

Addis Ababa
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The Effect of Organizational Culture on Organizational Performance: The Case of Bank of Abyssinia

By

Addisalem Zewdie

**A Thesis Submitted to Addis Ababa University, School of
Commerce in Partial Fulfillment of the Requirements for the
Degree of Master of Business Leadership**

June, 2019

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Approved by Board of Examiner

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DECLARATION

I, Addisalem Zewdie, hereby declare that the study entitled “**The Effect of Organizational Culture on Organizational performance: The Case of Bank of Abyssinia**” is my original work and has not been presented in Addis Ababa University or any other University. I have carried out the study independently with the guidance and support of the research advisor Konjit Hailu (PhD). All other contributors or sources used for the study have been duly acknowledged.

Addisalem Zewdie

Signature

Date

Confirmation by advisor

Konjit Hailu (PhD)

Signature

Date

STATEMENT OF CERTIFICATION

This is to certify that Addisalem Zewdie, Gebeyehu's research work on the topic entitled "**The Effect of Organizational Culture on Organizational performance: The Case of Bank of Abyssinia**" is her original work and suitable for submission for the award of Master's Degree in business Leadership.

The project paper is submitted for examination with my approval as a university advisor.

Konjit Hailu (PhD)

(Advisor)

June, 2019

ACKNOWLEDGEMENT

First of all, I would like to thank my God for making me strong in every step of my life. Secondly, I have to thank my advisor **Konjit Hailu (PhD)** for her attention to correct this thesis and advising me for the better improvement of this study.

Thirdly, I am very grateful to thank my family for everything they have done for me up to this moment and also My heart-felt thanks should also go to the staff of Bank of Abyssinia for their willingness, participation and prompt response.

Lastly, my dear friends who have been contributing a lot for the entire work deserve to be acknowledged, all had enormous role in supporting and inspiring me throughout my study.

Thank you all!

ABBREVIATIONS

ANOVA -Analysis of Variance

BoA - Bank of Abyssinia

BSC -Balance Score Card

Dep't - Department

FPM - Financial Management System

IBD - International Banking Department

SPSS - Statistical Package for Social Sciences

SD -Standard Deviations

SPMS - Strategic Performance Management System

NFPM -Non-Financial Management System

RoA - Return on Asset,

RoI -Return on Investment

RoE -Return on equity

RoS -Return on Sales

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ABSTRACT

The main objective of the study was to assess the effect of organizational culture on organizational performance in case of Bank of Abyssinia. The four components of the organizational culture Involvement, Consistency, Adaptability and Mission were visualized based on Denison's Model. The study specifically intended to ascertain the extent to which organizational culture affects non-financial performance of Bank of Abyssinia using BSC for the measurement of its non-financial performance. The target population of this research was 150 employees of Bank of Abyssinia composed of 45 management staff at head office and 105 branch staff from central district of the bank using stratified sampling for population distribution. In order to achieve the above objectives, primary data was collected through questionnaire. The study used descriptive and inferential survey research design and SPSS for data analysis to determine the relationship and the effect of two variables. The findings of this study show the existence of a significant relationship between organizational culture and organizational performance. Therefore, the study concludes that all basic components of organizational culture affect organizational performance and the researcher recommends that management of Bank of Abyssinia to have a system that helps the bank to create and maintain strong organizational culture consistently in order to ensure sustainable growth.

Key words: *Organizational culture; Performance; Non-financial- performance*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The challenge of globalization has affected numerous organizations around the world. The ability to develop and sustain an organizational culture is essential for the company to exist being competitive. This is supported by Perters and Waterman (1982) that high performance firms could be distinguished from low performance firms because they possessed certain 'strong culture'. Similarly, Deal and Kennedy (1982) suggested that organizational performance can be enhanced by strong shared values. Moreover, Lim (1995) also stated that research of the link between organizational culture and performance had increased substantially during the past two decades, this shows the importance of culture for the organization. Accordingly, this study is to assess the effect of organizational culture on organizational performance in the case of Bank of Abyssinia (BoA).

Culture in any organization is defined by the organization's shared vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits among all members of that organization (Needle, 2004). It also includes expectation, experiences, philosophy, as well as the value that guide member behavior, and is expressed in member self-image, inner workings, and interactions with outside the organization. Culture is defined as shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid (the business Dictionary). Deal and Kennedy (2000) simply stated, organizational culture as the way things are done in the organization.

Ravasi and Schultz (2006) also stated organizational culture is a set of shared assumptions that guide what happens in organizations by defining appropriate behavior for various situations. Gallagher and Brown (2007) In their article entitled "A Strong Market Culture Drives Organizational Performance and Success", stated that a company's culture influences every areas of work that the company does. It is the core of what the company is really like, how it operates, what it focuses on, and how it treats customers, employees, and shareholders. Organizational culture is not just only an important factor of an organization; it is the central driver of superior business performance (Gallagher & Brown, 2007).

According to (Stewart, 2010), organization's norms and values have a great impact on those who are fully devoted to the organization. According to him norms are unable to be seen but if the organizations want to increase the profits and productivity of the employee's norms comes first to be considered.

The importance of corporate culture is emphasized by Peters and Waterman (1999, p.808), who state that, "Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies or organizations". Culture is almost invisible, but if we would like to improve performance and profitability, culture is one of the first places to look into (Stewart, 2010). Organization subcultures are also defined by Boisnier and Chatman (2002) as groups whose common characteristic is a shared norm or belief.

The Denison model provides a basic assessment of an organizational culture based on four different cultural attributes which are mission, consistency, adaptability and involvement. This approach diagnoses strength and weaknesses of any organization and provides solutions for improving organizational performance where culture may influence its effectiveness. (Stede, 2012).

While, business leaders are vital to the creation and communication of their work place culture, however, the relationship between leadership and culture is not one sided. While leaders are the principal architects of culture, an established culture influences what kind of leadership is possible (Schein, 2010).

Leaders must appreciate their role in maintaining or evolving an organization's culture. A deeply embedded and established culture illustrates how people should behave, which can help employees to ensure higher job satisfaction and to achieve their goals. (Tsai, 2011). Since in the face of tough competition culture may offer several advantages (Hoecklin, 1994).

On the other hand, performance is defined as the achievement of financial and non-financial goals that enables an organization to remain viable and sustainable both in the short term and in the long run (Denison, 2008).

There is a vast variety of performance measures, both financial and nonfinancial, which aim at evaluating the contribution an employee makes on firm value. (Merchant, Van derStede, 2012).

The notion of organizational performance is affiliated to the endurance and success of an organization (Brynjolfson, 1993). A balance score card proposed by (Kaplan & Norton, 1992) is used to measure the organization performance on this study. The dimensions of the balance score used are financial perspective; customer perspective; internal business perspective and innovation & learning perspective. Performance is a comprehensive measure that can include productivity, quality, consistency, and so on.

So, considering the above all facts about organizational culture, organizational performance and performance measurement the researcher tried to assess if culture has a significant impact on the non-financial performance of Bank of Abyssinia. And basically, this paper assessed to what extent culture affects non-financial performance and came up to the conclusion. Though, Practitioners and academics suggested that the performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared (Denison, 1990).

The research attempts to fill the gap of literature related to this topic by studying the situation at Bank of Abyssinia and to provide additional empirical evidence that implies the impact of organizational culture on performance by investigating and measuring the possible relationships between the two variables in this study which are organizational culture and Non-financial performance.

1.2. Background of Bank of Abyssinia (BoA)

The present-day Bank of Abyssinia one of the private banks, established in February 15,1996 G.C., named by the first bank in Ethiopia during the Emperor Menilek in 1906.

In about twenty-three years since its establishment Bank of Abyssinia has registered a significant growth in its paid-up capital and total asset, it also attracted many professionals' staff members, valuable shareholders and large customers from all walks of life. This performance indicates public confidence in the bank and reliability and satisfaction in its services.

Currently the bank employed core banking technology and provides excellent domestic and international banking service to its esteemed and valuable customers. The bank also strives to serve all economic and services sectors via its ever-increasing networks throughout the country.

BoA by now has 334 branches all over the country and about 4120 permanent employees working in the branches, districts and head office excluding the security officers and cleaners which are outsourced. The bank offers corporate and retail banking services that includes current account, saving account, special saving account, fixed deposit, foreign currency accounts, loans, trade finance, forex, mobile banking, card banking, internet banking, and agent banking to customers through its branches, and corporate branches. Corporate branches are branches dedicated for corporate or high-value customers of the bank. The bank provides forex operations through the forex bureaus located at branches and trade finance operations through International Banking Department (IBD) and its affiliates placed at the branches. Moreover; the bank provides various credit services through the credit department at head office and districts which are located outside Addis Ababa.

As any organization Bank of Abyssinia faces the management change, structure change, operation system changes and culture change. Since last year the bank adopted the BSC for employee performance measurement in financial perspective, customer perspective, internal business perspective and learning and innovation perspective. This helps the bank to measure clearly the non- financial performance which has a direct impact on the financial performance.

However, there is no clearly stated measurement of culture and no one can realize and responsible to measure the banks' involvement, consistency, adaptability and mission culture. At time of any change there is no way to keep the strong culture and to improve the weak culture that could help the banks' sustainable growth.

Thus, knowing and managing the effect of culture on performance is a plus to ensure sustainable competitive advantage through identifying, establishing and maintaining a better culture that can lead the bank to a better performance irrespective of any change.

