Journal of International Business, Innovation and Strategic Management

2022: 6 (2): 36 - 55

ISSN: 2617-1805

ROLE OF ORGANIZATIONAL CULTURE ON PERFORMANCE OF COMMERCIAL BANKS IN MALINDI SUB COUNTY, KENYA

Ambede Bright Mudanya[*] & Prof. Margaret Oloko [1]

[*] Masters Student, School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

[1] Senior Lecturer, School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

Corresponding Author Email: ambedebright@gmail.com

To Cite this Article:

Mudanya, A. B. & Oloko, M. (2022). Role of Organizational Culture on Performance of Commercial Banks in Malindi Sub County, Kenya. J*ournal of International Business, Innovation and Strategic Management*, 6 (2), 36 - 55

ABSTRACT

The study aimed at assessing the role of organizational culture in organizational performance with a specific focus of commercial banks based in Malindi Sub County. The specific objectives of this study were to examine the role of clan culture, adhocracy culture, market-oriented culture and hierarchical culture in organizational performance. The study used descriptive research design. The study targeted general managers, assistant managers, tellers and credit officers who totaled to 225. Quantitative data was collected through a structured questionnaire composed of Likert Scale questions. The main data analysis techniques adopted were descriptive statistics and regression analysis. The main study findings indicated that Market Culture, Clan culture, Adhocracy Culture and Hierarchical Culture all positively and significantly influence performance of commercial banks in Malindi Sub County. Based on the findings, the study recommended that with the prevalent competitive environment around the world, it is imperative for the organizations to strengthen their organizational set of principles that define who its employees, customers and suppliers are and how to interact with each other and whether they think independently when carrying out their work duties.

The study also recommended that commercial banks also need to encourage employees to have a sense of identity which increases their commitment to work since this will positively influence organizational performance. There is also a need to focus should be directed at leaders in different capacities as they play the role of coaches in giving general direction, but further encourage individual decision-making to determine the operating details. Additionally, the study recommended a need for organizational culture to be enhanced in commercial banks in Kenya since it enhances organizational performance. In particular, commercial banks should encourage employees to pull towards a common goal.

Key Words: *Clan Culture, Market Oriented Culture, Hierarchical Culture, Performance of Commercial Banks*

BACKGROUND OF THE STUDY

According to research by Kornberger and Pitsis (2010), organizational culture is a feeling of shared convictions and qualities. In their report they noted the way members of an organization tackle their in-house issue is a way life of that organization and is something that only the members of that organization can invent. Such, they said is a culture or a tradition that determines how effective an organization will be in meeting the objectives of that organization. Shared convictions, they added, has an advantage of adjusting the goals of both administration and representatives henceforth decreasing association issues. Past researches have also revealed that shared believes increased delegation effort and utility, influencing activities hence less correspondence which was not the case before the merger (Van nook Steen, 2010).

Culture can also be viewed as the sum total of the beliefs that have been learnt over a period of time together with various values and customs and which influence the consumer behavior within a particular society (Zheng & McLean, 2010). Mujtaba, (2008) notes in his research that the culture of a particular organization is basically formed by the leaders of that organization particularly those who have been there for long. In his research report, Mujtaba added that culture is what is normal within that organization and which holds that organization together and without which that organization is not. In fact, the uniqueness of an organization is only well defined by its culture. Even though difficult to understand, such is worthy holding onto since that is what gives focus to the members of that organization (Davidson 2013).

According to Dasanayake and Mahakalanda (2008) organizational culture is what determines how well the organization will adapt to both external and internal adaptation of its locality. The two researchers highlighted that unless an organization has established its culture, external adaptation to its environment will always be a challenge. This has to do with identification of its market niche with the aim of building effective competition and coping with the changing environment of operation. Internal adaptation also has to do with the language and concepts' development. This also involves setting relationship boundaries, positions, power and status which keeps every member of that organization strictly on their job descriptions. Disciplinary policies are also set and adhered to henceforth bringing a realization of an effective working conditions and relationships.

Research by Gallagher and Brown (2007) revealed that how well a company will run its day-to-day activities in business is fully determined and influenced by the culture of that organization. This has to do with how it handles customers, employees, systems, together with other external associates and competitors. Culture can be positive or negative (Kaufman, 2002). In his research report, Kaufman noted that a positive organizational culture is a booster to the organizational believes and behaviors. On the contrary, he noted, that a negative culture is a killer of organizations hence destroying any future potential growth of that organization. To support Kaufman (2002), Kotter (2012) confirmed that organization performance, job satisfaction by employees and being certain of problem solutions is only enhanced by the culture of an organization.

It's the culture of an organization that sets out the rules and regulations to be adhered to by employees therein. This serves to regulate attitudes and behaviors within the organization by the members and henceforth bringing effectiveness in its operations (Rollinson, 2005). Past researches have showed that the distinction between a non performing organization and a performing organization is in how well or poorly established culture (Ortiz & Arnborg, 2005).
This is so that high performing organizations such as those with corporate culture have a long-term sustainability and economic performance. Such will finally realize greater revenues, large expansions and generally realize much greater fruitfulness than those with poorly established cultures. Organizations with a deeply entrenched culture has greater revenue increases, larger workforce expansions, larger increase in share prices, and larger improvements in net income than their counterparts with weaker cultures (Tavitiyaman & Zhang, 2012).

Geert and Hofsede (2005) highlighted two levels of organizational culture. These two are low power distance culture and high-power distance culture. In the former, employees are usually free to relate to their heads or leaders while in the latter, the boundaries between the two are clear and no relationships are encouraged between the bosses and the subordinates. According to Hofsede, the low power distance culture allows room for creativity by the employees while the high-power distance culture is a 'no mistake' culture by the subordinates. Innovation is only born out of mistakes, corrections and learning of new things which is highly realized in the low power distance culture and is completely absent in the latter.
In the recent past, most commercial banks, have moved their expansion to the East African market though they have maintained their headquarter in Kenya. Basically, their focus is the larger African market which seems to be growing at an alarming rate. In total, these 10 banks had 257 branches at the close of 2014, which represented 12%, of the total branch network in the four markets, namely, Uganda, Tanzania, Rwanda, and Burundi. Additionally, they accounted for 14%, 15%, 14%, and 6% of total assets, loans, customer deposits, and PBT respectively in the four markets (Kenya Bankers Association, 2015). As these banks expanded their operations across East African Region, challenges of the change of culture were realized since different countries have different cultures. This affected their effectiveness in those countries and hence affecting their profitability.

