

Strategic Management: The Effects Of Culture On Firm Performance

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Abstract: The success of an organisation heavily depends on the skills, knowledge ability and the goes fairly deep into the enduring part of the organisation: the values and beliefs and principles of organisational members determine the success of an organisation. Through questionnaire methodology, this paper analyses the success or failure of the Financial Services Industry. The purpose of this study is to determine the impact of Organisational culture on organizational performance in order know how culture of an organisation assist in enhancing the organizational performance. Balanced Score card is used to measure the organizational performance and Handy's culture model is used. Qualitative approach is adopted in which a questionnaire is used to collect the data. 20 questionnaires have been distributed to the research participants out of which 15 questionnaire are returned to the researcher with complete information. The findings indicate that most banks have a Task culture according to hardy's model and regarding the Balanced score card, the financial and customer perspective the culture have a negative impact. Most respondents say the bank is not performing well and has no good relationship with customers and customers are not satisfied. Overall the findings were not conclusive and further research is needed

KEY WORDS: Organizational Culture, Organisation Performance, Balanced Score Card

Introduction

Defining the organization culture is essential to the study and it will be the start of our research. In this paper, we would like to address the following issues to examine the relationship between the organization culture and corporate performance. (1) What is organization culture from the newly perspective on the past? (2) How to measure the organization culture, especially in the environment of China. (3) Which is the most fitting variable to represent the corporate performance, accounting performance, Tobin' Q, or long-term stock market performance? (4) Verifying some probable moderators or mediators, such as organization commitment, to describe the mechanisms in hide. (5) Discussion on the endogenous problem between the organization culture and corporate performance to construct the equilibrium path or the out-of-equilibrium path. (6) Some useful advice, especially from the point of sub-consciousness creatively.

Models of Organisational Culture

Different models of organisational culture exist in literature. Famous among these models are [2],[3],[7] [10] argued that culture exists at three successive levels. The most visible level of culture is its artefacts and creations, consisting of its constructed physical and social environment. At the next level down are the values that drive behaviours. The third level consists of basic underlying assumptions which evolve as solution to the problem. As it is repeated over and over What was once ,supported only by a hunch or a value, is gradually treated as a reality. Kotter and Heskett [7] describe culture as having two levels which differ in terms of their visibility and their resistance to change. At deeper level, culture refers to values that are shared by the people in a group and that persist over time even when thou membership changes.

Organisational Culture and Performance

According to [11]) two very distinct types of performance yardstick from companywide perspective are those relating to financial and strategic performance. Achieving acceptable level of financial results is crucial. The argument is that without adequate profitability, a company's pursuit of its vision as well as its long term health and ultimate survival is jeopardized. Besides, neither shareholders nor creditors will continue to sink additional funds into an enterprise that can't deliver satisfactory financial results. Even so, the achievement of financial performance by itself is not enough. Managers must also pay attention to the company's strategic well being- its competitiveness and overall long term business position. Unless a company's performance reflects improving competitive strength and stronger long term market position, its progress is less than inspiring and its ability to continue delivering good financial performance is suspect. The central issue associated with organizational culture is its linkage with organizational performance [3]

Existing Technics

The purpose of this study is to : To analyse the impact of organizational culture on organizational performance and to understand the importance of organizational culture and organizational performance The relationship between organisational culture and performance has been established, and an increasing body of evidence supports a linkage between an organization's culture and its business performance. [7]) found that corporate culture has a significant positive impact on a firm's long-term economic performance. They found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels, outperformed firms that did not have those cultural traits by a huge margin. They were also of the opinion that corporate culture was becoming more important in determining the success or failure of firms in the next decade. Denison's research of 34 large American firms found that companies

