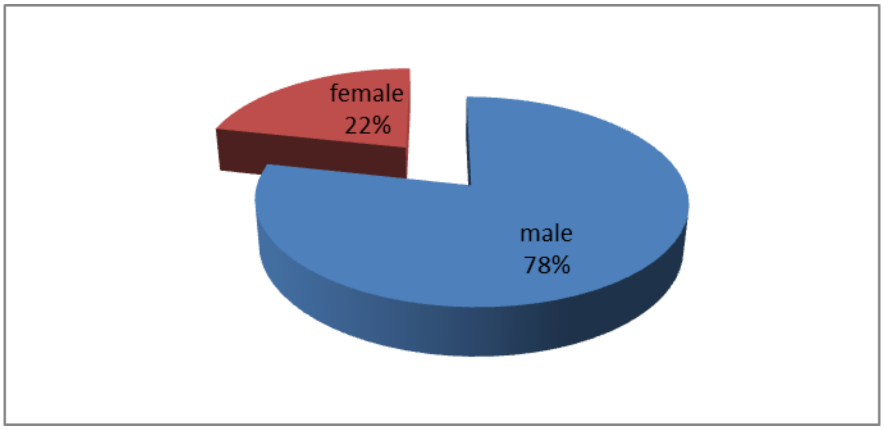



**Figure 4.1: Gender of the respondents**

#### 4.3.2 Number of years worked

The respondents were requested to indicate the number of years they have worked in the hospitals. Majority of the respondents who were 55% indicated that they had worked for 6 to 10 years, 27% of the respondents indicated that they had worked for 2-5years, 10% of the respondents indicated that they had worked for over 10 years while only 8% had worked for less than 1 year. This indicates that most of the respondents who were interviewed had a good knowledge on operations of the hospital.

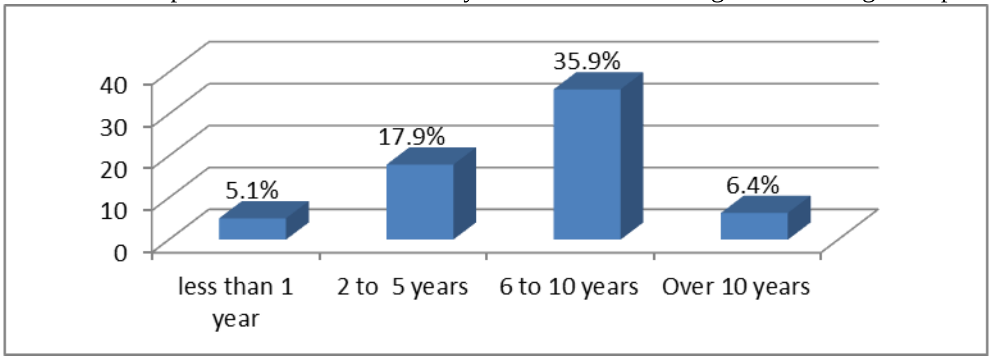



**Figure 4.2: number of years worked**

**4.3.3 Number of years the hospital has been operating**

The respondents were asked to indicate the number of years the hospital had been in operation. Majority of the respondents who were 57% indicated that the hospital had been in operation for 16 to 20 years, 25% of the respondents indicated that the hospital had been in operation for 11 to 15 years, 12% of the respondents indicated that the hospital had been in operation for over 21 years while only 6% of the respondents indicated that the hospital had been in operation for 5-10 years.

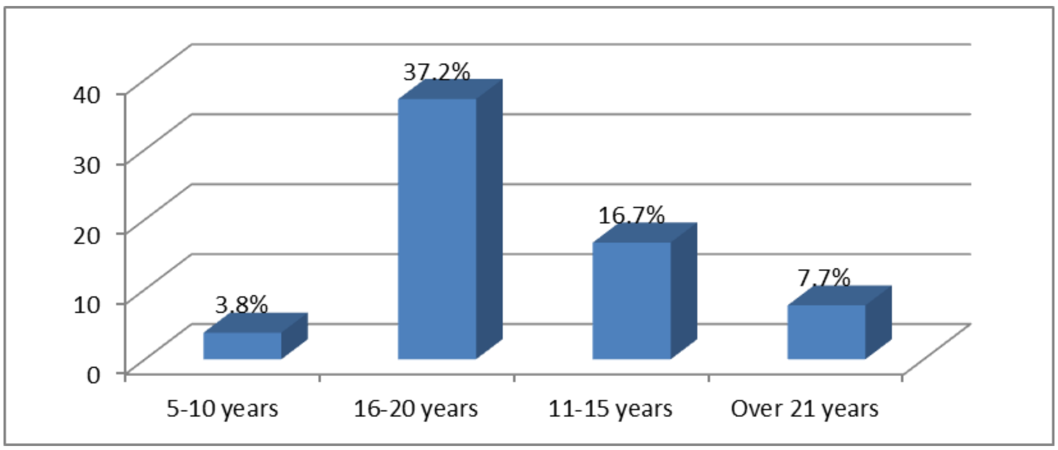



**Figure 4.3: Number of years the hospital has been operating**

**4.4 Influence of top management oversight on financial policies compliance**

**4.4.1 Descriptive statistics**

**Board members**

The respondents were asked to indicate the number of Board members for their hospital. Results in table 4.3 shows that majority of the respondents who were 64.70% indicated that there were 4 to 7 board members in the year 2012. Results also revealed that majority of the respondents who were 70.6% that there were over 7 board members in the year 2013. Results also indicated that majority of the respondents who were 70.6% that there were over 7 board members in the year 2014.