STATEMENT OF THE PROBLEM

Kenyan Banks have realized tremendous growth in the last five years and have expanded to the east African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. However, the banking industry in Kenya is facing major challenges ranging from; new regulations especially with the passing of the new constitution. CBK requires financial institutions to build up their minimum core capital requirement to Kenya shillings 1 billion. The Global crisis experienced affected banking industry in Kenya and more so the mobilization of deposits and trade reduction and the Interest margins declines have also affected the banking industry in Kenya. Indeed, to this end, regulation tightened in the second half of 2015. In August 2015, the banking regulator CBK put Dubai Bank into receivership and then into liquidation. Evidence of insider trading, theft of customer funds, parallel banking and defaults had come to court in a 2012 wrongful dismissal case.

According to the CBK, an investigative report by Kenya Deposit Insurance Corporation found that the magnitude of weaknesses of Dubai Bank, liquidation is the only feasible option. It is seen that some commercial banks are not paying much attention to their cultural practices thus have made them to be riddled with irregularities thus preventing them from achieving their main objective of achieving financial profitability. In addition, some commercial banks have experienced weak management with reports of widespread financial mismanagement. This has led to poor performance, and in some cases some banks put under receivership or closed down. Little research has been done regarding to the role of organizational culture in organizational performance. Owino and Kibera (2015) examined the influence of organizational culture and market orientation on performance of microfinance institutions in Kenya and established that the influence of organizational culture and market orientation on performance is more plausible for mature industries regarded as diverse in terms of customer needs. Omega (2012) examined the perceived relationship between organizational culture and employees' job satisfaction at Kenya Commercial Bank.

The results show that organizational culture dimensions of organizational supportiveness, emphasis on rewards, performance orientation and innovation orientation had a direct relationship with the job satisfaction of employees at KCB. Kamau (2013) noted the existence of a significant relationship between organization culture and efficiency of service delivery. These studies did not address the role of organizational culture on organizational performance and also the variables in these studies are markedly different from the variables in this study. A knowledge gap therefore exists and hence this study seeks to address this gap by assessing the role of organizational culture in organizational performance with a specific focus of commercial banks in Malindi Sub County.

RESEARCH OBJECTIVES

1. To investigate the role of hierarchical culture on the performance of commercial banks in Malindi sub county.
2. To determine the role of adhocracy culture on the performance of commercial banks in Malindi sub county.
3. To establish the role of market-oriented culture on the performance of commercial banks in Malindi Sub County.
4. To examine the role of clan culture on the performance of commercial banks in Malindi sub county

THEORETICAL LITERATURE REVIEW

Schein's Theory of Organizational Culture.

This theory is characterized by three main elements which present it clearly to scholars. They include the artifacts, the underlying assumptions and the espoused values (James & Jones, 2005). The three elements mentioned in this theory define the measure to which the observer is seeing the different phenomenon of a particular culture. While the artifacts include the basic tangible, overt or verbal domains of an organization, espoused values of an organization refer to the laid down values, rules and regulations of behavior in that (James & Jones, 2005). On the other hand, also, the assumptions here refer to those behaviors that are deeply embedded or also referred to as 'taken for granted' behaviors which, though unconsciously realized, they are part of the culture of that organization. According to Lakomski, (2005) artifacts refer to the physical environment, language, technology, clothing, myths and stories, published values, rituals and ceremonies.

On the other hand, Kummerow, Kirby and World Scientific (Firm), (2014) noted that espoused values have to do with how the members of an organization represent the organization both within and without and this can infer to how far the employees would like to advance up to professionally, career wise, and salary attainments. On the contrary, Lord, & Maher, (2002) highlighted those basic assumptions are only recognized by those without the organization since they are usually so unconsciously expressed by the members of an organization. Good examples to this include the greetings, time management, eating habits, noisy or silence habits outgoing or reserved. In fact, Lord, & Maher confirmed that these assumptions are usually the personalities that the members of the organization impact on each other as they continue relating in within the organization and which forms the culture of that organization.

Durkheim's Theory of Culture

This theory, which was developed by Durkheim (1890), majors on tribal societies. In his research, this researcher looked at culture as emergent phenomena that encompasses laid down values, beliefs and various symbolic systems within an organization or a society. According to him, culture is the united efforts by members of a society to come up with a structure that enables them to handle their day-to-day life issues either as a society or an individual within the world of their existence. As indicated by Ritzer, & Sage Publications, (2005) how much an organization is able to manage its abundant work and henceforth come up with the expected productivity is fully determined by how well that organization has maintained its culture in doing things.

Durkheim argues in his theory that even if it means going through pain to achieve the organization's objective, such is impossibility if the culture of that organization is not stable. It is what the whole organization believes and values that culminates into a great productive organization. Schroeder, (1992) also confirmed Durkheim's statement that not all cultures facilitate the success of an organization. This is so that while some cultures bring a notable success to the organization, others bring about divisions within the organization particularly if such culture is discriminative. Examples of these are the divisions in terms of status, positions and occupations.