with a participative culture reap a Return on Investment (ROI) that averages nearly twice as high as those in firms with less efficient cultures [3]. Denison's study provides empirical evidence that the cultural and behavioural aspects of organisations are intimately linked to both short-term and long-term survival. Again [3] examined the relationship between corporate culture and performance. In that study, corporate culture was based on the perceptions of organisational practices and conditions, to characterize the organisational culture. He found that the organisation with participative culture performed better than other cultural types. Interestingly, the study and the findings are emanating from a developed economic environment and very little is known about its relevance and applicability in a developing one such as Ghana. It is against this background that the current study seeks to investigate the relationship between organisational culture and performance in the banking sector in Ghana as an attempt to replicate the Denison's model of culture in a developing country's context. The Denison's Model of Culture and Effectiveness [3] presents the interrelations of an organisation's culture, its management practices, its performance and its effectiveness. It highlights the The Denison's Model of Culture and Effectiveness ([3] presents the interrelations of organisation's culture, its management practices, its performance and its effectiveness. It highlights the importance of linking management practices with underlying assumptions and beliefs when studying organisational culture and effectiveness.

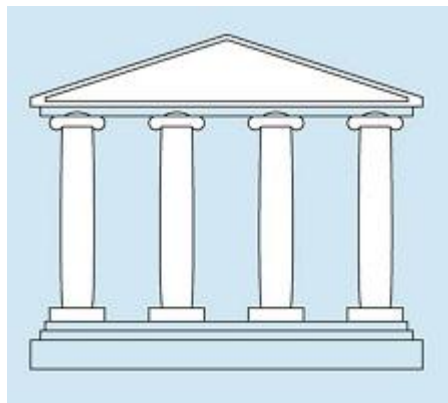
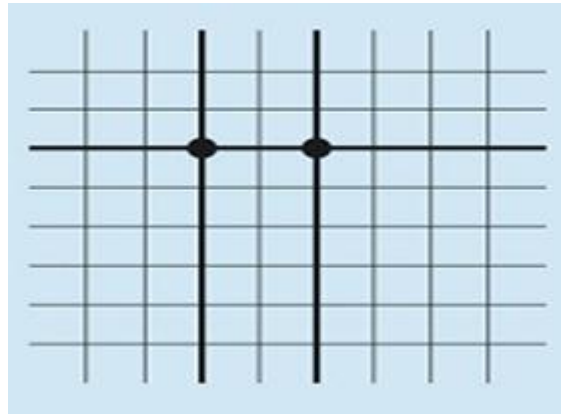
partnerships operate well as person cultures, because each partner brings a particular expertise and clientele to the

Charles Handy's Culture Model

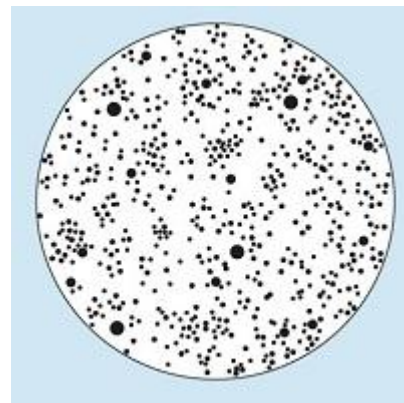
[5], popularized Roger Harrison (1972) with linking organizational structure to organizational culture. The described four types of culture are:

1. **Power culture:** concentrates power among a small group or a central figure and its control is radiating from its centre like a web. Power cultures need only a few rules and little bureaucracy but swift in decisions can ensue.
2. **Role culture:** authorities are delegated as such within a highly defined structure. These organizations form hierarchical bureaucracies, where power derives from the personal position and rarely from an expert power. Control is made by procedures (which are highly valued), strict roles descriptions and authority definitions. These organizations have consistent systems and are very predictable. This culture is often represented by a "Roman Building" having pillars. These pillars represent the functional departments.
3. **Task culture:** teams are formed to solve particular problems. Power is derived from the team with the expertise to execute against a task. This culture uses a small team approach, where people are highly skilled and specialized in their own area of expertise. Additionally, these cultures often feature the multiple reporting lines seen in a matrix structure.
4. **Person culture:** formed where all individuals believe themselves superior to the organization. It can become difficult for such organizations to continue to operate, since the concept of an organization suggests that a group of like-minded individuals pursue organizational goals. However some professional