**Table 4.3: Board members**

| year | Less than 3 | 4 to 7 | Over 7 |
|---|---|---|---|
| 2012 | 9.80% | 64.70% | 25.50% |
| 2013 | 7.80% | 21.60% | 70.60% |
| 2014 | 5.90% | 23.50% | 70.60% |

**Opinion**

In addition the respondents were asked to indicate their opinion on influence of top management oversight on financial policies compliance. Majority of the respondents who were 84% indicated that top management oversight influenced financial policies compliance.

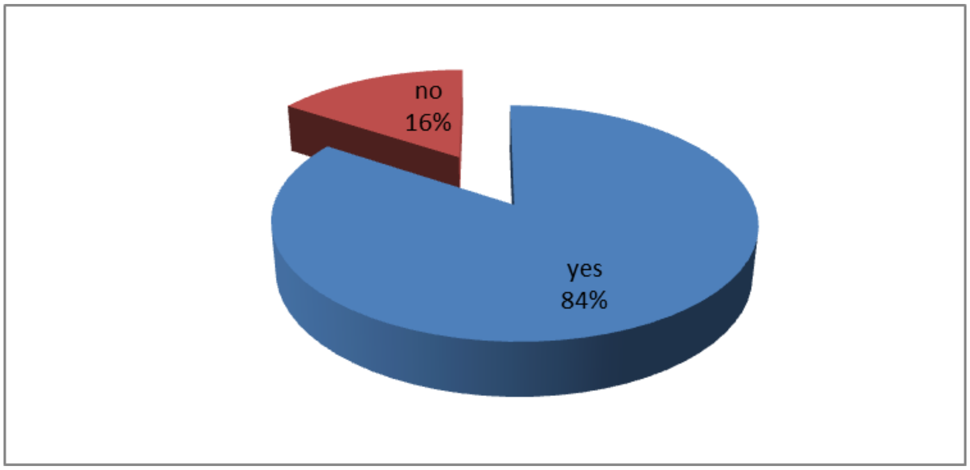



**Figure 4.4: opinion on influence of top management oversight**

**How the management oversight influenced the financial policies compliance**

The respondents who answered that the management oversight influenced the financial policies compliance they were further asked to indicate how the management oversight influenced the financial policies compliance. Majority of the respondents who were 60.8% indicated that management oversight influenced the financial policies compliance by between 50% and 75%, 18.5% indicated that management oversight influenced the financial policies compliance by over 75%, 10.9 % of the respondents indicated that management oversight influenced the financial policies compliance by below 25% while only 9.8% of the respondents indicated that management oversight influenced the financial policies compliance by between 25% and 50% .

This agrees with that of Mfinanga (2008) who suggested that managerial skills are important in running any business. The study further indicated that organizations have been buffeted by massive need for reaching social, technological and economic changes. This puts a lot of pressure on business from all sectors. Managerial skills assist managers to solve issues that are directly relevant to the current, fast shifting business environment.

