

**ORGANIZATIONAL CULTURE AND ROLE-BASED PERFORMANCE – AN
EMPIRICAL STUDY IN BANKS OF KANNUR**

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ABSTRACT

Culture is the unique dominant patterns behavior of the organization. It includes the values, beliefs, norms, symbols and habits which help in shaping the behavior of the employees. The researchers have established the relationship between organisational culture and performance. The way organisational culture affects the performance is invisible to the company. Majority of the studies on organisational culture and performance have been conducted in developed counties using Denison's model as it considers both internal and external factors. This study tries to examine the relationship between organizational culture and performance in banks of Kannur. All the variable items for organisational culture and performance were measured using five-point Likert scale and using the Denison's Organisational Survey Instruments.

Keywords: Organizational culture, Performance

Introduction:

India has emerged as the fourth largest economy globally due to a period of consistent growth during the last decade. A positive growth could be attained as the performance of the banking industry in India improved. According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalised and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world.

The slowdown of the industry and consumer price inflation has created threat for India's banking sector in 2013. This affected most of the public sector banks of India. Also, globalisation has opened up new avenues and challenges for Indian banks. The advent of a new generation of banks - the private sector banks have brought transformation in the operations of the banks as it offers variety of services under "one roof". They have put tremendous pressure on the public sector banks to sustain in the competition by enhancing profitability. Moreover they are facing competition from both banking and non-banking institutions. The number of players in this sector has increased. All these have mounted pressure on the bank to improve its performance and remain competitive. It can be achieved by bringing improvement in operational efficiency and being flexible.

Organizational Culture

DiTomaso (1992) defined corporate culture to be the pattern of shared and stable beliefs and values that are developed within a company across time. The view that culture is a shared phenomenon is widely held. It supports the finding that a strong culture, as measured by the consistency of perceptions of company values, is predictive of short-term future company performance. All organizations have cultures or sets of values which influence the way people behave in a variety of areas, such as treatment of customers, standards of performance, innovation, Flamholtz (2001).

Schein (1992) defined organizational culture as a pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problem of external adaptation and internal integration. These values are then taught to new members in the organization as the correct way to think and feel in relation to those problems. Hofstede (2001) mentioned that organisational culture is more strongly varied by organisational work practices.

As per A. O. Oparanma (2010) Organization culture are widely held beliefs, values and practices which differentiate one organization from another and often affect the organization's success or failure. DiTomaso (1992) pointed out that culture is a widely held shared phenomenon and it supports the finding that a strong culture is predictive of short-term future company performance. But Denison (1990) demonstrated organizational culture as a code, a logic & a system of structured behaviors & meaning that have stood the test of time & serve as a collective guide to future adaptation & survival.

Organisational culture can be seen as the “social glue that helps hold the organization together by providing appropriate standards for what employees should say and do” (Robbins, 1996). It is the organizational culture which gives clarity to the employee's about the expected behaviour and reduces anxiety (Smith, 2003). An organisation's culture also differentiates it from other organisations and may explain why employees are attracted to it and are less likely to leave (O'Reilly, Chatman and Caldwell, 1991; Smith, 2003). According to Sathe (1983) organisational culture provides “guiding principles” that can have an impact on employee's behaviour in terms of communication, cooperation, commitment, decision making and implementation.

Performance:

Every organization has a goal, and the employees have to perform their activities efficiently and effectively to achieve their organizational goal. It can be evaluated through performance indicators like sales revenue, production and profit making. The definition of performance depends on the stakeholders involved. Organizations have an array of stakeholders and the measure of performance often compete against each stakeholder's preference (Denison, 1990). For shareholders, performance means in terms of the dividends, while for managers it may be in terms of operational efficiency. From a traditional perspective, organisational performance is commonly referred to as financial performance where considerations of budgets and assets are crucial in determining the overall bottom-line of an organisation (Yeo, 2003).