Figure 1 Task culture



ROLE CULTURE



PERSON CULTURE

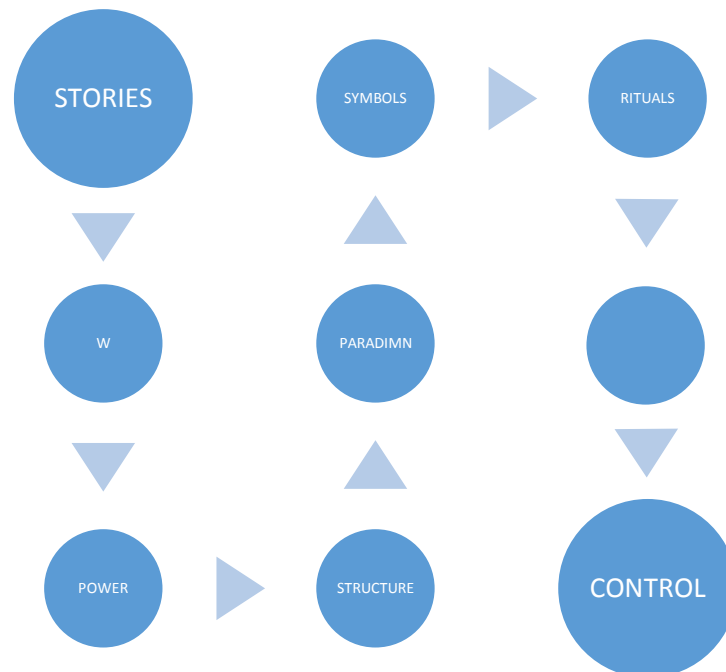


POWER CULTURE

Gerry Johnson

[9] described a cultural web, identifying a number of elements that can be used to describe or influence organizational culture:

- **The paradigm:** What the organization is about, what it does, its mission, its values.
- **Control systems:** The processes in place to monitor what is going on. Role cultures would have vast rule-books. There would be more reliance on individualism in a power culture.
- **Organizational structures:** Reporting lines, hierarchies, and the way that work flows through the business.
- **Power structures:** Who makes the decisions, how widely spread is power, and on what is power based?
- **Symbols:** These include organizational logos and designs, but also extend to symbols of power such as parking spaces and executive washrooms.
- **Rituals and routines:** Management meetings, board reports and so on may become more habitual than necessary.
- **Stories and myths:** build up about people and events, and convey a message about what is valued within the organization. Figure 2



Edgar Schein

According to [10]), the two main reasons why cultures develop in organizations is due to external adaptation and internal integration. External adaptation reflects an evolutionary approach to organizational culture and suggests that cultures develop and persist because they help an organization to survive and flourish. If the culture is valuable, then it holds the potential for generating sustained competitive advantages. Additionally, internal integration is an important function since social structures are required for organizations to exist. Organizational practices are learned through socialization at the workplace. Work environments reinforce culture on a daily basis by encouraging employees to exercise cultural values. Organizational culture is shaped by multiple factors, including the following:

- External environment
- Industry
- Size and nature of the organization's workforce
- Technologies the organization uses
- The organization's history and ownership

The Denison's Model of Culture

The values and beliefs of an organisation give rise to a set of management practices, which are concrete activities usually rooted in the values of the organisation. These activities stem from and reinforce the dominant values and beliefs of the organisation. The model posits that there are four key cultural traits: involvement, consistency, adaptability and mission.

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Organizational Culture:

Organizational culture is defined as the...– underlying values,–beliefs and– principles that serve as the foundation for an organization's– management system,– practices and– behaviours

Denison Organisational Culture Survey... is based on four Culture traits:

- Involvement
- Consistency
- Adaptability
- Mission

The four Culture traits...