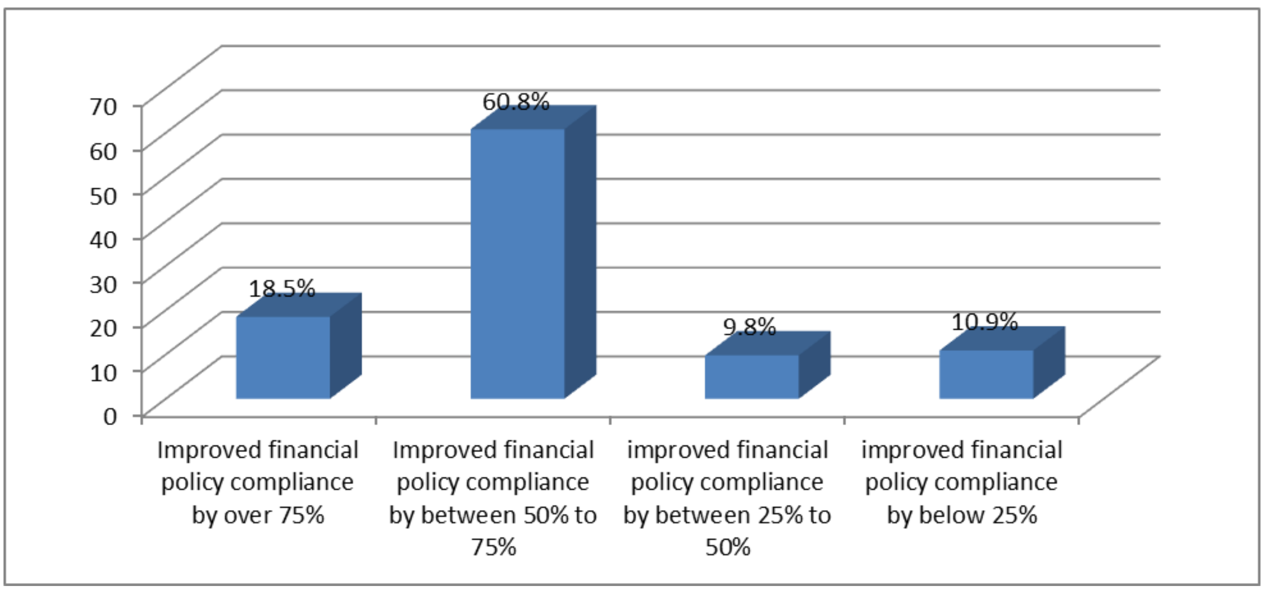



**Figure 4.5: How the management oversight influenced the financial policies compliance**

**4.4.2 Correlation analysis**

The bivariate correlation was conducted between the top management oversight and financial policies compliance. The results indicated that there was a positive and a significant association between top management oversight and financial policies compliance (r=0.444, p=0.001)

**Table 4.4: correlation matrix**

| | | top management oversight | Financial compliance policies |
|---|---|---|---|
| top management oversight | Pearson Correlation | 1.000 | |
| | Sig. (2-tailed) | | |
| Financial compliance policies | Pearson Correlation | .444** | 1.000 |
| | Sig. (2-tailed) | **0.001** | |

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

**4.5 Influence of employee competence on financial policies compliance**

**4.5.1 Descriptive statistics**

**Number of trainings sponsored**

The respondents were asked to indicate the number of trainings sponsored/implemented by for their hospital. Results in table 4.5 indicated that majority of the respondents who were 62.70% indicated that the number of trainings sponsored in 2012 were 3 to 5. The results also revealed that majority of the respondents who were 77.50% indicated that the number of trainings sponsored in 2013 were over 5. Results also revealed that 72.5% of the respondents indicated that the number of trainings sponsored in 2013 were over 5.

**Table 4.5: Number of trainings sponsored**

| year | Less than 2 | 3 to 5 | Over 5 |
|---|---|---|---|
| 2012 | 11.80% | 62.70% | 25.50% |
| 2013 | 9.80% | 12.60% | 77.50% |
| 2014 | 7.80% | 19.60% | 72.50% |

**Opinion on employee competence**

In addition the respondents were asked to indicate their opinion on the influence of employee competence on financial policies compliance. Majority of the respondents who were 84% indicated that employee competence influenced financial policies compliance while only 14% indicated that employee competence does not influence financial policies compliance.

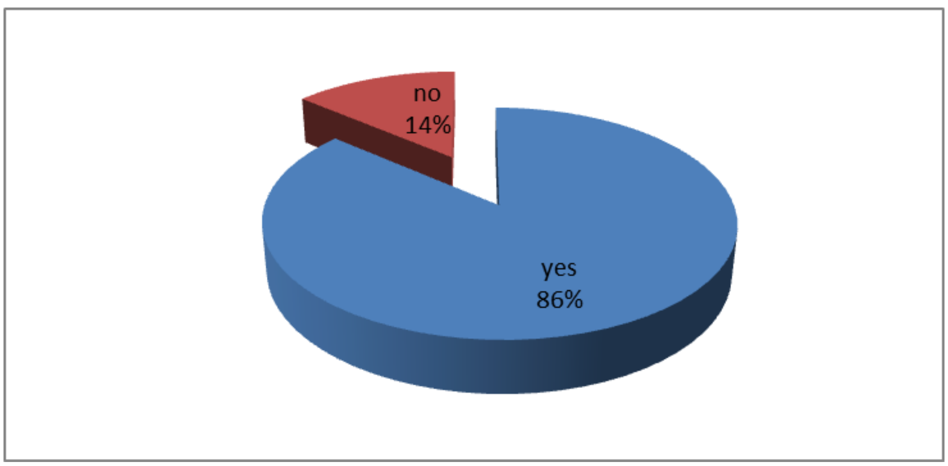



**Figure 4.6: Opinion on employee competence**

**How the level of employee competence influenced the financial policies compliance.**

The respondents who indicated that competence influenced the financial policies compliance they were further asked to indicate how the level of employee competence influenced the financial policies compliance. Majority of the respondents who were 62.7% indicated that employee competence improved financial policies compliance by 50% to 75%, 25.5% of the respondents indicated that employee competence improved financial policies compliance by over 75%, 10.2% of the respondents indicated that employee competence improved financial policies compliance by between 25%to 50% while only 9.1% of the respondents indicated that employee competence improved financial policies compliance by below 25%.

This agrees with Nguyen, & Leclerc, (2011) who conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable. The results show a significant interaction between competence and benevolence in their influence on corporate image. The results reinforce the idea that benevolence intervenes as a moderator variable that enhances the impact of competence on corporate image.