According to Kotter and Heskett (1992) organisational performance is defined in terms of average returns on invested capital, annual growth in net income and appreciation in the stock price. As per Allerton (1998), an organization can give high performance only when the employees have the accountability and responsibility to meet customers' needs. “Performance deals with the outcomes, results and accomplishments achieved by a person, group or organization” (William J. Rothwell, 2000).

It is evident that the managers should contribute their time, resources and quality of their work towards developing organizational culture then only it can help in increasing the productivity level (Heck & Marcoulides, 1993). Organizational success or failure can be predicted by observing organizational culture because well-managed organizational culture causes the success of organization (Oparanma, 2010). Byles et al. (1991) stated that the organizations with strong culture will only be able to enhance the organizational performance. As per Katz and Kahn “Role based performance means satisfying or exceeding standard quantity or quality. Welbourne et al. defined role performance as the output quantity and quality, while Murphy defined role performance as the accomplishment of duty and obligations related to the specific job. The term role performance was also referred by Williams and Anderson when they verified the performance structure, and in their performance inventory, they expressed the main content as also about satisfying the job position or the job specifications” (Yuan LI).

Literature review on organizational culture and performance:

A number of important writers (Flamholtz, 2001; Denison, 2005; Flatt and Kowalczyk, 2006; You, Coulthard and Lazarevic, 2010) have identified a link between corporate culture and organisational performance. But many of these studies have focused on a simple link between financial outcomes and corporate culture. The problem is that for many firms quoted on the stock market the key financial outcome, profit, is a lagging indicator of culture and is often determined by a number of other factors which may not be related to culture at all, but to the economic environment of the firm and its plans for the future. DiTomaso (1992) stated that instead of taking profit as the independent variable, sales have to be considered as an important indicator.

A strong culture has a positive impact on organisational performance (results), particularly if the organisation adapts to the environment and interacts proactively with it as stated by Jose Garmendia (1992). Organisational culture might create an environment that would stimulate creativity and motivation, thus leading to higher productivity and quality as viewed by Jossy Mathew (2007).

The people-oriented aspects of culture like concern for employees and trust enhance the affective disposition of the employees. Mathew (2007) could observe that this often led to extra role behaviours, thus contributing to increased productivity. Olu Ojo (2009) corporate culture is very important in every organization and that it has positive impact on employee job performance. Besides, corporate culture affects the level of organisational productivity in a positive way. Oparanma (2010) Increased productivity and efficiency is achieved when the core values of the organization are strongly believed by large number of people in the organization because they get committed to the objectives of the organization which is reflected in the way and manner in which they speak or brag about the special attributes of the organization. Rose and Kumar (2008) Companies that know how to develop their cultures in an effective way most probably have the benefit of advancement in productivity and the quality of work life among the employees. Indeed, employees must absorb the organizational culture at the maximum strength and the top management should provide a precise guideline and direction to motivate the employees in achieving the company's objectives.

Objectives of the study:

- To study the nature of organizational culture in service sector with specific reference to banking sector.
- To determine the relationship between organizational culture and employee performance.
- To find out the significant relationship between organizational culture and productivity.

Methodology:

The study was confined to four banks namely ICICI Bank, Axis Bank, Canara Bank and State Bank of India in Kannur district were selected.

A self-administrative questionnaire was developed based on Denison's culture model. It is measured based on twelve indices using five questions each for a total of 60 questions. All items used a five-point Likert scale with response categories ranging from strongly disagree to strongly agree. The twelve indices used to measure the four main cultural traits are involvement, consistency, adaptability and mission which was chosen as independent variables of this study. The survey also measures the employee performance on variables including job knowledge, work attitude, technical skills, communication, attentiveness, creativity, leadership, team building, goal-setting, interpersonal relations, mobility, loyalty and productivity. A reliability test was conducted.

Results and Discussion:

The data was tested using Cronbach alpha. It indicated that the data were reliable as it scored 0.845. The data were analyzed using SPSS.