1.3 Statement of the Problem

As organizations grow, they tend to face more challenges. These challenges, therefore, create the need to change the organization's culture to be more supportive to achieve the goal. Barney (1986) and others argues that organizational culture must be valuable, rare, inimitable and not substitutable so as to serve a source of sustained competitive advantage. Pfeffer (1994) notes that many of the earlier sources of competitive advantage such as economies of scale, technological

innovation, financial resources etc. have reduced significantly as a result of de-regulation, shorter product life cycles and need of flexibility in production as a result of more fragmented markets. In addition, the financial performance management have many shortcomings that has given rise the non-financial management. For instance, abstract factors namely market shares, product service quality, employee satisfactions are often ignored in traditional financial measurements like return on investment or net earnings (Kaplan and Norton, 1996; Otley, 1999).

While, being the member of the case company and serving for more than five years at managerial level and as per the discussion which has been made recurrently with colleagues, the researcher has learned that there is no clearly defined information that shows the culture and culture level of the bank though there are strong and weak cultures. Moreover; at time of management change there is no responsible organ for the culture management instead everything starts from the nil. These makes the bank to perform behind other peers in the banking industry.

Thus, the researcher believes and decided to study the effect of organizational culture on non-financial performance though most of the researches was focused on the culture effect on financial performance.

Accordingly, this study has employed the Denison theory of organizational culture that implicitly explains the cultural traits of organizational performance and the BSC model by Norton and Kaplan (1992) i.e non-financial performance measures in customer perspective, internal process perspective and innovation and learning perspective. A wide variety of culture as well as performance indicators have been utilized, and they have been employed in various kinds of organizations and industries. whereas; financial performance measure needs the data for respondents to answer the questions that will not be logical to measure their level of agreement without data available at their hand.

1.4 Research Questions

In order to address the identified problem, the following basic research questions were developed;

1. What does the organizational culture of BoA look like?
2. Is there any relationship between organizational culture and performance?
3. Does the prevailing organizational culture affect bank of Abyssinia performance?

4. which organizational culture is more significantly affect the performance of Bank of Abyssinia?

1.7 Objectives of the Study

1.7.1 General Objective

To assess the effect of organizational culture on performance of Bank of Abyssinia.

1.7.2 Specific Objectives

The specific objectives of this study are:

- i. To assess the prevailing organizational culture of Bank of Abyssinia.
- ii. To determine the relationship between the organizational culture and Non-financial performance.
- iii. To examine to what extent organizational culture affects the performance of Bank of Abyssinia.
- iv. To identify which organizational culture significantly affect the performance of Bank of Abyssinia.

1.8 Significance of the Study

There are diverse bodies that could be advantageous from this study. This study would help the bank to give a better attention to its culture and non-financial performance and further to decide which culture shall be improved, managed and which one shall be removed for a better performance. It also creates a good opportunity for bank of Abyssinia to take it as a trial for further research.

This study may serve as an input/reference for future researchers who are interested to study in such related areas.

1.9 Scope of the Study

The research is designed to assess the impact of organizational culture on the performance in the case of Bank of Abyssinia. Limited sample size was used in this study because Bank of Abyssinia has large number of employees and branches. Due to the large number of branches and staff located throughout Ethiopia , the research was focused on grade II , Grade III and Corporate Branches located in Addis Ababa and various departments at head office their task related to

customer service and process based only which are Credit dept, International Banking Dept, Marketing Dep't, Internal Audit Dep't, and Customer Service Dep't.

Though the study is to assess the effect of culture on performance, performance is limited to Non-financial performance only. Because financial perspective study needs the respondents to have actual data at hand, so it is difficult to assess based on employee subjective response.

1.10 Limitation of the study

In carrying out the study, time and budget limitation encountered, and limited the researcher from doing an in-depth study. With these factors the researcher was unable to include all branches of the bank in the study rather obliged to conduct the research on branches under central district only. In addition to this, there was limitation in obtaining information due to there was no documented, accessible and extractable data in its web page.

This research highly depended on the perception of employees under the study which was very limited in number. Furthermore, due to the bank was on the way for the implementation of the new five years strategic plan, this created confusion for some respondents at head office to answer the research questions from the existing culture perspective. Whereas; though the time was very limited the respondents under study were very cooperative to respond the questionnaire timely, hence it was possible to undertake the study.

1.11 Operational Definitions and Terms

In this section the researcher stated some of the key terms based on operational definition as follows:

Culture: broadly, it is a social heritage of a group (organized community or society). It is a pattern of responses discovered, developed, or invented during the group's history of handling problems which arise from interactions among its members, and between them and their environment. These responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable. It encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language.

Organizational culture: includes an organization's expectations, experiences, philosophy, as well as the values that guide member behavior, and is expressed in member self-image, inner workings, interactions with the outside world, and future expectations. Culture is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid.

Performance: It is the process or action of performing a function or task.

Financial Performance: It is the process of measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added etc.

Non-Financial Performance: quantitative measures that cannot be expressed in monetary units which refers to service quality, market share and employee satisfaction.

Vision: Describes the desired future position of the company.

Values: Important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable.

Involvement: Involvement or employee involvement can be defined as creating an environment in which an employee participates more in the day-to-day decision-making which leads to a better relationship with the manager.

Consistency: Logically ordered and/or following the same pattern being in conformity with a set of rules, guidelines or policies.

Adaptability: is the ability of an entity or organism to alter itself or its responses to the changed circumstances or environment that shows the ability to learn from experience, and improves the fitness of the learner as a competitor.

Mission: is the company's business, its objectives and its approach to reach those objectives.

Source: (The Business Dictionary)

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Introduction

The main objective of this study was to determine the effect of organizational culture on organizational performance of Bank of Abyssinia. Accordingly, on this chapter we focus on definition, conceptualization, of organizational culture and organizational performance focusing on non-financial performance. It also highlights the literature and previous studies on the link between organizational culture and organizational performance. The information was searched according to the scope of the project and literature was gathered to establish theoretical framework. The concepts were built to find background about culture, organizational culture and their link to the performance of an organization.

This chapter is ordered based on the research questions and subtopics to further cross-examine the questions. The first section of the chapter reviewed literature surrounding organizational culture. The second section reviewed literature on the effect of organizational performance. The last section explores the role of organizational culture on non-financial performance in financial perspective, customer perspective, Internal business perspective and innovation and learning perspective. And the last section is about empirical review about culture and organizational performance.

2.1.2 What is culture?

The word "culture" derives from a French term, which in turn derives from the Latin "colere," which means to tend to the earth and grow, or cultivation and nurture. Culture is the characteristics and knowledge of a particular group of people, encompassing language, religion, cuisine, social habits, music and arts. Schein (1999) defines culture as a pattern of shared basic assumptions that the group learned as it is helpful to solve problems of external adaptation and internal integration.

2.1.3 The Concept of Organization Culture

Pettigrew (1979) was the first to use the term “organizational culture” in the academic literature for his study in the journal of “Administrative Science Quarterly”. It is necessary for the management to identify the norms and values of the organization of the employees. It should be needed that culture of the organization should be developed in a way to improve the style of employee’s performance and continuously develop the quality awareness.

Pettigrew (1979), argue that cultures of organization based on cognitive systems which help to explain how employees think and make decision. He also noted the different level of culture based on the multifaceted set of beliefs, values and assumptions that determine ways to organizations to conduct its business. According to Tichy (1982), organizational culture is known as “normative glue” means to hold the overall organization together.

Organizational culture consists of the values and assumptions shared within an organization. It defines what is important and unimportant in the company and, consequently, directs everyone in the organization toward the “right way” of doing things. You might think of organizational culture as the organization’s DNA -invisible to the naked eye, yet a powerful template that shapes what happens in the workplace. McShane and Mary (2010)

The importance of corporate culture is emphasized by Peters and Waterman (1999, p.808), who state that, “Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies or organizations”.

Organizational culture can be viewed in many ways, it has been defined by different writers and majority of them agree with the concept of culture as it refers to values, underlying assumption, expectations, and definitions that characterize organizations and its employees.

The definition of culture by Schein (2010) was as a pattern of shared basic assumptions learned by a group as it answered its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the right way to perceive, think, and feel in relation to those problems.

Supporting Schein’s definition Denison and Neale (2008) found that organizational culture as the underlying values, beliefs and principles that serve as a foundation for an organization's management system, as well as the set of management practices and behaviors that both

demonstrate and reinforce those basic principles and these principles and practices stand because they have meaning for the members of an organization.

It was also supported with the idea that recent organizations have come to understand just how important the health of their culture is to their success. Chenot (2007) stated “organizational culture as a system of meanings and knowledge that develop into learned standards”. Then these created standards allowing employees to evaluate their own behavior in relation to others and, conversely, other’s behavior in relation to organizational standards. He also explained that organizational culture consists of traditional or historically selected ideas, behaviors and related values. This assumption was also supported by Cameron and Quinn (2011) as culture is a socially constructed attribute of organizations that serves as the social glue binding an organization together.

Generally, the above-mentioned authors agreed with the concept of organizational culture as the norms, values, beliefs and assumption that employees share in their organization. Shein (2010) indicated that organizational culture focused on private, public, non-profit organizations and governmental organizations.