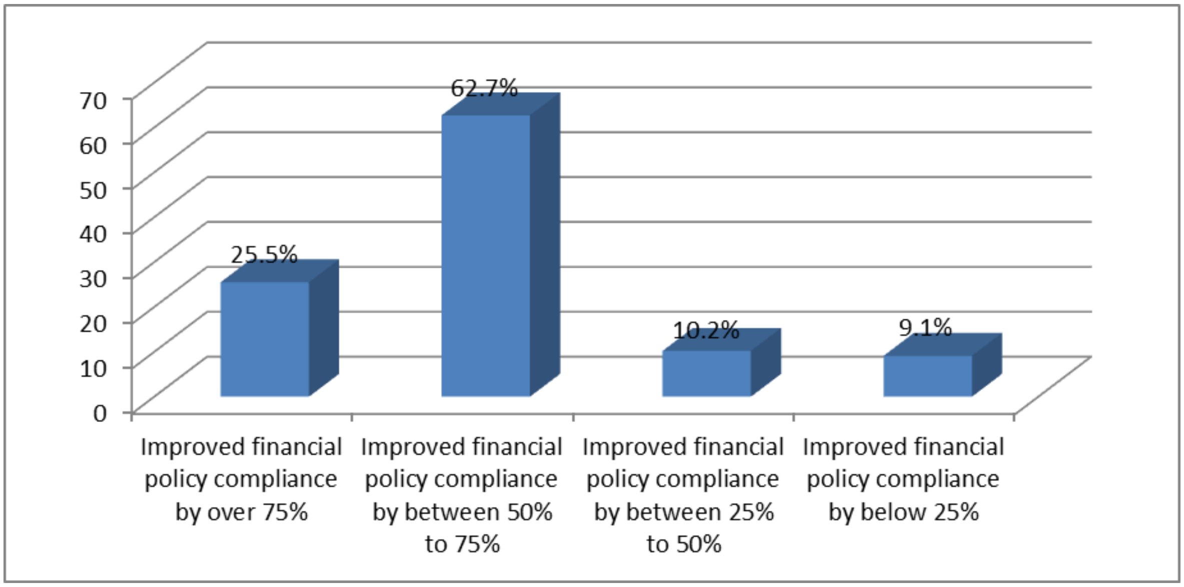



**Figure 4.7: How the level of employee competence influenced the financial policies compliance**

**4.5.2 Correlation analysis of employee competence and financial policies compliance**

The bivariate correlation was conducted between employee competence and financial policies compliance. The results indicated that there was a positive and a significant association between employee competence and financial policies compliance (r=0.502, p=0.000)

**Table 4.6: correlation matrix**

| | | Employee competence | Financial compliance policies |
|---|---|---|---|
| Employee competence | Pearson Correlation | 1.000 | |
| | Sig. (2-tailed) | | |
| Financial compliance policies | Pearson Correlation | .502** | 1.000 |
| | Sig. (2-tailed) | **0.000** | |

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

**4.6 Influence of organization structure on financial policies compliance**

**4.6.1 Descriptive statistics**

**Value of expenditure on restructuring and reorganizations implemented**

The respondents were asked to indicate the value of expenditure on restructuring and reorganizations implemented in their hospital. Results in table 4.7 revealed that majority of the respondents who were 70.6% indicated that the value of expenditure on restructuring and reorganizations implemented in their hospital was 6 to 10 million in the year 2012. Results also revealed that majority of the respondents who were 72.5% indicated that the value of expenditure on restructuring and reorganizations implemented in their hospital was over 10 million in the year 2013. The results also showed that majority of the respondents who were 79.5% indicated that the value of expenditure on restructuring and reorganizations implemented in their hospital was over 10 million in the year 2015.

**Table 4.7: Value of expenditure on restructuring and reorganizations implemented**

| year | Less than 5 million | 6 to 10 million | Over 10 million |
|---|---|---|---|
| 2012 | 7.80% | 70.60% | 21.60% |
| 2013 | 3.90% | 23.50% | 72.50% |

| | | | |
|---|---|---|---|
| 2014 | 7.80% | 12.60% | 79.50% |

**Opinion on influence of organization structure on financial policies compliance**

The respondents were further asked to indicate their opinion on influence of organization structure on financial policies compliance. Majority of the respondents who were 82% indicated that organization structure influenced financial policies compliance while only 18% of the respondent who indicated that organization structure does not influence financial policies compliance