Exchange Theory

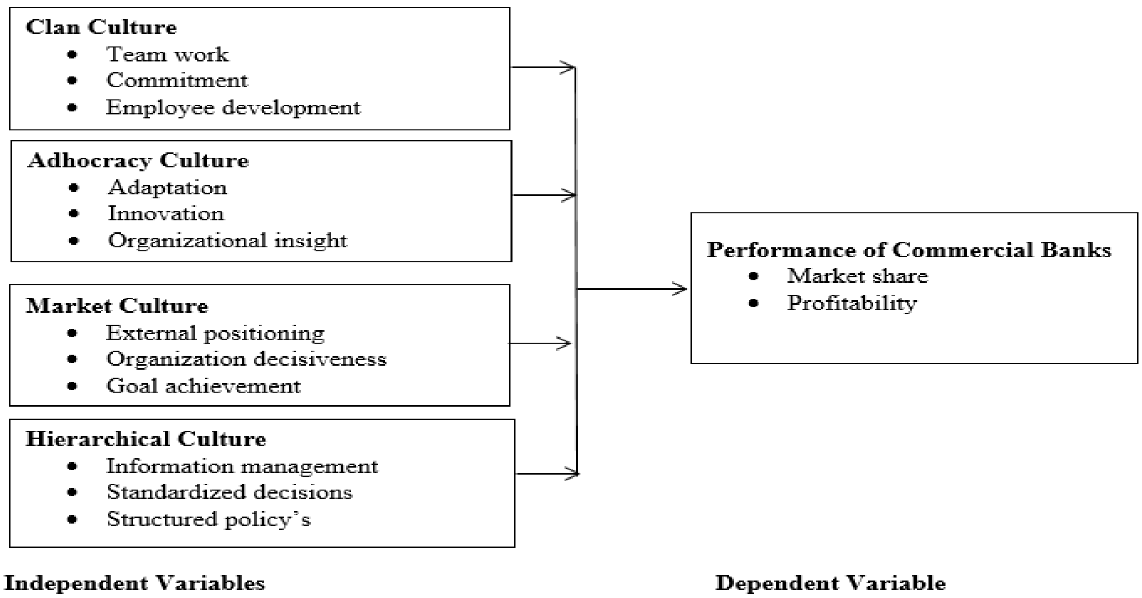
Exchange theory is based on the assumption that commitment occurs as a result of contribution/encouragement transactions between the employee and the organization (Cropanzano, Prehar & Chen, 2003). Exchange theory explains these transactions as psychological contracts. In contrast to a legal contract, a psychological contract is an unwritten agreement between the employee and the organization that specifies what they expect to give and receive from each other (Ivancevich, 2010). Exchange theory presumes that the relationship between the organization and the employee involves social and economic exchange (Kim & Rowley, 2005).

Based on exchange theory, employees join organizations with the expectation that they can find a work environment in which they can utilize their knowledge and skills to achieve their goals and desires. As a result, employees' perceptions of favorable exchange relationships with their organizations are expected to result in increased organizational commitment. Likewise, the level of an employee's commitment to an organization could increase according to his/her perception of rewards in relation to costs.

On the other hand, decreased organizational commitment is likely to be resulted from providing insufficient rewards in exchange for the employee's effort (Haar, 2006).

CONCEPTUAL FRAMEWORK

Figure 1: Conceptual Frame work



EMPIRICAL LITERATURE REVIEW

According to Kaufman (2002) a positive organizational culture reinforces the core beliefs and behaviors that a leader desires while weakening the values and actions the leader rejects. Farashahi and Molz (2005) observe that culture is strength but can also be a weakness. As a strength, culture can facilitate communication, decision making and control, and create cooperation and commitment. As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. Whether organizational culture is strong, weak or moderate depends on factors of the organizational size, longevity of its existence, the level of circulation between employees and the beginning level of specified organizational culture.

Singh (2011) asserts that an organization's culture could be characterized as weak when many subcultures exist, few values and behavioral norms are shared, and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty, and a sense of identity. Rather than being members of an organization, these are wage-earners. Traits adopted by organizations that have weak cultures include: politicized organizational environment, hostility to change, promoting bureaucracy in preference to creativity and entrepreneurship, and unwillingness to look outside the organization for the best practices (Kotter & Heskett, 2005). Employees need a supportive organizational culture to attain their individual objectives.

According to Cameron and Quinn (2011), organizational culture functions as the internal integration & coordination between a firm's operations & its employees, where it fails to fulfill these functions to a satisfactory level, employees may be influenced negatively. A positive culture supports adaptation and enhances employees' Job performance by motivating, shaping their behaviors towards the attainment of corporate objectives (Daft, 2010). Ling and Shann (2010) said that performance and productivity were two different things. He also suggested that result oriented culture needed high level of education, concepts, instruments, training and management as well as leadership skills.

Raduan (2008) observes that, a high degree of organization performance is related to an organization, which has a strong culture with well-integrated and effective set of values, beliefs and behaviors. However, several researchers concur that culture would remain linked with superior performance only if the culture is able to adapt to changes in environmental conditions (Stewart, 2010). Furthermore, the culture must not only be extensively shared, but it must also have unique qualities, which cannot be imitated (Dasanayake & Mahakalanda, 2008). Cameron and Quinn (2011) states that, studies have shown that organizational culture has a direct impact on other vital performance outcomes of any organization, including customer satisfaction and business growth and the strong effects of organizational culture are consistent across a wide spectrum of businesses and industries, from education institutions, churches, automotive sales and service and fast-food retailing to home construction and computer Corporate culture can affect an organization's bottom line (Stewart, 2010).

Strong culture in the organization is very helpful to enhance the performance of the employees that leads to the goal achievement and increases the overall performance of the organization (Deal & Kennedy, 2012). According to the Stewart (2010), norms & values of organizational culture highly effect on those who are directly or indirectly involved with the organization. These norms are invisible but have a great impact on the performance of employees and profitability. Culture sets the boundaries by providing employees with a set of normative rules to regulate certain aspects of their behaviour which gives rise to attitudes, motivations and a sense of shared identity that contributes to organizations'. No change will provide sustainable performance unless an organization's culture and employees are fully prepared and aligned to support that change.

RESEARCH METHODOLOGY

The study adopted a descriptive research design. The target population was all the commercial banks in Malindi Subcounty. The respondents of this study were General Managers, assistant managers and credit officers in the 5 selected commercial banks in Malindi Sub County as shown in Table 1.