2.1.4 Levels of Organizational Culture

Organizational culture exists on several levels, which differ in terms of visibility and resistance to change. When it comes to changing the culture of the organization, it becomes difficult to determine which the more are, and which are the less important elements that help shape an organizations culture. Hofstede (1990) developed a four-layered hierarchical model of culture which helps to identify and categories the constituent elements of culture.

- **Shared assumptions:** This is the least visible or deepest level is that of basic, which represents beliefs about reliability and human nature that are taken for granted.
- **cultural values:** This is the next level of culture is that of, which represent collective beliefs, assumptions, and feelings about what things are good, normal, rational, and valuable. Cultural values might be very different in different organizations; in some, employees may care deeply about money, but, in others, they may care more about technological innovation or employee well-being.

- **Shared behaviors:** These are more visible and somewhat easier to change than values. The reason is that people may be unaware of the values that bind them together.
- **Cultural symbols:** The most superficial level of organizational culture consists of symbols; these are words (jargon or slang), gestures, and pictures or other physical objects that carry a particular meaning within a culture. Although there are various other hierarchical models of culture, it is important to note that actual organizational cultures are not as neat and tidy as the models seem to imply. Where there are cultures, there are also usually sub cultures, where there is agreement about cultures, there can also be disagreements and counter cultures; and there can also be significant differences between espoused culture and culture in practice (Burnes, 2004).

2.1.5 The Creation of Organizational Culture

Robbins (2001) on the other hand, argues that a company's organization culture does not pop out of thin air and, once it is established, it does not fade away. An organization's current customs, traditions, and general way of doing things are largely due to what it has done before and the degree of success it has had with these endeavors. Robbins further emphasizes that the founders of an organization have a major impact on that organization's early culture. They have a vision of what the organization should be, and they are not restricted by previous customs and ideologies. The process of culture creation occurs in three ways:

- First, founders only hire and keep employees who think and feel the way they do;
- Second, they indoctrinate /brainwash and socialize these employees to their way of thinking and feeling; and
- Finally, the founder's own behavior acts as a role model that encourages employees to identify with them and thereby internalize their beliefs, values, and assumptions. When the organization succeeds, the founder's vision becomes seen as a primary determinant of that success. At this point, the founder's entire personalities become embedded in the culture of the organization. Robbins (2001, p.525) further explains that culture is transmitted to employees in a number of forms, the most influential are stories, rituals, symbols, and languages.

2.1.5.1 Stories

Robbins (2001) quotes the story of the Ford Motor Company. When Henry Ford II was the chairman, he continuously reminded his executives, when they got too arrogant, that, it's my name on that building. The message was clear: It was Henry Ford II that ran the company. Robbins (2001) believes that culture is learned by employees who listen to other employees or managers who relate stories about how earlier managers, or even founders of companies, treated their customers, or how they handled tricky situations that arise in the company. Stories such as these circulate through many organizations, consequently transmitting the culture through the company life time.

2.1.5.2 Rituals /ceremonies

Rituals are repetitive sequences of activities that express and reinforce the key values of the organization, which goals are more important, which people are important, and which are expendable. Certain organizations hold rituals in the form of annual award ceremonies, in recognition of outstanding services or in recognition of success at achieving certain targets set by the organization, e.g. sales targets. These functions act as a motivator, publicly recognizing outstanding performance. One of the best-known corporate rituals is Mary Kay Cosmetics' Annual award meeting. Saleswomen are awarded with an array of flashy gifts. E.g. gold and diamond pins based on success in achieving outstanding sales performance.

2.1.5.3 Material Symbols

According to Robbins (2001) the layout of corporate headquarters, the types of automobiles' top executives are given, are all examples of material symbols. Others include the size of offices, the elegance of furnishings, executive perks, and dress attire. The material symbols convey to employees who are important, the degree of impartiality desired by top management, and the kinds of behavior that is appropriate.

2.1.5.4 Organizational Language

Many organizations and units within organizations use language as a way to identify members of a culture or a sub-culture. By learning this language, members attest to their acceptance of the culture and, in doing so, help to preserve it. Organizations over time often develop unique terms

to describe equipment, offices, key personnel, suppliers, customers, or products that relate to their business. New employees are frequently overwhelmed with acronyms and jargon that, after six months on the job, become fully part of their language. Once assimilated, the terminology acts as the common denominator that unites members of a given culture or subculture (Robbins, 2001).

According to McShane and Mary (2010) how employees address co-workers, describe customers, express anger, and greet stakeholders are all verbal symbols of cultural values.

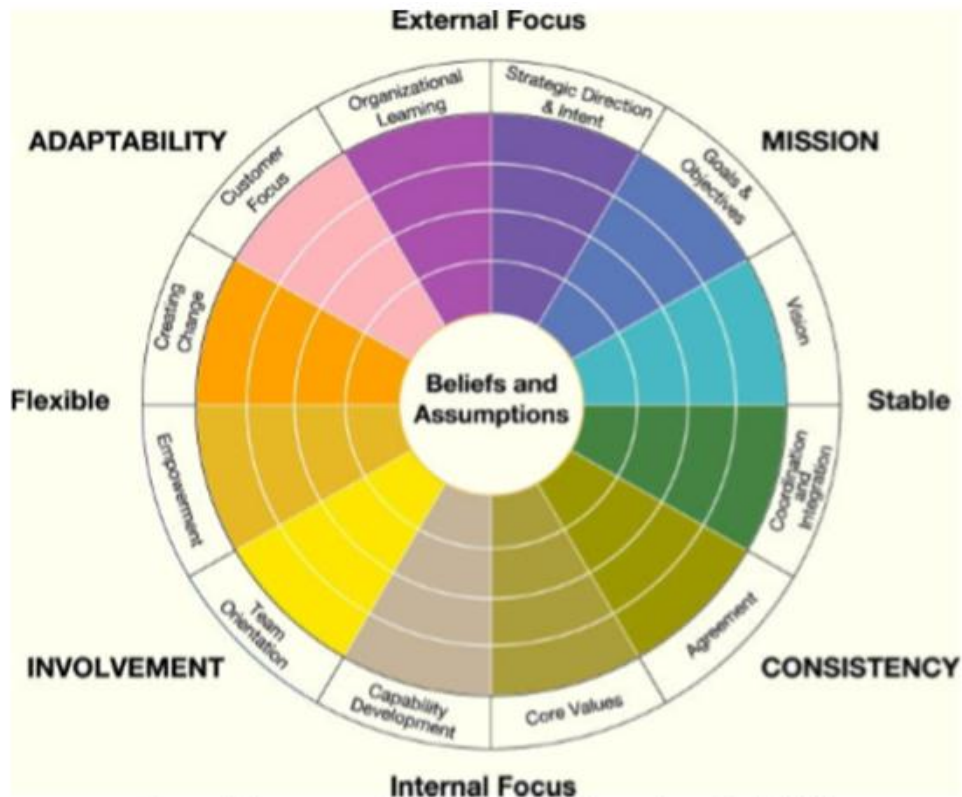
2.1.6 Denison's model of Organizational Culture

Depending on the approach to the organizational culture studies and the aim of these studies, the scientists have developed essentially different techniques and methods for the analysis and evaluation of organizational culture. In his turn, Denison has developed a popular and practically applicable model which explicitly shows the link existing between organizational culture and efficiency. The model is based on four basic features of organizational culture: involvement, consistency, adaptability and mission, each of them having three sub-groups. In the result, the model showing the linkage between organizational culture and efficiency with 12 different features of organizational culture has been created. The efficiency of organization's activity in this model is measured with such indicators as the increase in trade volume, market share, profitability, development of new services and products, quality of services and products, employees' satisfaction and general efficiency of the organization. As a result, the Denison model of organizational culture has become one of the most popular models for the analysis of organizational culture.

The Denison model was developed by prof. Danial R. Denison when he was formally affiliated with school of business at university of Michigan and recently, he is professor of organization and management at IMD school of business in Lausanne Switzerland. The Denison model provides a basic assessment of an organizational performance based on four different cultural attributes which are mission, consistency, adaptability and involvement. The first two attributes were used for profitability effectiveness whereas last two were referred for innovation. This approach diagnoses strength and weaknesses of any organization and provides solutions for improving organizational performance where culture may influence its effectiveness. The four cultural marks proposed by Denison for a productive, profitable and innovative organization are presented

in details as followed. Denison presented four traits of organizational culture and each has three sub-dimensions as depicted under Figure 2.1 below.

Figure 2.1 Denison model (Denison, Hooijberg, Lane, Lief, 2012)



Denison characterizes the mutual influence of the four cultural factors upon the organization’s efficiency: mission and consistency, adaptability and involvement:

Mission is a characterization of organization’s aims and directions of a strategic development, based on the concept which has been developed by the organization and is future-oriented; Involvement is a state during which the employees feel that their activity is tightly linked with the goals of organization, that they have been empowered, that team work is to be valued and the priority is given to the development of employees’ capabilities;

Consistency is the high level of integration and coordination; Adaptability is a state within the frame of which the organization flexibly responds to costumers’ requirements, takes risks, learns from their own mistakes and is ready for changes.

Involvement

The objectives and goals of an organization are highly affected with the involvement of their employees whether contributing individually or working in a team. Effective organizations put a lot of efforts to improve communication skills by developing human capabilities and empowering them at all levels as well as in decision making strategic plans. As a result, every employee shows commitment and works diligently to make the organization more effective. Furthermore, the interests of the organization become their interests with the feelings that they own a part of the organization.