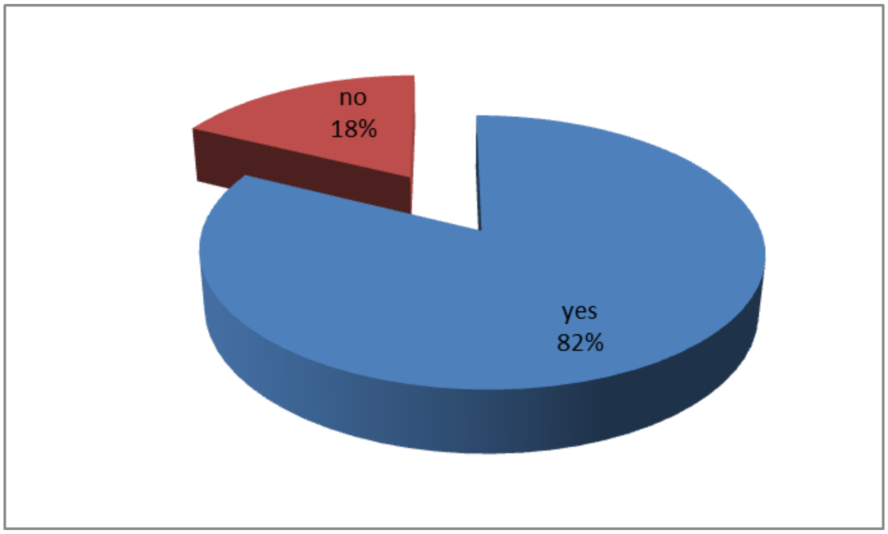



**Figure 4.8: Opinion on influence of organization structure on financial policies compliance**

**How level of organization structure influence the financial policies compliance**

The respondents who indicated that organization structure influenced the financial policies compliance they were further asked to indicate how level of organization structure influence the financial policies compliance. Majority of the respondents who were 58.8% indicated that organizational structure improved financial policies compliance by 50% to 75%, 23.5% of the respondents indicated that organizational structure improved financial policies compliance by over 75%, 11.8% of the respondents indicated that organizational structure improved financial policies compliance by between 25%to 50% while only 5.9% of the respondents indicated that organizational structure improved financial policies compliance by below 25%.

This agrees with Frederickson (1986) who found that the relationship between structure and performance is mediated by many organizational constructs. It is for this reason, that a linkage between organizational structure and communication may improve communication capabilities, resulting in different levels of integration.

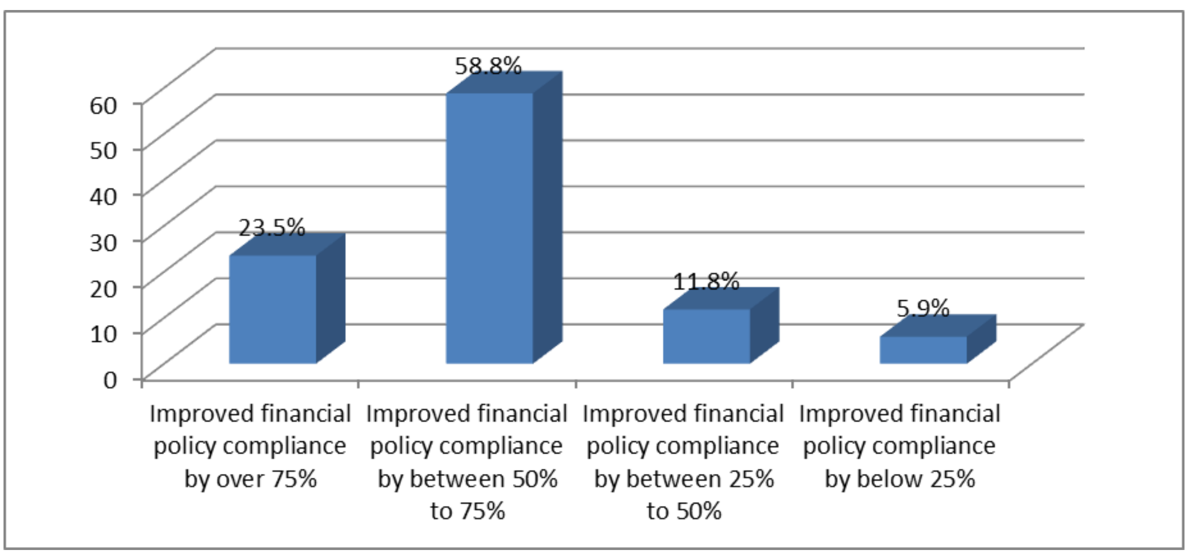



**Figure 4.9: How level of organization structure influence the financial policies compliance**

### 4.6.2 Correlation analysis of organizational structure and financial policies compliance

The bivariate correlation was conducted between organizational structure and financial policies compliance. The results indicated that there was a positive and a significant association between organizational structure and financial policies compliance (r=0.467, p=0.001)

**Table 4.8: Correlation matrix**

| | | Organizational structure | Financial compliance policies |
|---|---|---|---|
| Organizational structure | Pearson Correlation | 1.000 | |
| | Sig. (2-tailed) | | |
| Financial compliance policies | Pearson Correlation | .467** | 1.000 |
| | Sig. (2-tailed) | **0.001** | |

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

## 4.7 Influence of organizational culture on financial policies compliance

### 4.7.1 Descriptive statistics

**Value of expenditure**

The respondents were asked to indicate the value of expenditure used to counter fraud, corruption cases, gender intolerance, tribal intolerance, team building implemented by their hospital. Results in table 4.9 revealed that majority of the respondents who were 72.5% indicated that the value of expenditure was 3 to 5 million in the year 2012. The results also revealed that majority of the respondents who were 68.6% indicated that the value of expenditure was over 5 million in the year 2013. The results also revealed that majority of the respondents who were 74.5% indicated that the value of expenditure was over 5 million in the year 2014.

**Table 4.9: The value of expenditure used**

| year | Less than 2 million | 3 to 5 million | Over 5 million |
|---|---|---|---|
| 2012 | 9.80% | 72.50% | 17.60% |
| 2013 | 14.80% | 16.60% | 68.60% |
| 2014 | 7.80% | 17.70% | 74.50% |

**Opinion on influence of organization culture on financial policies compliance**

In addition the respondents were further asked to indicate their opinion on influence of organization culture on financial policies compliance. Majority of the respondents who were 82% indicated that organization culture influenced financial policies compliance while only 18% indicated that organization culture does not influence financial policies compliance.