Table 1: Target Population

Name of the bank	No of managers	Percentage
General Managers	15	7%
Assistant Managers	38	17%
Tellers	110	49%
Credit Officers	62	28%
Total	**225**	**100%**

The study used a sample size of 225 comprising of 15 general managers, 38 assistant managers, 110 tellers and 62 credit officers. Both primary and secondary data was collected through structured self-administered questionnaires and other sources such as internet, library sources and CBK annual reports. The collected data was analyzed through descriptive and inferential statistics in form of percentages and frequencies, then presented in tables, charts and graphs so as to facilitate clear interpretation of results and assist in drawing of conclusions and discussions follow immediately explaining on the same. Regression and correlation analysis was conducted to test the relationship of the variables with Organization performance. The multiple regression models were computed as follows:

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

Whereby:

Y	=	Organization Performance (value of dependent variable)
β_0	=	Constant Variable
β_1 - β_4	=	Beta coefficients
X_1	=	Clan Culture
X_2	=	Adhocracy Culture
X_3	=	Market Culture
X_4	=	Hierarchical Culture
ε	=	An error term

RESEARCH FINDINGS AND DISCUSSIONS

Description of the Performance of Commercial Banks in Malindi County, Kenya

The results for organizational performance of commercial banks is indicated in Table 2. It was revealed that the effect of Profitability on the performance of commercial banks had a mean of 4.9143 and a standard deviation of 0.28403 followed by effects of competition on the performance of commercial banks as supported by a mean of 4.8571 with a standard deviation of 0.35504 and finally effects of employee satisfaction on the performance of commercial banks as supported by a mean of 4.7714 with a standard deviation of 0.42604.

Table 2: Organization Performance of Commercial Banks

Organization Performance	Mean	Std. Deviation
Employee satisfaction affects performance of commercial banks	4.7714	.42604
Profitability affects performance of commercial banks	4.9143	.28403
Competition affects performance of commercial banks	4.8571	.35504
Market share affects the performance of commercial banks	4.6286	.59832

Description of Clan Culture among Commercial Banks in Kenya

The study described clan culture among commercial banks in Kenya. As shown in the Table 3 above, the researcher sought respondent's views on the role of clan culture on organizational performance of commercial banks: Organization culture has improved the level of team work among employees over the years the bank rewards both individual and team performance had a mean of 4.3714 and a standard deviation of 0.77024. Followed by the bank rewards both individual and team performance had a mean of 4.0286 and a standard deviation of 0.82197. Employees respect each other's needs when making decisions in the Bank as supported by a mean of 3.5714 with a standard deviation of 0.94824. Managers involve employees in decision making in the Bank as supported by a mean of 2.3714 with a standard deviation of 1.26225 and finally effects of market share on the performance of commercial banks as supported by a mean of 2.2857with a standard deviation of 1.31890.

Table 3: Description of Clan Culture among Commercial Banks in Kenya

Clan Culture Dimension	Mean	Std Deviation
The bank rewards both individual and team performance	4.0286	.82197
Managers take time to build relationships with other employees	2.2857	1.31890
Managers involve employees in decision making in the Bank	2.3714	1.26225
Employees respect each other's needs when making decisions	3.5714	.94824
Organization culture has improved the level of team work among employees over the years	4.3714	.77024

Extent of Clan Culture on Organization Performance

Further the researcher wanted to determine the extent to which clan culture affect the performance of the organization: The results in Table 4 showed that 49% of the respondents maintained it affects to a very great extent, 37% respondents indicated it affects to a great extent and 14% of the respondents held that it affects at moderate extent. Majority 86% of the respondents (i.e., 49%+37%) argued that it does affect to a great extent. The implications are that clan culture is an essential factor for the performance of the banks, thus should not be compromised at all costs.

Table 4: Extent of Clan Culture on Organization Performance

Responses	Frequency	Percentage (%)
Moderate Extent	5	14%
To a Great Extent	13	37%
To a Very Great Extent	17	49%
Total	**35**	**100**

Description of Adhocracy Culture among Commercial Banks in Kenya

As shown in the Table 5 below, the researcher sought respondent's views on the role of adhocracy culture on organizational performance of commercial banks: Improved level of innovations in the bank over the last three years had a mean of 4.8000 and a standard deviation of 0.40584 followed by the bank recognizes and awards the most hardworking employees yearly as supported by a mean of 4.6000 with a standard deviation of 0.49705. The Bank promotes creativity among employees supported by a mean of 4.5143 with a standard deviation of 0.65849 and finally whether employee's promotion in the bank is based on performance was supported by a mean of 3.7143 with a standard deviation of 1.12646.

Table 6: Description of Adhocracy Culture among Commercial Banks in Kenya

Adhocracy Culture	**Mean**	**Std**
The Bank promotes creativity among employees	4.5143	.65849
There has been improved level of innovations in the bank over the last three years	4.8000	.40584
Employees promotion in the bank is based on performance	3.7143	1.1264
The bank recognizes and awards the most hardworking employees yearly	4.6000	.49705

Extent of Adhocracy Culture on Organization Performance

In trying to determine if the adhocracy culture affect the performance of the organization, the study results in Table 7 revealed that 60% of the respondents believed to a great extent. While 29% maintained it affects to a very great extent and 11% of the respondents held that it affects at moderate extent. This implies that the use of adhocracy culture is one of the way banks need to follow in order to improve its performance.

Table 7: Extent of Adhocracy Culture on Organization Performance

Responses	**Frequency**	**Percentage (%)**
Moderate Extent	4	11%
To a Great Extent	21	60%
To a Very Great Extent	10	29%
Total	**35**	**100**

Description of Market Culture among Commercial Banks in Kenya

As shown in the Table 8 below, the researcher sought respondent's views on the role of market culture on organizational performance of commercial banks: An increase in customer references to their friends over the last three years had a mean of 4.8857 and a standard deviation of 0.32280. Followed by the whether organization culture has promoted the level of customer satisfaction in the bank over the last three Years which had a mean of 4.7429 and a standard deviation of 0.44344. Whether organization culture has improved new product development in the bank over the last three years was supported by a mean of 4.5143 and a standard deviation of 0.61220. Increase in service delivery in the bank over the last three years had a standard deviation of 4.4000 and a mean of 0.73565 and finally improved growth in market share over the last three Years was supported by a mean of 4.3143 with a standard deviation of 0.58266.