Consistency

The effectiveness of an organization is strongly correlated with this feature that depicts the strength of a culture which is highly consistent. There are no communication gaps between leaders and followers and they are well trained in adopting commonalities with even having diverse points of view and neglecting differences. Ethical dimensions of strong cultures are well defined and a set of core values are well coordinated and well-integrated which bring stability and well correspondence in diverse groups to work at same platforms.

Adaptability

This attribute is related to the highly dynamic and customer driven or customer-oriented organizations that require implementation of new ideas and change depending on the interests of the stakeholders. Usually, it is the hardest phase for the well-integrated organization as new changes required both internal and external adaptability factors. All organizations having this attribute do not hesitate to all risks challenges that are expected with new changes. Both leaders and followers learn from previous mistakes and remained alerts during new strategic plans implementation. These new system changes result in improving the organization and providing high values to their customers.

Mission

It describes the main working boundaries of an organization with defined objectives and goals that are clearly specified in terms of future perspectives and a vision. In successful organizations, any changes in mission involve changes in their cultural traits

Each of the four organizational culture factors has three variables – indices. Thus, involvement is characterized by such indices as empowerment, team orientation, capability development; consistency – by core values, coordination and integration, agreement; adaptability – by organizational learning, focus on the customer, creating change; mission – by vision, goals and objectives, and strategy.

2.1.7 The Concept of Organizational Performance

2.1.7.1 The Concept of performance

Performance refers to the degree of achievement of the mission at work place that builds up an employee job (Cascio, 2006). Different researchers have different thoughts about performance. Mostly researchers used the term performance to express the range of measurements of transactional efficiency and input & output efficiency (Stannack, 1996).

Nowadays organizations are more focusing on the management of non-financial or intangible assets like customer's link, services, quality and performance, not on the assets which are financial in nature (Kaplan and Norton, 2001). So, there is a need for proper performance measurement system to measure and evaluate the performance of employee either financial or non-financial. So, there is a need for proper performance measurement system to measure and evaluate the performance of employee either financial or non-financial.

Chenhall (2005), said that the SPMS provide a way to translate and measure the both financial and non-financial performance. He also suggests that it is the incorporative nature of this measurement technique; provide the potential to increase the strategic competitiveness of the organization. Researchers among themselves have different opinions of performance. The central issue concerns with the appropriateness of various approaches to the concept utilization and measurement of organizational performance (Venkatraman & Ramanuiam, 1986).

According to Daft (2000), organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Daft (2000), Richardo (2001) defined organizational performance as the ability of the organization to achieve its goals and objectives. Hefferman and Flood (2000) stated that Organizational performance has suffered from not only a definition problem, but also from a conceptual problem. This is what stated.

They stated that as a concept in modern management, organizational performance suffered from problems of conceptual clarity in a number of areas. The first was the area of definition while the second was that of measurement. The term performance was sometimes confused with productivity. According to Ricardo (2001), there was a difference between performance and productivity. Productivity was a ratio depicting the volume of work completed in a given amount of time. Performance was a broader indicator that could include productivity as well as quality, consistency and other factors. In result-oriented evaluation, productivity measures typically considered.

Performance is a widely used concept in many areas. Mostly, it is a measurement of how well a mechanism or process achieves its purpose. Moullin (2003) defines an organization's performance as 'how well the organization is managed and the value the organization delivers for customers and other stakeholders. It is also the measurement of the effectiveness and efficiency of both the organization and the workers (Neely et al.,) where effectiveness refers to the extent to which stakeholder requirements are met, while efficiency is a measure of how economically the organizations resources are utilized when providing a given level of stakeholder and customer satisfaction. Hence, performance can be defined as the use of resources both efficiently and effectively in the achievement of its expected objectives.

Performance is equally defined as the achievement of financial and non-financial goals that enables an organization to remain viable and sustainable both in the short term and in the long run (Denison, 2008).

2.1.7.2 Performance Measurement

Although much research has been conducted on performance measurement, its definition is still widely debated. 'Performance measurement is a set of systems of metrics used to quantify both the efficiency and effectiveness of actions' (Neely et al., 2000). Moullin (2003) defined performance measurement as 'the evaluation of how well organizations are managed and the value they deliver for customers and stakeholders. He argued that his definition clearly shows the purpose of performance measurement and emphasizes both the value the organization gives to its stakeholders and the way the organization is managed. Amaratunga and Baldry (2002) provided a more specific definition of performance measurement; 'Measurement provides the basis for an

organization to assess how well it is progressing towards its predetermined objectives, helps to identify areas of strengths and weaknesses, and decides on future initiatives, with the goal of improving organizational performance'. This definition entails both the role and process of performance measurement clearly from different aspects.

2.1.7.3 Measurement of Organizational Performance

Previous research had used many variables to measure organizational performance. These variables include profitability, gross profit, return on asset (ROA), return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency (Parnell & Wright, 1993). There was also inconsistent measurement of organizational performance- although most researchers (Kotter & Heskett, 1992) measured organizational performance by using quantitative data like return on investments, return on sales and so forth. The definition of performance has included both efficiency-related measures, which relate to the input/output relationship, and effectiveness related measures, which deal with issues like business growth and employee satisfaction. Additionally, performance has also been conceptualized using financial and nonfinancial measures from both objective and perceptual sources. Objective measures include secondary source financial measures such as return on assets, return on investment, and profit growth. These measures are non-biased and are particularly useful for single-industry studies because of the uniformity in measurement across all organizations in the sample (Venkatraman & Ramunujam, 1986).

2.1.7.4 Functions of Performance Measurement

To function successfully in the present competitive business environment, an organization depends upon the decision-making ability of its managers, who in turn, depend upon the availability of usable information. Information about performance is useful and important in different ways to the various stakeholders of the company. For example, managers look at the performance measurement as a way of keeping an organization on track in achieving the organizations objectives. In other words, it is a monitoring mechanism employed by the organization for the formulation and implementation of business strategy.

The function of performance measurement can be categorized into four aspects as by Neely, 1998;

1. Checking position; it is the establishment of current status and monitoring of progress over time and against benchmarks.
2. Communicating position; this deal with communicating with the shareholders, customers, or employees by releasing annual reports or calling for general meetings, etc.
3. Confirm priorities; performance data provide insights into what is important to a business, thus by exposing shortfalls that allow organizations to identify priorities.
4. Compel progress; the measures can help the organization to focus on specific issues and encourage people to search for ways to improve performance. This measure communicates priorities and can form the basis for reward.

2.1.8 Balanced Scorecard

The balanced scorecard was developed by Norton and Kaplan (1992) and is perhaps the most well-known performance measurement framework. It is formulated to include financial measures that report results on customer satisfaction, internal processes, and the improvement activities – operational activities or measures that are drivers for the future financial performance (Kaplan and Norton, 1992). The Balance Scorecard suggests that managers should view organization's performance from four perspectives, namely; customer perspective, financial perspective, internal perspective and innovation and learning perspective.

Financial Perspective

The financial measurement of performance is the traditional and most commonly used tool as a measure of an organization's performance. Financial measures are typically focused on profitability, market value of the firm, return on assets, investment and equity, liquidity and various other ratios.

Customer Perspective

This perspective will aid the company in addressing the important concerns of the customers and build continued patronage. Hence, to put the balanced scorecard to work, core measures ought to include overall indicators such as customer satisfaction, customer complaints, production of new products, retention of customer, customer profitability, on-time delivery etc. This can be summarized under clearly defining goals for time, quality, performance and service and converting these goals into specific measures. In view of all this, organizations must yet still remain sensitive to the cost of their products (Kaplan and Norton, 1992).