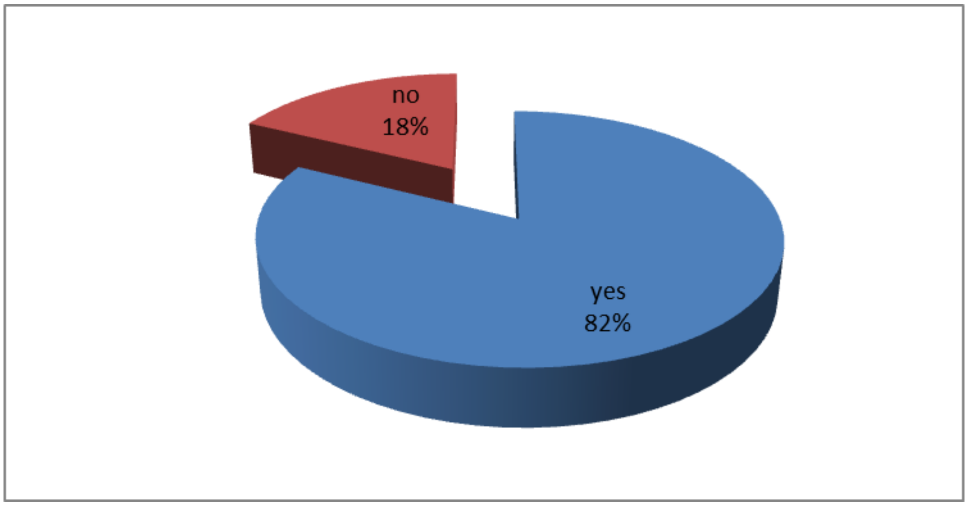



**Figure 4.10: Opinion on influence of organization culture on financial policies compliance**

**How the level of organization culture influence the financial policies compliance**

The respondents who indicated that organization culture influenced the financial policies compliance they were further asked to indicate how the level of organization culture influence the financial policies compliance. Majority of the respondents who were 62.2% indicated that organizational culture improved financial policies compliance by 50% to 75%, 20.5% of the respondents indicated that culture structure improved financial policies compliance by over 75%, 8.9% of the respondents indicated that organizational culture improved financial policies compliance by below 25% while only 7.8% of the respondents indicated that organizational culture improved financial policies compliance by between 25%to 50%.

This agrees with Denison (2000) who that found empirical support for the participation/involvement view of culture -higher levels of employee participation were correlated with better organizational performance.

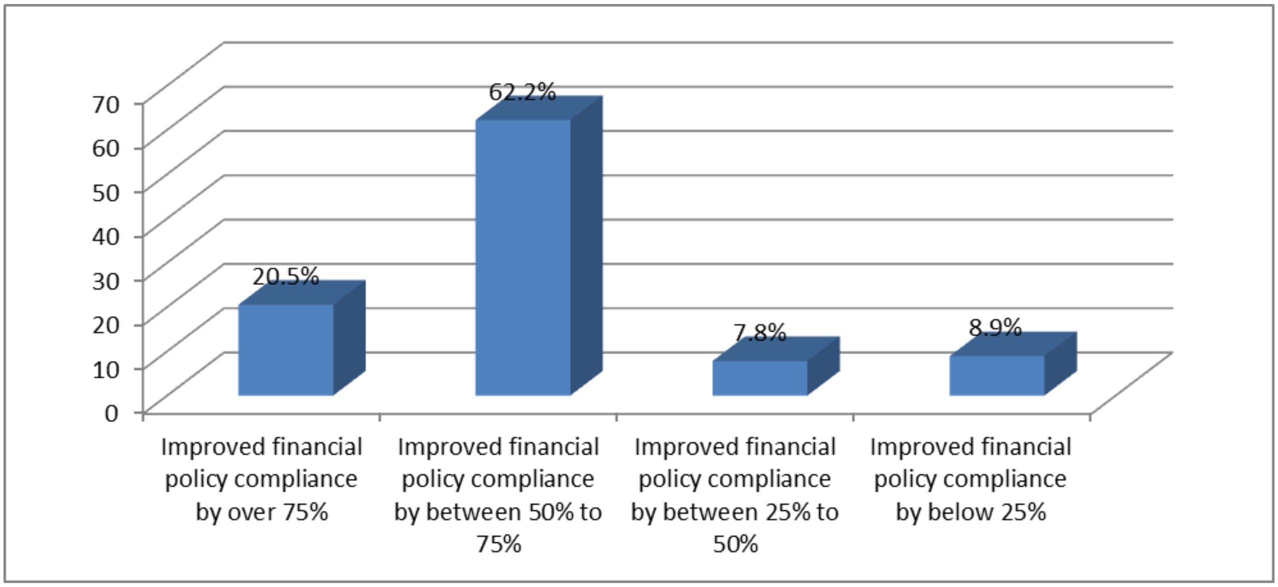



**Figure 4.11: How the level of organization culture influence the financial policies compliance**

**4.7.2 Correlation analysis of organization culture and financial policies compliance**

The bivariate correlation was conducted between organizational culture and financial policies compliance. The results indicated that there was a positive and a significant association between organizational culture and financial policies compliance (r=0.371, p=0.007).