Table 8: Description of Market Culture among Commercial Banks in Kenya

Market Culture	Mean	Std Deviation
There has been increased service delivery in the bank over the last three years	4.4000	.73565
Organization culture has improved new product development in the bank over the last three years	4.5143	.61220
Organization culture has promoted the level of customer satisfaction in the bank over the last three Years	4.7429	.44344
There has been improved growth in market share over the last three Years	4.3143	.58266
There is an increase in customer references to their friends over the last three years	4.8857	.32280

Extent of Market Culture on Organization Performance

In trying to determine if market culture affect the performance of the organization; the findings in Table 9 revealed that 77% of the respondents believed to a very great extent have done so. While 23% of the respondents held to a great extent. This implies that the use of market culture is the way for banking if they want to succeed and remain relevant to the financial sector.

Table 9: Extent of Market Culture on Organization Performance

Responses	Frequency	Percentage (%)
To a Great Extent	8	23%
To a Very Great Extent	27	77%
Total	**55**	**100**

Description of Hierarchical Cultures among Commercial Banks in Kenya

As shown in the Table 10 above, the researcher sought respondent's views on the role of hierarchical culture on organizational performance of commercial banks: whether high importance placed on bank rules, values, obligations and regulations at our Bank had a mean of 4.8571 and a standard deviation of 0.35504. The rules of the Bank provide clear instructions; processes and procedures for employees had a mean of 4.7429 and a standard deviation of 0.44344. Employees believe in personal freedom and achievement in this Bank as supported by a mean of 4.6571 with a standard deviation of 0.76477. Employees deal with each other fairly relying on the rules, regulations and values as supported by a mean of 4.3429 with a standard deviation of 0.76477 and finally whether the Bank ensures clear instructions are availed to staff concerning their tasks and duties as supported by a mean of 4.2000 with a standard deviation of 0.40584.

Table 10: Description of Hierarchical Cultures among Commercial Banks in Kenya

Hierarchical Cultures	Mean	Std Deviation
There is high importance placed on bank rules, values, obligations and regulations at our Bank	4.8571	.35504
Employees deal with each other fairly relying on the rules, regulations and values	4.3429	.76477
The rules of the Bank provide clear instructions, processes and procedures for employees	4.7429	.44344
Employees believe in personal freedom and achievement in this Bank	4.6571	.76477
The Bank ensures clear instructions are availed to staff concerning their tasks and duties	4.2000	.40584

Extent of Hierarchical Cultures on Organization Performance

Further the researcher wanted to determine the extent to which hierarchical culture affect the performance of the organization. The results in Table 11 showed that 54% of the respondents maintained it affects to a great extent, 23% of the respondents indicated it affects to a very great extent and 14% of the respondents held that it affects at moderate extent, 9% of the respondents indicated it affects to a very little extent. The implications are that hierarchical culture is an essential factor for the performance of the banks, thus should not be compromised at all costs.

Table 11: Extent of Hierarchical Cultures on Organization Performance

Responses	Frequency	Percentage (%)
To a Little	3	9%
Moderate	5	14%
To a Great	19	54%
To a Very	8	23%
Total	**35**	**100**

Regression Analysis

The study was a regression analysis which involved running an analysis of the relationship between the independent variables; Hierarchical culture, clan culture, Adhocracy culture, Market culture against the dependent variable, performance. The model summary gives of the total variability in the dependent variable explained by the model. This then indicates the percentage of the variability in the dependent variable explained by factors not included in the study. Results in Table 12 illustrates that the multiple correlation coefficient R = 0.960 indicates there is a strong positive correlation between organization culture and organization performance. Also, the value of $R^2 = 0.922$, meaning that the organization culture can account for 92.2% of the variation on organizational performance of commercial banks. The adjusted $R^2 = 0.912$ concerns the generalizability of the model, allowing the results to be taken from the sample and generalized for the whole population. It is noticed that the value of the adjusted R^2 is very close to the value of R^2. If the adjusted R^2 is excluded from R^2 (0.960-0.922) = 0.038. This minor decrease (0.038) means that if the model has been fitted when the whole population participates in the study, the higher variance in the outcome will be 0.038.

Table 12: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960[a]	.922	.912	41.31078

a. Predictors: (Constant), Hierarchical Culture, Clan Culture, Adhocracy Culture, Market Culture
b. Dependent Variable: Performance

The analysis of variance (ANOVA) results shows the relationship between organization culture and organization performance is significant F = 670.604, p<0.05), indicating this relationship is significant and not by chance. The findings imply that the relationship between organization culture and organization performance is causal and not due to chance. This means that an increase in organization culture practices of Managers, assistant managers and credit officers in commercial banks in Malindi Sub County will lead to an increase in organization performance while a decrease in organization culture will lead to a decrease in organization performance in commercial banks in Malindi Sub County.

Table 13: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.257	4	5.814	67.604	.000a
	Residual	2.576	30	.086		
	Total	25.833	34			

After the computation of the factors under study against the performance of commercial banks; the findings indicated that clan culture had a P>.317, more than the significance level of 0.05. This shows a weak relationship between clan culture as a factor affecting organization performance in commercial banks. Secondly, Adhocracy culture had a P>.052 which was more than the significance level of 0.05 which again indicating a weak relationship between it and the dependent variable. banks scored a P=.002 connoting a strong relationship between it and organization performance of commercial banks. Finally, Hierarchical culture had a P>.353, this is also a weak relationship between the factor and the dependent variable. This is a clear indication that only one factor strongly affects organization performance of commercial banks (market culture); therefore, it's upon the banks management to ensure that they implement organization culture practices that can improve organization performance. However, caution is given that other factors should not be ignored or one becomes to dogmatic emphasizing one over the other as they too contribute to the performance of commercial banks. What is encouraged here is to improve on their practicability because they can add an immense value to the organization performance as well.