- are linked to performance in a range of specific qualitative arenas (quality, innovation, employee satisfaction) to predict financial performance (profitability, sales growth, market share)
- facilitate the company's ability to manage either internal or external demands placed on it
- emphasize a company's capacity for flexibility and change

Methods of Learning Organizational Culture [1]) Has identified the following methods of learning the organization's culture:

- i. Arte facts It refers to the total social and physically developed environment of an organization for example office space, equipment's, rules, systems and procedures
- ii. Language It refers to basic ways in which the organization understands its world for example jokes, stories, myths and legends.
- iii. Behaviour patterns Behaviour patterns are repetitive patterns of behaviour which are characteristics of organizational life. It includes rites, rituals, ceremonies and celebrations.
- iv. Norms of Behaviour It refers to rules of behaviour that determine what are considered to be suitable and unsuitable responses from employees in

different conditions. These norms grow over time when several persons make a discussion with each other in order to reach at a decision on how they can handle the organizational issues.

- v. Heroes Heroes help to attain success present role models and represent the organisation to the people outside of the organization. Heroes are the persons who influence other employees.
- vi. Symbols and Symbolic actions or features of the organisation These may be defined as words, objects, conditions, acts or features of organisation that are important to organizational members. It includes corporate logos, policies and products.
- vii. Beliefs, values and attitudes Values are closely attached with moral standards and ethical standards: they examine what people think should be done Beliefs on the other side are what is true and what is not. Attitudes relate belief and values to emotions and feelings; they may be thought as a learned inclination of responding consistently in a suitable and unsuitable way.
- viii. Basic Assumptions They are considered as an expected solution of a recognised problem. In an organisation basic assumptions direct organizational member's feelings, emotions and perception about things..
- ix. History Culture is considered as a result of the historical process.

Effect of Organizational Culture on Organizational Performance Organizational culture has ability to increase job satisfaction, and awareness about problem solving and organisation performance [7]. If the organisational culture becomes incompatible with the dynamic expectations of internal and/or external stakeholders, the organisations success will decrease as it has happened with some organizations [4].

Financial Performance measure

- i. Balanced Score Card Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard--measures that drive performance. Harvard Business Review Financial perspective How should we appear to our shareholders to succeed financially? Measures are: return on capital; improved shareholder value and asset utilization.
- ii. Customer perspective How should we appear to our customers to achieve our vision? Measures are: Product/service qualities; customer relations: Image and repute.
- iii. Internal business processes At what business processes must we excel to satisfy our shareholders and customers measures are: produce products and services; deliver products and services and after-sales services.
How will we maintain our ability to change and improve to achieve our vision? Measures are: employee capabilities; information system capabilities; motivation, empowerment and capabilities; information system capabilities; motivation, alignment

Findings

My finding were not conclusive and there more work needs to be done in this area. Previous researchers confirm in their research that culture has an impact in an organisation's performance. This seems to me varies with economies or countries but in Zimbabwe things are different. There are other forces at play in the corporate world mainly the political climate and the economic situation. These factors play a big part in how companies are run. For example company registration laws restrict shareholding % for investors and this makes gathering of information difficult as employees mostly are reluctant in giving out valuable information. Overall I found that most 8 out of 10 have a Task culture and surprisingly respondents indicated according to the balanced score card perspective that the banks were not performing well financially and they did not offer customers good service and products. Financial perspective and customer perspective from the balanced score card were negative and the other two they were neutral.

Conclusion

My conclusion is that there needs to be more research on this topic and maybe change my research methods. A case study methodology would be used in future. Overall statistics from the Financial Gazette indicate that most banks have closed due to financial difficulties caused by bad management who gave out undeforming loans to friends and relatives. In some cases the Reserve Bank of Zimbabwe closed some banks due to non-compliance with operational regulations

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