**Table 4.10: correlation matrix**

| | | Organization culture | Financial compliance policies |
|---|---|---|---|
| Organization culture | Pearson Correlation | 1.000 | |
| | Sig. (2-tailed) | | |
| Financial compliance policies | Pearson Correlation | .371** | 1.000 |
| | Sig. (2-tailed) | **0.007** | |

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

**4.8 Overall correlation analysis**

**4.8.1 Overall correlation analysis**

Table 4.11 below presents the results of the correlation analysis. The results indicated that there was a positive and a significant association between top management oversight and financial policies compliance (r=0.444, p=0.001). The results further indicated that there was a positive and a significant association between employee competence and financial policies compliance (r=0.502, p=0.000). The results further established that there was a positive and a significant association between organizational structure and financial policies compliance (r=0.467, p=0.001). The results also indicated that there was a positive and a significant association between organizational culture and financial policies compliance (r=0.371, p=0.007). This implies that an increase in any unit of the variables leads to an improvement in financial policies compliance.

This agrees with Chalhoub (2009) who found significant relationships between performance and five dimensions of CG comprising governance as daily practice: governance literacy, code of ethics, transparency, shareholders' participation in governance, and accountability.

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**Table 4.11: overall correlation matrix**

| | | **Financial policies** | **compliance** | **top management oversight** | **employee competence** | **organizational structure** | **organization culture** |
|---|---|---|---|---|---|---|---|
| Financial compliance policies | Pearson Correlation | 1.000 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| top management oversight | Pearson Correlation | .444** | | 1.000 | | | |
| | Sig. (2-tailed) | **0.001** | | | | | |
| employee competence | Pearson Correlation | .502** | | 0.248 | 1.000 | | |
| | Sig. (2-tailed) | **0.000** | | 0.079 | | | |
| organizational structure | Pearson Correlation | .467** | | 0.078 | .413** | 1.000 | |
| | Sig. (2-tailed) | **0.001** | | 0.587 | 0.003 | | |
| organization culture | Pearson Correlation | .371** | | -0.065 | 0.195 | .325* | 1.000 |
| | Sig. (2-tailed) | **0.007** | | 0.652 | 0.171 | 0.02 | |

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

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

**4.8.2 Overall regression model**

The results presented in table 4.12 present the fitness of model used of the regression model in explaining the study phenomena. Top management oversight, employee competence, organizational structure and organizational culture were found to be satisfactory variables in explaining financial policies compliance. This is supported by coefficient of determination also known as the R square of 58.3%. This means top management oversight, employee competence, organizational structure and organizational culture explain 58.3% of the variations in the dependent variable which is financial policies compliance. This results further means that the model applied to link the relationship of the variables was satisfactory.

**Table 4.12: Model Fitness**

| **Indicator** | **Coefficient** |
|---|---|
| R | 0.763 |
| R Square | 0.583 |
| Adjusted R Square | 0.537 |
| Std. Error of the Estimate | 0.18247 |

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.13 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of financial policies compliance. This was supported by an F statistic of 12.579 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. This finding is consistent with that of (Moradi, Safari, & Torkestani 2013) who confirmed that a firm's competitive advantage can be enhanced by culture and strategy fit.

**Table 4.13: Analysis of Variance**

| | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
|---|---|---|---|---|---|
| Regression | 2.094 | 5 | 0.419 | 12.579 | **0.000** |
| Residual | 1.498 | 45 | 0.033 | | |

| | | |
|---|---|---|
| Total | 3.593 | 50 |

Regression of coefficients results in table 4.14 shows that Top management oversight and financial policies compliance are positively and significantly related (r=0.193, p=0.000). The table further indicates that Employee competence and financial policies compliance are positively and significantly related (r=0.272, p=0.006). It was further established that Organizational structure and financial policies compliance were positively and significantly related (r=0.172, p=0.029), while Organization culture and financial policies compliance were positively and significantly related (r=-0.146, p=0.025).

This agree with Nguyen, & Leclerc (2011) who conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable. A hierarchical multiple regression analysis was performed on data collected from 445 customers in a financial service setting to assess the influence of competence and benevolence, as well as their interactive effects on corporate image. The results show a significant interaction between competence and benevolence in their influence on corporate image.

**Table 4.14: Regression of Coefficients**

| Variable | B | Std. Error | Beta | t | sig |
|---|---|---|---|---|---|
| (Constant) | 0.508 | 0.243 | | 2.092 | 0.042 |
| Top management oversight | 0.193 | 0.05 | 0.39 | 3.89 | **0.000** |
| Employee competence | 0.272 | 0.095 | 0.32 | 2.86 | **0.006** |
| Organizational structure | 0.172 | 0.076 | 0.248 | 2.252 | **0.029** |
| Organization culture | 0.146 | 0.063 | 0.239 | 2.315 | **0.025** |

The specific model was;
*financial policies compliance =0.508+0.193 X1 +0.272 X2 +0.172 X3 +0.146 X4*
where X1 is top management oversight
X2 is Employee competence
X3 is Organizational structure
X4 is Organizational culture

This finding agrees with that of Huang (2010) who examined the effects of board structure and ownership on a bank's performance using a sample of 41 commercial banks in Taiwan. The results indicated that board size, number of outside directors, and family owned shares are positively associated with bank performance, whereas the number of supervisory directors has a negative influence on performance.