Table 14: Regression Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	118.827	28.783		4.128	.000
	Clan culture	-.009	.009	-.062	-1.018	.317
	Adhocracy culture	.163	.080	.220	2.023	.052
	Market culture	.144	.042	.641	3.461	.002
	Hierarchical culture	.034	.036	.157	.944	.353

DISCUSSION OF STUDY FINDINGS

The study findings indicate that organizational culture has statistically significant role in as far as organization performance is concerned, the findings are concurring with what a study by Again Denison (2010) which examined the relationship between organization culture and performance. He found that the organization with participative culture performed better than other cultural types. The study established that firms engaged in various organizational cultures so as to boost performance. The cultures were particularly oriented towards the relationships between the employees and fellow employees, employees and their seniors and lastly with the banks they worked for. The study established that organization culture greatly affected organization performance in terms of profitability, timely achievement of goals and improved service delivery. These findings are in agreement with Kotter (2012) that organizational culture has the potential to enhance organizational performance, employee job satisfaction, and the sense of certainty about problem solving.

Farashahi and Molz (2014) observe that culture is strength but can also be a weakness. As a strength, culture can facilitate communication, decision making and control, and create cooperation and commitment. These findings indicate that the Banks had adopted Hierarchical Culture, Clan Culture, Adhocracy Culture and Market Culture to a great extent. These findings concur with Hofstede (2011) who posits the existence of several types of organization culture exist for instance; universalism culture whereby people place a high importance on laws, rules, values, and obligations. Particularly type of culture whereby people believe that their circumstances and relationships dictate the rules they live by. The findings revealed the various types of organizational culture adopted by the various banks in their attempts to enhance performance. The result indicated that that the relationship between clan culture and commitment is stronger and significant as compared to adhocracy, hierarchy or market cultural dimensions. Committed employees are an asset to the organization and work for the betterment of the organization. Empirical evidence proves that the clan culture is the most sought-after culture within organizational environment by the employees. In clan culture, employees are viewed as family members, where employees feel more comfortable and develop a sense of belonging to their organization. In the process, they develop strong commitment ties with their organization.

Hypotheses Testing

Market Culture

At 5 percent level of significance, the regression results shows that the values of the variables (Market Culture) are statistically significant which means that there is significant role of Market Culture on the performance of commercial banks in Malindi sub–County. This was in agreement with the study done by Aktaş & Kıyak (2011). Therefore, the null hypotheses pertaining to these variables have been rejected and the alternative hypotheses have been accepted.

Adhocracy/hierarchical/Clan culture

Clan culture, Adhocracy Culture and Hierarchical Culture shows a significance level greater than 5 percent indicating that there is no significant impact of clan culture, Adhocracy Culture and Hierarchical Culture on the performance of commercial banks in Malindi Sub County. This was in agreement with the study done by Yesil, & Kaya (2013). They found that performance relationship and insignificant negative sign for the hierarchy, clan, adhocracy cultures and financial performance. Hence, the null hypothesis regarding clan culture, Adhocracy Culture and Hierarchical Culture are accepted.

CONCLUSION

Organizational culture is a powerful force that works to clarify important matters and also to coordinate employee efforts thus lowering costs and eliminating inefficiencies due to close and immediate supervision. A good organizational culture will instill brawny employee behavior that is in turn conducive for good policy and strategy implementation. The study concludes that majority of the employees in the bank don't have a concern for other members and the management doesn't have commitment to its members and their morale. The bank management doesn't consider employees view in the bank's decision making. This has led to having poor relationship been the management and the employees. The banks don't put more emphasis on innovation, looseness, and flexibility of structure in conjunction with a focus on external constituencies and resource providers and the achievements of legitimacy with outside stakeholders. The banks also don't encourage entrepreneurial activity, creativity, and acquiring resources from external providers. This shows that the banks are not committed to risk, innovation and development.

The study also concludes that the banks implement market culture by putting more emphasis on order, rational production, and goal accomplishment in combination with external interactions with suppliers, customers, subcontractors and competitors. The banks also concentrate more on competitive orientation towards rivals and emphasis on achievements on the market place distinguish the Market from other cultures. The banks clearly instruct its employees by a decisive, authoritarian leader and are rewarded financially if they perform well. Rewards are based on individual performance rather than organisational performance. Although banks values stability, control and continuity, which are obtained through measurement, documentation, and information management its employees are not given well-defined roles and are expected to follow the rules and procedure that are developed to govern their actions. The banks Situations are not structured to fit the rules and procedures of the organisation hence affecting its performance.

RECOMMENDATIONS

i. With the prevalent competitive environment around the world, it is imperative for the organizations to strengthen their organizational set of principles that define who its employees, customers and suppliers are and how to interact with each other and whether they think independently when carrying out their work duties.

ii. Commercial banks also need to encourage employees to have a sense of identity which increases their commitment to work since this will positively influence organizational performance.

iii. Focus should be directed at leaders in different capacities as they play the role of coaches in giving general direction, but further encourage individual decision-making to determine the operating details.

iv. Organizational culture should be enhanced in commercial banks in Kenya since it enhances organizational performance. In particular, commercial banks should encourage employees to pull towards a common goal.

v. Commercial banks should also encourage a culture in which employees are allowed to understand how the organization operates, vision, and mission and goals that guide all stakeholders.

vi. Commercial banks should exercise entrepreneurial culture by indicating that the focus should be on treating people with respect and trust that provide the necessary base for a vibrant and sustainable corporate culture.

AUTHOR CONTRIBUTIONS

Ambede Bright Mudanya wrote the concept paper as well as the research paper. She sought permissions from relevant institutions and collected, cleaned and analyzed the data under the guidance and supervision of Prof. Margaret Oloko who also proofread the final work to ensure it was in line with academic standards before sharing for publication.