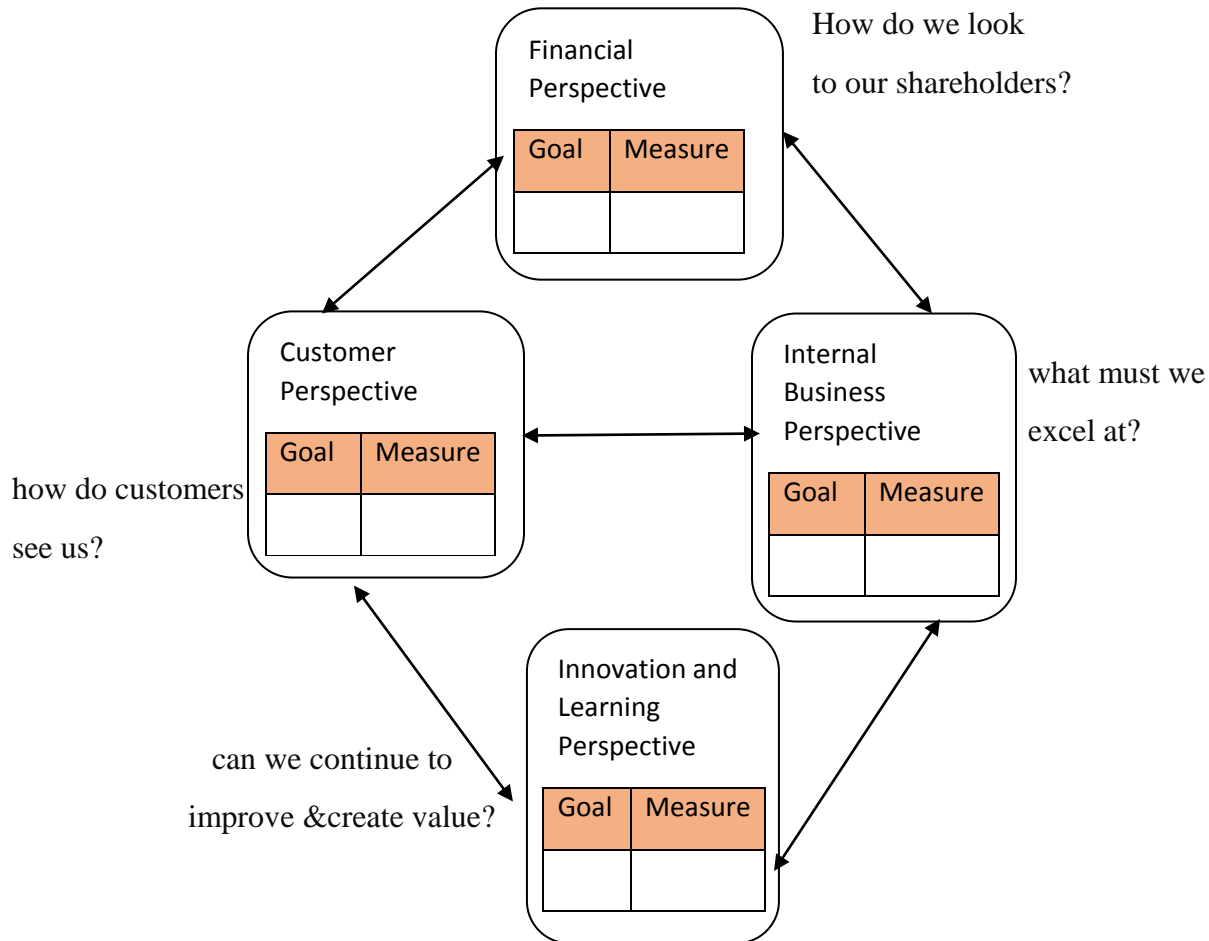
Internal Business Perspective

This perspective aims at the identification and improvement of critical internal business processes that yield a competitive edge and result in greater customer satisfaction. The internal business perspective is based on the assumption that to satisfy customers and earn a financial return, the organization must be efficient and effective at what it does. Thus, this perspective's measurements are typically based on the objective of producing products and providing services that meet customer satisfaction efficiently and effectively.

Innovation and Learning Perspective

Innovation has become a key factor in the knowledge economy. This innovation and learning perspective can be measured in a variety of ways, these may include; the speed of transactions, IT usage, training and development, new product and services development and strategic alliance and partnership. An organizations ability to innovate and learn, improves its operating efficiency causing the organization to grow and thereby increase shareholder value (Kaplan and Norton, 1992).

Figure 2.2 The Balanced Scorecard



Source: Kaplan and Norton (1992)

The four perspectives in the Balance Scorecard model are regarded as a chain of cause-and-effect. For example, financial performance depends on a customer’s loyalty, which is influenced by an enterprise’s internal/business processes. Similarly, internal business processes are dependent on employee’s skills (learning and growth). A good Balanced Scorecard should have an appropriate mix of outcomes (lagging indicators) and performance drivers (leading indicators) of the business unit’s strategy (Kaplan & Norton 1996).

2.1.9 Performance measurement in banks

When it comes to measuring the performance of financial institutions, various performance aspects cannot be observed directly whereas they are economically important. Jacob A. Bikker

suggested in his study that the efficiency of financial institutions, the quality of their products and the reliability of them in terms of solvency and of whether customers can be sure to get their money back are what the customers are mainly interested in. As they cannot be observed directly, they have to be measured in an indirect way. However, measuring them is not easy in financial products markets. In other words, we need to come up with measurement indicators for efficiency, products quality and reliability aspects of financial institutions instead.

2.1.10 Non-financial measurements in banking

Non-financial performance measurements (NFPMs) try to capture the non-financial aspects of firm performance such as customers' and employees' satisfaction, product and service quality, market share, efficiency, innovativeness. In banking and insurance industry, non-financial performance often refers to service quality, market share and employee satisfaction. Corporations had been for long dependent on financial performance measurement (FPMs) as the only functioning performance measurement as well an important tool in strategy making process. The FPMs, however, have many shortcomings that has given rise the NFPMs. For instance, abstract factors namely market shares, product service quality, employee satisfactions are often ignored in traditional financial measurements like ROI or net earnings (Kaplan and Norton, 1996; Otley, 1999). Even when companies are aware of the impact of these factors on the company performance, it is challenging to measure them in monetary terms and integrate them into financial measurements. Moreover, often traditional FPMs focus on short-term results foregoing the long-term results. They reflect past performance, hence having little power in predicting the future. Due to these disadvantages, FPMs alone is a not a reliable toolkit for either measuring company overall performance or making strategic decisions. On the other hand, Kaplan and Norton (1996) suggest that non-financial measures are "a better predictor of a firm's long-run performance and companies manage to keep better track of the progress to strategic objectives. However, NFPMs are also partial since they reflect just some parts of the organizations. Since many of them are innumerable and are often measured by sociological method like surveys or interviews, they are more likely to be biased, hence more easily to manipulate than FPMs. Researches of performance measurements in Japanese banks and Swedish banks by Hussain (2002 and 2005 respectively) show that banks' strategy and operation are led mostly by financial measurements. Non-financial measurements play an insignificant role in strategy and

performance control system except for a few young and innovative banks in the samples that truly appreciate and implement NPFMs. Often lack of knowledge of customized modern performance measurement methods like BSC prevented them from simultaneously measuring both financial and nonfinancial aspects, with equal significance.

While BSC seems to be quite a popular performance management methodology amongst researchers and practitioners, the results indicated by Ittner et al. (2003) suggest that there might be gaps between firms acknowledging to use BSC and actually having it implemented fully. As mentioned above, one BSC does not fit for all. In their study, Ittner et al. (2003) found evidence that measurement diversity, including both financial and nonfinancial measures, has an impact on economic performance. Although Ittner et al. didn't refer only to the use of BSC but to overall measurement diversity, it is in line with the earlier research made on BSC as the BSC contains a large variety of measurements. Ittner et al. (2003) commented also that in the further studies it could be beneficial to study more the value drivers behind successful strategies as they seemed to have associations with better financial performance.

2.2. Empirical Review

2.2.3. Empirical review on Culture

In today's economy, firms are challenged to continuously offer a portfolio of innovative products and services. Despite the key role of portfolio innovativeness for corporate performance, firms differ in their focus on building innovation capabilities and generating innovation outcomes (Hambrick, 2007; Hambrick and Mason, 1984). Research of the link between organizational culture and performance had increased substantially during the past two decades (Lim,1995). In the 1980s, there were 'obsessions' by researchers to focus on the Strong Theory- a search for strong shared values in organization which were supposed to result in performance for the organization. Perters and Waterman (1982) claimed that high performance firms could be distinguished from low performance firms because they possessed certain cultural traits and 'strong culture'.

Similarly, Deal and Kennedy (1982) suggested that organizational performance can be enhanced by strong shared values. Their suggestions were criticized by Carrol (1982), Reynolds (1986), and Saffold (1988) who commented that 'a simple model' relating organizational culture to

performance no longer fits- a more sophisticated understanding of the tie between culture and performance must be developed. In the 1990s, the “obsession” in testing the Theory of Adaptability (Denison (1991); Gordon and DiTomaso (1992); Denison (1990), Kotter and Heskett (1992) and Lee (2006), however, found inconsistent results on the link between culture strengths and organizational performance. Denison and Mishra (1995) and the Strong Culture Theory have again been criticized by other scholars.

Wilderom and Berg (1998) pointed out that the empirical evidence for the impact of the organizational performance using organizational culture practices was still li a fruitful basis for more refined organizational culture cultural practice to assess organizational culture was supported by Hofstede (1990); House et.al. (2004); Pfeffer (1997) and Wilderom (1998).

Between 1990 and 2007, more than 60 research studies covering 7619 companies and small business units in 26 countries have found that market culture and business performance are strongly related.

2.2.4 Empirical review on performance

Performance measurement has its roots in early accounting systems of how a pre-industrial organization could maintain a good account of external transactions and stock. Thus, before the 1980’s, performance measurement was largely evolved within the large industrial firms focusing on the achievement of a limited number of key financial measures (Johnson & Kaplan, 1987). But by the early 1980’s, as the increasing complexity of organizations and the markets in which companies compete, it was no longer appropriate to use financial measures as the sole criteria for assessing success (Kennerley & Neely 2002). According to Ghalayini and Noble (1996), the literature concerning performance measurement evolved in two phases, the first which began in the late 1880’s and concluded in the 1980’s. In this phase, the emphasis was on financial measures such as profit, return on investment, and productivity. The second phase started in the late 1980’s as a result of changes in the world market, specifically in the corporate environments.

2.2.5 Studies about performance measurement

Most practitioners seemed to use the term performance to describe a range of measurements including input efficiency, output efficiency and in some cases transactional efficiency (Stannack, 1996). According to Doyle (1994), there was no single measure or best measure of organizational

performance. Organization adopts different objectives and measurements for organizational performance.