Table no. 1
Types of Culture

Variable	Mean Score
Involvement	4.107
Consistency	3.943
Adaptability	4.070
Mission	4.278

This section presents the descriptive statistics of the dimensions of corporate culture. The results are shown in table 1. The results show the respondents provide the highest mean score for mission (4.278) followed by involvement (4.107), and adaptability (4.070). On the other hand, the respondents provide the lowest mean score for consistency (3.943). It means that the mission trait has more influence on the culture of banks in Kannur. It consists of mean for Goals & objectives (4.425), Vision (4.130), and Strategic direction & intent (4.280).

Majority of the employees (65%) agree that they are involved in their work. 85% of the respondents agree that they work like a team. 72% of the respondents agree that there is continuous involvement in the skills of the employees while 8% of them disagree to it.

58% of the respondents agree, 20% of them strongly agree while 23% of them remained neutral about consistent values governs the way business is done. Majority of the employees (78%)

agree that the banks have strong culture. Majority of the employees (53%) agree that it is easy to co-ordinate work across different sections of the organization while few of them (7%) disagree to it.

It can be stated that majority (60%) agree that new and improved ways to do work are continually adopted. 62% of the respondents agree that customers input directly influences the bank's decisions. Failure is viewed as an opportunity for learning and improvement by most of the employees (77%).

There is a long term purpose and direction to the employees. 65% of the respondents agree that they track their progress against the stated goals. Majority of the employees (80%) agree that the bank's vision creates motivation to employees while 20% remained neutral.

Majority of the employees (85%) tries their best to fulfill their role. 70% of the respondents are always conscious of targets and deadlines. The study reveals that majority of the employees (62%) stated that loyalty towards company is excellent. The bank employees are of the opinion that the productivity of employees is higher than industry average.

Chi-square test

H0: There is no significant relationship between corporate culture and productivity.

Table no. 2

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.891 ^a	2	.087
Likelihood Ratio	7.093	2	.029
Linear-by-Linear Association	2.741	1	.098
N of Valid Cases	80		

Source: Primary data

Interpretation: The probability of test statistic i.e. 0.087 is less than the probability of the alpha error rate i.e. 4.891, so we reject the null hypothesis. Hence, it can be inferred that there is a very strong evidence of a relationship between corporate culture and productivity.

H0: There is no significant relationship between corporate culture and employee performance.

Table no. 3

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	38.710 ^a	4	.065
Likelihood Ratio	44.926	4	.000
Linear-by-Linear Association	2.658	1	.103
N of Valid Cases	80		

Source: Primary data

Interpretation: The probability of test statistic i.e. 0.065 is less than the probability of the alpha error rate i.e. 38.710, so we reject the null hypothesis. Hence, it can be inferred that there is a very strong evidence of a relationship between corporate culture and employee performance.

H0: There is no significant relationship between corporate culture and loyalty towards organization.

Table no. 4

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.978 ^a	4	.035
Likelihood Ratio	55.282	4	.000
Linear-by-Linear Association	16.122	1	.087
N of Valid Cases	80		

Source: Primary data

Interpretation: The probability of test statistic i.e. 0.035 is less than the probability of the alpha error rate i.e. 57.978, so we reject the null hypothesis. Hence, it can be inferred that there is a very strong evidence of a relationship between corporate culture and loyalty towards the organization.

Conclusion:

The banking industry is facing intense competition. They are more concerned about profitability and also accountable to stakeholders. It is trying to gain operational efficiency. The banks can develop a corporate culture which will bring in efficiency. It will help in improving the bank's productivity which will increase its profitability and inevitably will make the bank successful.

The study has highlighted that the organizations should have a culture which focuses on the goals and vision with a clear strategy to attain it. The employees will also have a clarity about their role and contribution.

Hence, it can be generalized that positive corporate culture has impact on the performance of the organization. So, the managers should build a strong culture which will motivate the employees to perform well.

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