ACKNOWLEDGEMENT

Though challenging and rewarding, the experiencing of completing this research proposal was one of a kind. Such was a process full of learning very valuable and enjoyable experience. My most sincere appreciation goes to my supervisor Prof. Margaret Oloko for her unceasing support and tireless effort and patience in helping me shape this research proposal, your ever-present insights and instructions assisted in giving structure where it was most needed.

CONFLICT OF INTEREST

The authors declare that there are no conflicts of interest regarding the publication of this Manuscript. In addition, the ethical issues; including plagiarism, informed consent, misconduct, data fabrication and/ or falsification, double publication and/or submission, redundancy has been completely observed by the authors.

BIBLIOGRAPHY

Aktaş, E., Çiçek, I., &Kıyak, M. (2011). The effect of organizational culture on organizational efficiency: The moderating role of organizational environment and CEO values. *Procedia-Social and Behavioral Sciences*, *24*(1), 1560-1573.

Aluko, M. A., O. (2010). Factors that motivate the Nigerian Workers. *International Journal of Scientific and Research Publications*, *15*(1), 190–199.

Avolio, A. R., Bass, H. M., & Jung , R. (2013). The effect of leadership styles on the business performance of SMEs in Malaysia. *International Journal of Economics, Business and Management Studies*, *2*(2), 45-52.

Barney, J. (2001). Is the resource-based view a useful perspective for strategic management research? Yes, *Academy of Management Review*, *26*(1), 41-56.

Berrio, A. (2003). An organizational culture assessment using the competing values framework: *A profile of Ohio State University Extension Journal of Extension*, *41 (2)*.

Cameron, K. (2004). *A process for changing organizational culture.* The Hand book of Organizational Development,5(1), 8-18.

Cameron, K. S., & Quinn, R. E. (2006). *Diagnosing and changing organizational culture: Based on the competing values framework*. Reading, MA: Addison-Wesley.

Carmeli, A., &Tishler, A. (2004). The Relationship Between Intangible Organizational Elements and Organizational performance. *Strategic Management Journal*.*25*(1), 1257-1278.

Chong, H. G.(2008). Measuring Performance of Small and Medium Sized Enterprises: the Grounded Theory Approach. *Journal of Business and Public Affairs*, *2* (1), 54-57.

Cropanzano, R., Prehar, C. A., & Chen, P. Y. (2003). Using social exchange theory to distinguish procedural from interactional justice. *Group & Organizational Management*, *27*(3), 324-351.

Dasanayake, S., &Mahakalanda, I. (2008). *A literature survey on organizational culture and innovation.global business and management research.* Florida: Boca Raton

David, F.P. (2005). *Understanding and doing research*: *a handbook for beginners*. Iloilo City: Social Science Institute, CPU.

Denison, R. D., & Mishra, K. A. (1995). *Toward A Theory of Organizational Culture and Effectiveness.Organizational science*, *6*(2), 6-8.

Erdem, R. (2007). Corporate culture and innovation: Implications of reward systems. *World Academy of Science, Engineering and Technology*, *53*(1), 397-402.

Farashahi, M.,Hafso, T., &Molz, R. (2005). Institutionalized norms of conducting research and social realities: A research synthesis of empirical works from 1983 to 2002. *International Journal of Management Review*, *7*(1), 1-24.

FeketeH., &Böcskei, E. (2011). Cultural Waves in Company Performance. *Research Journal of Economics, Business And ICT*, *3*(2), 38-42.

Gallagher, A., &Brown, P. (2007). Predicting Corporate Performance from Organizational Culture. *Journal of Management Studies*, *29*(3), 83-798.

Geert, S., & Hofstede, G. (2005). Identifying organizational subcultures: An empirical approach. *Journal of Management Studies*, *35*(3), 1-12.

Gould-Williams, J., &Davies, F. (2005). Using social exchange theory to predict the effects of HRM practice on employee outcomes. *Public Management Review*, *7*(1), 1-24.

Gay, L. R. (2007). *Educational researcher competencies for analysis application*, New York: Macmillan publishing company.

Haar, J. (2006). Challenge and hindrance stressors in New Zealand: Exploring social exchange theory outcomes.*The International Journal of Human Resource Management*,*17*(11), 1942-50.

Ivancevich, J. (2010). *Organizational behavior and management.* Burr Ridge, IL: McGraw-Hill Higher Education.

Karimi, Y., &Kadir, S. L. (2012). The Impact of Organizational Culture on the Implementation of TQM: Empirical Study in the Iranian Oil Company. *American Journal of Industrial and Business Management*, *2*(9), 205-216.

Kim, J., Lee, K. Yu. (2004). Corporate culture and organizational performance. *Journal of Managerial Psychology*, *19*(4), 340–359.

Kim, J., & Rowley, C. (2005). Employee commitment: A review of the background, determinants and theoretical perspectives. *Asia Pacific Business Review*, *11*(1), 105-24.

Kornberger, C. S., &Pitsis, T. (2010). *Managing and Organizations – An introduction to theory and practice.* 2nd edition. London: Sage publications Ltd.

Kothari, C. R. (2004). *Research methodology: methods & techniques*(2nd Revised Edition, Reprint: 2007). New Age International Publishers.

Kotter, J. P., &Heskett, J. L. (2005). *Corporate culture and performance*. New York:Free Press

Kotter, J. (2012). *Corporate culture performance*. New York: Free Press.

Lim, B. (2010). Examining The Organizational Culture and Organizational Performance Link: *A Critical Review Of The Methodologies and Findings of Recent Researchers into The Presumed Link Between Culture And Performance Leadership & Organization Development Journal, 16* (5), 16– 21.

Lunenburg, C. F. (2011).Organizational Culture-Performance Relationships: Views of Excellence and Theory Z. *National Forum of Educational Administration and Supervision Journal*, *29*(4), 71-83.