There was an over-emphasis on financial criteria, with pre-occupation with past performance. Performance measures were usually not linked to strategies and goals of the overall organization and they were inward looking and did not capture aspects of performance necessary to gain and retain customers or build long term competitive advantage. Zou and Stan (1998) proposed seven categories of financial, non-financial, and composite scales to measure export performance based on a review of the empirical literature between 1987 and 1997. The financial measures are sales measures, profit measures and growth measures, whereas the non-financial measures are perceived success, satisfaction and goal achievement. Financial measures are more objective compared to the non-financial measures which are more subjective.

2.2.4 Studies on the effect of organizational culture on performance

From the perspective of management, the organization culture has been coming to our research and practice in 1980s after experience management and scientific management (Kotter John P. & Heskett, 1992).

As per Reichers and Schneider (1990), stated that culture researchers have committed various studies to the definitions of culture, relatively few researchers have been contributed in culture and performance research. Only reason for doing this was the complexity in operational concept of the culture construct.

Rousseau (1990) studied to overcome some of the limitations in measuring the culture of organization. At the end the results show that there are no positive correlations between culture and employees' performance. After critically reviewed the methodologies and findings of recent researches, it is assumed that there is a link between culture and performance (Lim, 1995). Practitioners and academics suggested that the performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared (Denison, 1990).

According to Saffold (1998), firstly, culture can give a shape to the organizational processes which again helps to create and modify culture. Secondly, it is likely that culture's contributes to performance is significantly less undemanding than many studies involve. Most of writers and

successful managers suggest that strong organization culture is very essential for business because of three important functions:

First, organizational culture is extremely fixed with the social control that may cause to make influence on the employee's decisions and behavior.

Second, organizational culture works as social glue to bond the employees together and make them feel a strong part of the corporate experience, which is useful to attract new staff and retain the best performers.

Third, organizational culture is very useful to assist the sense making process, helps the employees to understand the organizational events and objectives, which enhance the efficiency and effectiveness of the employees.

Deal and Kennedy's (1982), point of view both strong and weak culture have a great impact on the organizational behavior but in the strong culture, employee's goals are side with the goal of management and helpful to increase the overall organizational performance. According to Barney (1991), organizational provide sustainable aggressive advantage. He introduced three conditions; first, he suggests that culture must be viable, second the culture must be rare and have attributes and third culture must be imperfectly imitable.

So, the above all facts show us organizational culture has a significant impact on the performance that shall be supported by the research to show the fact to the responsible body of the organization for their further understanding and to work on it for a better result.

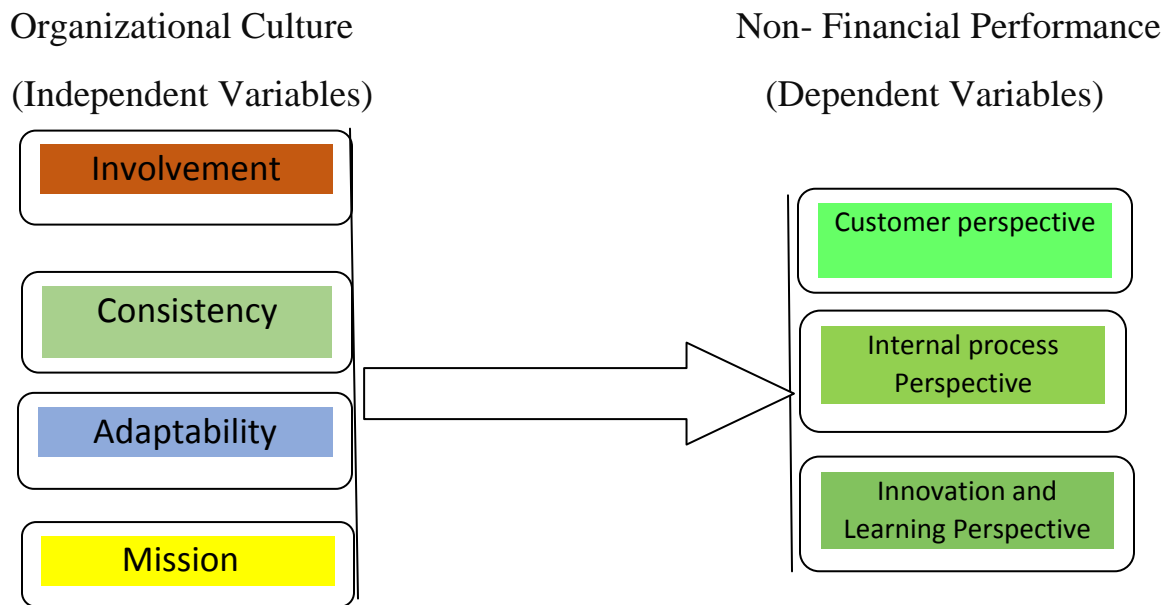
Accordingly, this paper basically addresses nonfinancial performance aspects, and how culture affects these non-financial performance aspects and finally comes to the conclusion.

2.3 Conceptual Framework

The Denison model allows studies to reveal the underlying belief and assumptions in recognizable and measurable ways that affect performance. In this model there are four general dimensions named, Involvement, Consistency, Adaptability and Mission. Denison's model suggests that organizations with a higher combined measure of the four culture traits show higher levels of performance which itself is the result of performance management.

This study considered organizational culture as a contextual factor of performance. Performance in the study implies non-financial performance in three different perspective that are customer perspective, internal process perspective, and innovation and learning perspective.

Figure 2.3 Conceptual Framework



2.4 Research Hypothesis

In order to answer the research questions and achieve the objectives of the study, the following hypothesis is developed and will be tested in this research to verify the under listed hypotheses.

- i. There is a positive relationship between Organizational culture ‘involvement’ and performance.
- ii. There is a positive relationship between Organizational culture ‘consistency’ and performance.
- iii. There is a positive relationship between Organizational culture ‘adaptability’ and performance.
- iv. There is a positive relationship between Organizational culture ‘mission’ and performance.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The methodology focuses on research approach, research design, variables, target population, sampling technique, sample size, data collection instrument, method of data collection and data analysis and presentation tools to report the study results.

3.2 Research Design and Approach

The research design basically outlines the activities that are necessary to execute the research. According to Cooper (2006), the research design provides an operational frame within which facts will be placed, processed through analyzing procedures and valuable research output is produced.

The study adopted a quantitative approach to gather relevant data to determine how organizational cultures (independent variables) are associated with organizational performance (dependent variable) in Bank of Abyssinia. The study also employed a descriptive and inferential type premised to describe the findings. The study dependent variable is organizational performance, while independent variables were organizational culture. The structured questionnaire was developed to assess both variables and used as the main research instrument for the study.

3.3 Types and sources of data

3.3.1 Primary Source

All the necessary data was gathered from the primary and secondary source. The primary data was collected through structured questionnaire from the employees still working in Bank of Abyssinia.

3.3.2 Secondary Source

The secondary sources were annual reports, books, articles and webpage of the bank for the literature review about organizational culture and performance.

3.4.1 Target Population

According to the data from the Human Resource Department at the Bank of Abyssinia have a total of 4120 permanent employees. And the study was concluded only on Grade II, Grade III and corporate branches under central district and head office at legahar, But, branches, head offices at different places in Addis Ababa and other districts (Bahir Dar District, Dessie District, East District, Hawassa District, Mekelle District, Jimma District and West District) was not included under this study due to the reasons stated in the scope and delimitation of the study.

Thus, due to the above stated fact and taking in to account the similarity of the banking job the researcher decided the population size of this study to be 150 employees only working under central district Grade II, Grade III and corporate branches and departments at head office.

3.4.2 Sampling Frame

As specified earlier, target population of this study (150 employees) includes employees working in grade II, Grade III and corporate branches and main head office at legehar having work experience on customer service, administrative and strategic exposure in the banking business.

Thus, the researcher has grouped the respondents in to four groups: head office management staff, branch managers/deputy, customer service officers and professional employees who all have first degree and above qualification. Managerial employees refer to highly experienced employees who have supervisory, administrative or strategic exposure in the banking business. On the other hand, other professionals and customer service officers are a front-line worker who have direct contact to the bank's business and customers of the bank.

On the other hand, employees who have managerial positions under this study are Branch Managers, Deputy Branch Managers, Relationship Managers, Directors, Operational Managers, Business Managers, Team Leaders. Professional /front line workers includes more of Customer Service officers, Internal Auditors, Marketing Officer, and cash supervisors. Whereas, the study excludes Semi/Non- professional employees of Bank of Abyssinia due to the fact that they have no exposure to strategic issues and very limited involvement in customer service that directly affect the performance of the bank. Thus, the response from the former employees considered more reliable by the researcher.

3.4.3 Sample Size

The researcher tried to draw representative sample using Yumane's formula (Yumane, 1964) guided in selecting the appropriate sample size for the Bank of Abyssinia employees recruited in the study. The working sample was guided by Yumane's form.

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n = is the sample size

N= is the population

1= is a constant

e²= is the estimated standard error which is 5% for 95% confidence level

$$n = 150/1+150(0.05^2) = 110$$

Accordingly, the researcher used confidence interval of 95%, which is the level of certainty whether the response for each question is the true answer or not. 5% margin of error which is the amount of error from difference in the responses the researcher can tolerate when drawing a conclusion from the data. Hence, 110 is accepted as a representative sample size of the target population

Questionnaires were distributed to 110 BoA employees proportionately with respect to their job category and position composition. Stratified sampling was used to distribute the survey questionnaires to acquire employee perception towards Bank of Abyssinia organizational culture and performance. The below table shows proportionate sampling, how the representative sample size (110 employee) was distributed across the various departments and branches.