The findings also agree with that of Moradi, Safari, & Torkestani, (2013) who conducted a study on the Impact of Organizational Culture on the Performance of Insurance Companies in Iran. The results indicate that organizational culture impacts competitive strategy directly and organizational performance indirectly.

## V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

This chapter addresses the summary of the findings, the conclusions and the recommendations. This is done in line with the objectives of the study.

### 5.2 Summary of Findings

This section provides a summary of the findings from the analysis. This is done in line with the objectives of the study.

#### 5.2.1 Influence of top management oversight on financial policies compliance

The first objective was to investigate whether top management oversight influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK. The findings revealed that there was a positive and a significant association between top management oversight and financial policies compliance. This was also supported by the statements in the questionnaire.

The finding is consistent with that of Huang (2010) who examined the effects of board structure and ownership on a bank's performance using a sample of 41 commercial banks in Taiwan. The results indicated that board size, number of outside directors, and family owned shares are positively associated with bank performance.

#### 5.2.2 Influence of employee competence on financial policies compliance

The second objective was to determine whether employee competence influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK. The findings from the results indicated that there was a positive and a significant association between employee competence and financial policies compliance. This was also supported by the statements in the questionnaire.

These findings agree with that of Nguyen and Leclerc (2011) who conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable. Nguyen and Leclerc, (2011) conducted a study on the effect of service employees' competence on financial institutions' image: benevolence as a moderator variable.

**5.2.3 Influence of organizational structure on financial policies compliance**

The third objective was to determine whether organizational structure influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK. The findings showed that there was a positive and a significant association between organizational structure and financial policies compliance. This was also supported by the statements in the questionnaire.

This findings agrees with that of Porter and Roberts (1976) who conducted a study on the relationship between organizational structure and performance. The study found that there was a linkage between organizational structure and communication may improve communication capabilities, resulting in different levels of integration.

**5.2.4 Influence of organizational culture on financial policies compliance**

The fourth objective was to determine whether organizational culture influences financial policies compliance in faith based hospitals sponsored by KCCB and CHAK. The findings revealed that there was a positive and a significant association between organizational culture and financial policies compliance. This was also supported by the statements in the questionnaire.

The findings agree with that of Kandula (2006) who found that key to good performance is a strong culture. The study further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement. The study further found that organizational culture has an active and direct role in performance.

**5.3 Conclusions**

Based on the findings above the study concluded that top management insight, employee competence, organizational culture and organizational structure have a positive and a significant effect on financial policies compliance.

The study also concluded that organizational culture has an active and direct role in financial policies compliance. Organizational culture contributes to the improved financial policies compliance. Organizational structure plays a central role, as it defines how information flows and is aggregated inside organizations, allowing organizations to accomplish goals that would be otherwise unattainable by any of its individual members.

**5.4 Recommendations**

**5.4.1 Influence of top management oversight on financial performance**

Based on the research findings, the study recommended that faith based hospitals sponsored by KCCB and CHAK should put more emphasis on financial policies top management insight. This will require the board's knowledge and experience, plus a willingness to challenge the assumptions and variables behind the strategy. This will enhance good financial performance.

The study also recommended that the faith based hospitals should have effective internal controls, proper disclosure and presentation of financial items and proper budgeting. This will improve the financial policies compliance.

In addition, the study recommended that the hospitals need to have effective board of directors and a clear chain of command. Transformational leadership should also be upheld in order to bring positive changes within the organization and thus improved financial policies compliance

**5.4.2 Influence of employee competence on financial performance**

Based on the findings the study recommended that faith based hospitals sponsored by KCCB and CHAK should have good employee competence. To improve efficiency in service delivery, the hospitals must build the capacity to attract and employ an adequate number of high-quality nurses.

The study also recommended that hospital workers have to be trained for new jobs and for handling the present jobs more effectively. New employees must be trained properly so that they may become efficient. Existing employees must be trained for taking up high level jobs. This is because training is useful not only for the organization but also for employees. Effective training enhances knowledge, skill and behaviors of the people their performance.

**5.4.3 Influence of organizational structure on financial performance**

The study recommended that transformational leadership should also be upheld in order to bring positive changes within the organization and thus improved financial policies compliance.

In addition the study also recommended that firms must change the way they are organized, and employees at all levels must become information literate - not just computer literate and should think globally and act locally so as to accomplish the organizations of the year 2000 and beyond.

**5.4.4 Influence of organizational culture on financial performance**

Based on the findings the study recommended that faith based hospitals should have a positive and strong culture that can make an average individual perform and achieve brilliantly. This will help in improving the financial performance.

The study also recommended that faith based hospitals competitive advantage should be enhanced by culture and strategy fit.

**5.5 Areas for Further Studies**

The study sought to investigate the determinants of financial policies compliance in faith based hospitals sponsored by KCCB and CHAK. This called for the analysis of faith based hospitals sponsored by KCCB and CHAK only, thus area for further studies could consider government sponsored hospitals and private hospitals for purpose of making a comparison of the findings with those of the current study.

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