Menon, G. A., &Mohanty, B. (2008). Towards a Theory of “Dynamic Capability” for Firms. 6th AIMS International Conference on Management.

Mercado, C. M. (2006). *A new approach to thesis writing: Simplifying social research.* QuezonCity, Philippines: Development Center for Asia Africa Pacific (DCAAP).

Njugi, A. W., &Agusioma, L. A. (2014).Effect of Organization Culture on Organizational Performance in Non-Governmental Organizations, *International Journal of Scientific and Research Publications*, *4*(11), 85-130.

Obenchain, A., & Johnson, W. (2004). Product and process innovation in service organizations: the influence of organizations. *Journal of Applied Management and Entrepreneurship, 9* (3), 91-113.

Ogbonna, E. S. &Harris, C. L. (2000). Leadership Styles, Organizational Culture and Performance: Empirical Evidence from UK. *International Journal of Human Resource Management, 11*(4) 766-788.

Omega, M. (2012). The Perceived relationship between organizational culture and employees’ job satisfaction at Kenya Commercial Bank .*Unpublished MBA Thesis, University Of Nairobi.*

Ortiz, J. P., &Arnborg, L. (2005). Reflections on involvement, culture, and power in organizations. *Performance*

Improvement, *44* (6), 31-37.
Owino, A., &Kibera, F. (2015). The influence of organizational culture and market orientation on performance of microfinance institutions in Kenya, *Journal of Business Administration*, *2*(12), 132-138.
Peters, T. J., & Waterman, R. H. (2002). *In search of excellence: lessons from America's best –run companies*. London: Harper Collins Publishers.
Quinn, R. E., &Spreitzer, G. M. (2009). The psychometrics of the competing values culture instrument and an analysis of the impact of organizational culture on quality of life. *Research in Organizational Change and Development*, *5*(7), 115-142.
Rollinson, D. (2005). *Organizational behaviour and analysis an integrated approach*. 93rd ed. England, Prentice: H, Boca Raton, Florida.
Singh, S. K. (2011). Organizational Innovation as Competitive Advantage during Global Recession. *The Indian Journal of Industrial Relations*, *46*(4), 165– 185.
Soriano, R. D., &Castrogiovanni, J. G. (2010). *The impact of education, experience and inner circle advisors on sme performance: insights from a study of public development centers*; Springer Science- Business Media, LC.
Spector, P. (2003). *Industrial and organizational psychology: research and practice* (3rded.). New York, NY: John Wiley & Sons.
Tavitiyaman, P., Qu, H., & Zhang, H. (2012). The effect of competitive strategies and organizational structure on hotel performance. *International Journal of Contemporary Hospitality Management*, *24*(1), 140–159.
Teece, D, Pisano, G., &Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533.
Tseng, S ., (2010). The correlation between organizational culture and knowledge conversion on corporate performance. *Journal of Knowledge Management*, *14*(2),269- 284.
Van den Steen, E. (2010). On the origin of shared belief and corporate culture and Culture Clash; The Costs and Benefits Of Homogeneity. *Management Science Journal*, *2*(1), 617-648.
Vijande, L. S., Perez, M., Gutierrez, J. A., &Rodriquez, N. G. (2012). Marketing Capabilities Development in SMEs: Implication for Performance. *Journal of CENTRUM*, *5*(3), 24-42.
Wang, C. L., Ahmed, P. K. (2007). Dynamic capabilities: a review and research agenda. *Int Journal Management*, *9*(1), 31–51.
Wright, Dunford, B., and Snell, S. (2001). 'Human Resources and the Resource Based View of the Firm. *Journal of Management*, *27*(5), 701-721.
Yang, C. N. (2008). The Relationship Among Leadership Styles, Entrepreneurial Orientation and Business Performance. *Managing Global Transition*, *6*(3), 257-275.
Yesil, S., & Kaya, A. (2013). The effect of organizational culture on firm financial performance: Evidence from a developing country. *Procedia-Social and Behavioral Sciences*, *81*(1), 428-437.
Zheng, W. Y., & B, McLean, G. N. (2010). Linking Organizational Culture, Structure, Strategy and Organizational Effectiveness: *Mediating Role of Knowledge Management. Journal of Business Research*, *63*(12), 763–767
Lakomski, G. (2005). *Managing without leadership: Towards a theory of organizational functioning*. Amsterdam: Elsevier.
MacQueen, J. (2019). *The Flow of Organizational Culture: New Thinking and Theory for Better Understanding*

and Process

Xenikou, A., & Furnham, A. (2012). *Group Dynamics and Organizational Culture: Effective Work Groups and Organizations*. Basingstoke: Palgrave Macmillan.

Kummerow, E., Kirby, N., & World Scientific (Firm). (2014). *Organisational culture: Concept, context, and measurement*. Singapore: World Scientific Pub. Co.

Miller, K. (2003). *Organizational communication: Approaches and processes*. Belmont, Calif: Wadsworth/Thomson Learning.

Montgomery, A. E., Gerber, B. L., & Georgetown University,. (2012). *Organizational culture's effects on information sharing within the united states intelligence community*.

Lord, R. G., & Maher, K. J. (2002). *Leadership and Information Processing: Linking Perceptions and Performance*.

Ritzer, G., & Sage Publications. (2005). *Encyclopedia of social theory*. Thousand Oaks, CA: Sage Publications.

Schroeder, R. (1992). *Max Weber and the sociology of culture*. London: SAGE.

Brunswik, E. (1979). *The conceptual framework of psychology*. Chicago: University of Chicago Press.

Hejazi, A., & Regent University. (2016). *The Relationship Between Managers' Cognitive Style and Leadership Type as Moderated by Organizational Culture*. (Dissertation Abstracts International, 77-7.)

Maloney, V. G. (2008). *Institutional culture, performance, and learning in a two-year technical/community college*.

Smart, J. C., & Hamm, R. E. (1992). *Organizational Culture and Effectiveness in Two-Year Colleges. AIR 1992 Annual Forum Paper*. Washington, D.C.: Distributed by ERIC Clearinghouse.