Table 3.1 Population Distribution

Department/Branch	Staff Composition	No of Br @central District	Population	Distribution	Sample Size
Corporate Branchs	Manager /Deputy &CSOs	2	30	72%	22
Grade III Branchs	Manager /Deputy &CSOs	4	30	72%	22
Grade II Branchs	Manager /Deputy &CSOs	12	45	72%	33
Head office	Directors, Team leaders, Managers, Relationship Managers, professionals	1	45	72%	33
Total			150		110

3.5 Data collection method/instrument

The researcher tried to assess if there is a link between organizational culture and organizational performance, and explore the effect of organizational culture on the Bank of Abyssinia’s performance. Different literatures and empirical studies were reviewed to gain insights and background information about the effect of different types of organizational culture on the organizational performance. This helps to better understand the problem of the study and adopt measurement scale developed by Daniel Denison (year) for the independent variable culture and performance measurement scale by Norton and Kaplan (1992). Accordingly, the data collection method questionnaire was developed having three parts: Part I is to collect the respondents basic/demographic information, Part II is questions to assess the respondent’s level of agreement on the culture aspects of the bank and Part III contains questions to assess to what extent the performance is achieved according to the respondent.

The measurement scales involve closed ended questions with Likert scale was applied from Strongly Disagree (1) to Strongly Agree (5) to what extent the respondent agree for dependent and independent variables list of questions.

3.5.1 Data Collection Procedure

First, the study proposal was developed and gets approval from the advisor. After the proposal approved a formal letter was sent to BOA to request a permission to carry out the study. Once the permission was granted by BoA, the researcher develop questionnaire piloted the study tool with 5 respondents for validity test. Feedback from the questionnaire pilot was used to simplify the language and to clearly state questions. The questionnaires were printed and physically distributed to the respondents. Respondents were given two days to fill in the questionnaire, after which, the researcher collected all the questionnaires through the office mail delivery channel.

3.5.2 Data Content

The primary data was collected from employee of BoA through structured questionnaire. The researcher used closed ended questionnaire for gathering information from employees of BoA about the effect of organizational culture on the performance of the bank. The researcher reviewed secondary source of information which are annual report of the bank, books, journals, articles, company website, available on the study of organizational culture and performance.

The primary instrument for data collection in this research was structured questionnaire having three parts. The main part of the questionnaire was part II and part III which measures the organizational cultures of the case in the study and its performance respectively. Thus, organizational culture was measured using the measurement dimension adapted from the Denison organizational culture survey. The instrument has four sub scales, measuring the four main cultural traits namely: involvement, consistency, adaptability and mission using a 5 - point Likert scale, on which label given for respondent to express their level of agreement for each item among the scales and then the average score on each trait was used during data analysis and interpretation. In addition, organizational performance was measured by using non-financial performance measurement questionnaire. This part contains 9 items that measure the organizations level of non-financial performance in three perspectives which are customer perspective, internal process perspective and innovation and learning perspective according to the BSC by Norton and Kaplan (1992) measure was done by using a 5-point scale ranging from ‘1- to a very little extent’ to ‘5- is to a very great extent’.

3.6 Validity and Reliability

As stated by Hair et al., (2007) reliability implies the extents to which some variables or set of variables is consistent in what it is intended to measure”. Reliability analysis used to measure the consistency of a questionnaire. Validity and reliability of the measures need to be assessed before using the instrument of data collection (Hair et al., 2003). Validity concerns whether an instrument can accurately measure, while reliability pertains to the consistency in measurement. There are different methods of reliability test, for this study Cronbach’s alpha is considered to be suitable. Cronbach’s alpha is the most common measure of reliability. For this study the Alpha coefficients for the dimensions and the overall scale calculated as a reliability indicator was presented in the following table. As described by Andy (2006) the values of Cronbach’s alpha more than 0.7 is good. The alpha values in this study were greater than 0.7 and had very good reliability for the questioners.

Table 3.2 Result of reliability analysis for the questionnaire

Indicators	Number of Attributes	Cronbach’s Alpha
Involvement	9	0.881
Consistency	9	0.882
Adaptability	9	0.909
Mission	9	0.926
Organizational Performance	9	0.923
Overall	45	0.965

Moreover; among the three validity measures by Greener (2008), construct validity, face validity (external validity), and internal validity, construct validity was considered in designing the survey instrument.

Construct validity is the assumption that the instruments must actually measure what they are purported to measure. To overcome this challenge, the draft survey questionnaire was pilot tested with 5 randomly selected respondents and feedback from the pilot testing was incorporated into designing of the final survey questionnaire. The purpose of the pilot test is to help the researcher to get feedback as whether the questionnaire is constructed to fit with its purpose especially in detecting some redundant, ambiguous, and unclear items of the questionnaire. The participants of

the pilot test indicated some unclear question and some technical words to be cleared that was very helpful for the researcher to correct it before the questionnaire distributed.

The said pilot testing was used to check the reliability and validity of the instrument and the feedbacks obtained were instrumental in increasing the response rate understandability of the questionnaire.

3.7 Method of Data Analysis

The researcher analyzed and interpreted the data by using Statistical Package for Social Sciences (SPSS) 23, descriptive and inferential analysis methods. This cross-sectional data / single point in time responses was analyzed and interpreted through Pearson Correlation and regression analysis to determine the relationship and the effect of the two variables by using SPSS 23. The data was analyzed using descriptive and inferential statistics helpful to identify and describe how the independent variables (organizational culture) affect dependent variables (non-financial performance) and lastly to give some recommendation based on the findings from the analysis. Lastly major findings were interpreted based on the result from the analysis. All data was analyzed using SPSS and study was descriptive; hence it was analyzed in terms of mean, standard deviation, and correlation matrix.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS & INTERPRETATION

4.1 Introduction

This chapter describes the analysis and interpretation of the collected data about the Relationship between Organizational Culture and organizational performance taking Bank of Abyssinia as a case company. The chapter is consisting of different topics such as: introduction, response rate, demographic characteristics of respondents, involvement culture, consistency culture, adaptability culture, mission culture, and Non- financial performance. Finally, the chapter presents the relationship and effect of organizational culture on performance using correlation and regression analysis.

4.2 Response Rate of the Respondents

Out of 110 questionnaires distributed to employees of Bank of Abyssinia and all questionnaires were collected and the response rate was 100%.

Table 4.1 Response Rate

Target population	Total questionnaire Distributed	Questionnaire returned	Not Responded	Response Rate
150	110	110	0	100%

4.3 Demographic Characteristics of Respondents

To find out general profile of the respondent, the respondents were asked their, age, gender, educational qualification, years of service at BoA and their job category at BoA. The results obtained from the structured questionnaires are presented on the table 4.2 and graph 4.1 below.

Table 4.2 Demographic Characteristic of the Respondents

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Age	21-30	44	40.0	40.0	40.0
	31-40	48	43.6	43.6	83.6
	41-50	17	15.5	15.5	99.1
	51 and Above	1	.9	.9	100
Gender	Female	42	38.2	38.2	38.2
	Male	68	61.8	61.8	100.0
Educational Qualification	BSc/BA	63	57.3	57.3	57.3
	MSc/MA and above	47	42.7	42.7	100
Year of Service at BoA	Below 5 yrs	46	41.8	41.8	41.8
	6-10 yrs	22	20.0	20.0	61.8
	11-15 yrs	26	23.6	23.6	85.5
	15 yrs and above	16	14.5	14.5	100
Job Category	Management staff at HO		24.55	24.55	24.55
	Professionals /support dtaff		22.73	22.73	47.28
	Customer service officers		39.09	39.09	86.37
	Branch Manager/Deputy		13.64	13.64	100

From the 95 respondents 36(38.2%) were male and 59(61.8%) of the respondents were female.38 (40%) of the respondents are between 21 to 30 years old whereas 41(43.6%) were from 31 to 40years old. 15(15.5%) were from 41 to 50 years. 1(0.9%) were above 50 years. Regarding educational level, more than half of the respondents 54 (57.3%) are first degree holders, 41(42.7%) are post graduates and above. 40(41.8%) of the respondents are below 5 years working experience. 9(20%) of respondents served the bank under the study 6 to 10 years. 22(23.6%) of respondents served the bank under the study 11 to 15 years. the remaining 14(14.5%) served the bank for above 15 years. when we come to the Job category most of the respondents 38(39.9%) were cusomer service officers. 23(24.55%) were management staff at head office.22(22.73%) of the respondents were professional staff or support staff . the remaining 13(13.64%) were the branch managers/deputy branch managers.

4.4 Descriptive Analysis on Organizational Culture

In order to understand the organizational culture at Bank of Abyssinia, employees were asked to give their level of agreement to statements with regard to the four dimensions. Employees rating in five points of Likert scale are then analyzed with descriptive statistics of mean and standard deviation. A 5-point Likert scale was used to rate the various indicators whereby 1 point was accorded to ‘Strongly disagree’, 2 point as ‘Disagree’, 3-point as ‘Neutral/ undecided’, 4-point as ‘Agree’, and 5-point as ‘Strongly Agree’. The analysis results are presented in subsequent tables each deals with one dimension of organizational culture at Bank of Abyssina.

According to Zaidation and Bagheri (2009), the mean score below 3.39 is considered as low, the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considered as high. In this section, frequency distribution and the percentage of respondents for each dimensions of organizational culture of BoA using the Denison’s culture components: Involvement, Consistency, Adaptability and Mission under the employee’s point of view.

4.4.1 Effect of Organizational Culture Involvement on Performance

This section discusses about the involvement dimension of the organizational culture of Bank of Abyssinia. This dimension is evaluated with respect to its three sub-dimensions each having three questions i.e. empowerment, team orientation and capability development. The result of the analysis is depicted under table 4.3 below.

Table 4.3 The Involvement Cultural Dimension at BoA

Description	Mean	Std. Dev
In Bank of Abyssinia decisions are made at the levels where the right information is available.	3.29	0.88
Employees believe that they have a positive impact on BoA's performance.	3.69	1.03
Information is widely shared so that employees can access the information they need easily.	3.11	1.05
Cooperation across different parts of the organization is highly encouraged.	3.38	1.15
Teamwork is used to get work done, rather than to keep the Hierarchy.	3.58	1.08
Employees work as they are part of a team.	3.78	1.04
Authority is delegated so those, employees can act by their own up to their discretion limit.	3.19	0.97
There is a continuous investment to develop the skills and capabilities of employees.	3.53	1.04
The capabilities of employees are viewed as an important source of competitive advantage.	3.50	1.03
Involvement	3.45	1.02

Source: Own Survey, 2019

One of the culture dimensions, involvement with nine statements scored mean ranges from the smallest 3.11 (Information is widely shared so that employees can access the information they need easily) to the largest 3.78 (Employees work as they are part of a team). The involvement culture is found to be a common practice with a mean score, $M=3.45$ which is a moderate agreement. In general, the involvement culture dimension, which is an aggregate of its three sub-dimensions, is then evaluated to have been practiced to the level $M=3.45$ and this result shows that BoA has moderately practicing involvement organizational culture according to the framework suggested by Zaidation and Bagheri (2009). The standard deviation of involvement cultural measurement is 1.02 which is low as depicted above on table 4.3, this shows most of individual responses are close to the average /mean.

4.4.2 Effect of Organizational Culture Consistency on Performance

This section discusses about the consistency component of organizational culture as assessed by the perception of employees of Bank of Abyssinia. The consistency culture at BoA is evaluated

with respect to its three sub-dimensions each having three questions i.e. Core values, agreement and coordination and Integration. The result of the analysis is depicted in table 4.4 below.

Table 4.4 The Consistency Cultural Dimension at BoA

Description	Mean	Std. Dev
Leaders "practice what they preach".	3.01	0.98
There is a clear and consistent set of values that govern the way Bank of Abyssinia does business.	3.41	0.92
There is an ethical code that guides employees' behavior and tells differentiating right from wrong.	3.51	1.01
When disagreements occur, employee effort is to achieve a "win-win" solution.	3.25	0.97
There is a clear agreement regarding the right way and the wrong way to do things.	3.44	1.02
It is easy to reach consensus; even conflicting issues occurs.	3.35	0.89
Employees from different parts of the organization share a common perspective.	3.24	0.97
It is easy to coordinate projects across different parts of the organization.	2.98	0.98
The approach doing business is very consistent and predictable.	3.17	1.03
Consistency Average	3.26	0.97

Source: own Survey, 2019

One of the culture dimensions Consistency with nine statements scored mean ranges from the smallest 2.98(It is easy to coordinate projects across different parts of the organization.) to the largest 3.51(There is an ethical code that guides employees' behavior and tells differentiating right from wrong.). The consistency culture with respect to performance is found to be a common practice with a mean score, $M=3.26$ which is a low agreement.

In general, the Consistency culture dimension, which is an aggregate of its three sub-dimensions, is then evaluated to have been practiced to the level $M=3.26$ and this result shows that BoA has low practicing consistency organizational culture as suggested by Zaidation and Bagheri (2009).The standard deviation of Consistency cultural measurement is 0.97 which is low as depicted above on table 4.4 this shows most of individual responses are close to the average /mean.

4.4.3 Effect of Organizational Culture Adaptability on Performance

In this section discussed about Organizational culture of Bank of Abyssinia using the Denison's culture component 'Adaptability. The adaptability culture at BoA is evaluated with respect to its three sub-dimensions each having three questions i.e. creating change, Customer focus and Organizational learning. The result of the analysis is presented in table 4.5 as depicted under.

Table 4.5 The Adaptability Cultural Dimension at BoA

Description	Mean	Std. Dev
Better ways to do work are continually adopted.	3.38	1.10
All parts of the organization cooperate to create change.	3.19	1.10
Bank of Abyssinia responds well to the competitors' actions and other changes in the business environment.	3.14	1.19
Customers' feedback often leads to changes.	3.75	1.16
Employees understand customer's wants and needs.	3.67	1.04
Customer input directly influences decision at different level.	3.70	0.96
Innovation is encouraged and rewarded.	2.97	1.14
Learning is an important objective for employees' day-to-day work.	3.50	1.19
Bank of Abyssinia view failures as an opportunity for learning and improvement.	2.95	1.16
Adaptability	3.36	1.11

Source: Own Survey, 2019

One of the culture dimensions Adaptability with nine statements scored mean ranges from the smallest 2.95(Bank of Abyssinia view failures as an opportunity for learning and improvement) to the largest 3.75(Customers' feedback often leads to changes). The adaptability culture with respect to performance is found to be a common practice with a mean score, $M=3.36$ which is a higher agreement.

In general, the Adaptability culture dimension, which is an aggregate of its three sub-dimensions, is then evaluated to have been practiced to the level $M=3.36$ and this result shows that BoA has moderately practicing Adaptability organizational culture according to the framework suggested by Zaidation and Bagheri (2009). The standard deviation of adaptability cultural measurement is

1.11 which is low as depicted above on table 4.5 this shows most of individual responses for this dimension are close to the average /mean.

4.4.4 Effect of Organizational Culture Mission on Performance

In this section discussed about Organizational culture of Bank of Abyssinia using the Denison’s culture component ‘Mission’. The consistency culture at BoA is evaluated with respect to its three sub-dimensions each having three questions i.e. Strategic Direction Intent, Goal and objective and Vision. The result of the analysis is presented in table 4.6 as depicted under.

Table 4.6 The Mission Cultural Dimension at BoA

Description	Mean	Std. Dev
There is a clear mission that gives meaning and direction to my work.	3.81	1.10
Bank of Abyssinia strategic direction is clear to me.	3.49	1.09
The bank has long-term purpose and direction.	3.70	1.06
Leaders set goals that are ambitious, but realistic.	3.25	1.04
Bank of Abyssinia continuously tracks its progress against the stated goals.	3.47	0.96
There is widespread agreement about the goals of the company.	3.34	0.98
Employees of BoA have a shared vision of what the organization will be like in the future.	3.67	0.97
Leaders have a long-term viewpoint.	3.39	1.08
Bank of Abyssinia vision creates excitement and motivation for its employees.	3.41	1.03
Mission	3.50	1.04

Source: Own Survey, 2019

One of the culture dimensions Mission with nine statements scored mean ranges from the smallest mean score 3.25(Leaders set goals that are ambitious, but realistic.) to largest mean score 3.81(There is a clear mission that gives meaning and direction to my work). The mission culture dimension with respect to performance is found to be a very common practice with rated to the level a mean score, M=3.50 which is moderate practice

In general, the mission culture dimension, which is an aggregate of its three sub-dimensions, is then evaluated to have been practiced to the level M=3.50 and this result shows that BoA moderately practicing Mission organizational culture according to the framework suggested by

Zaidation and Bagheri (2009). The standard deviation of Mission cultural measurement is 1.04 which is low as depicted above on table 4.6, this shows most of individual responses are close to the average /mean.

4.5 Descriptive Analysis on Organizational Performance

In this section organizational performance is assessed using non-financial performance indicators i.e. the BSC, which is developed by Norton and Kaplan (1992). According to this work, organizational Non -financial performance is evaluated with respect to its three sub-dimensions each having three questions each i.e. Customer perspective, Internal process perspective and Innovation and Learning perspective. Employees then rated these statements with a five-scale agreement and it is presented as follows the result of the analysis is presented in table 4.7 as depicted under

Table 4.7 The Organizational Performance at BoA

Description	Mean	Std. Dev
Customers are satisfied with the Banks' product/ service quality.	3.39	1.05
The bank has a good relationship with customers relative to other competitor banks.	3.55	1.04
The bank has recognizable image and favorable reputation by its customers.	3.79	0.94
Customers are served with in the standard delivery time (SDT) set by the bank.	3.47	0.92
BoA has satisfactory products/services variety for its customers.	3.40	1.02
Customers are happy by the bank's 'after-sales' service.	3.33	0.98
BoA employees are operationally efficient/competent.	3.66	0.87
I believe that my service to the company and the contributions that I have made are appreciated.	3.53	0.96
The people with whom I work have the appropriate skill set to contribute to the Bank's success.	3.64	0.89
Organizational Performance	3.53	0.96

The average agreement to these statements ranges from the smallest mean 3.33(Customers are happy by the bank's 'after-sales' service) to the largest mean 3.79(The bank has recognizable image and favorable reputation by its customers.). This indicates that culture has moderate level of rating to the performance of BoA. Overall, the Non-financial performance level of BoA as perceived by the sampled employees is computed to the level M=3.53, which is a moderate level of performance. This implies that culture affects the performance moderately to the level M=3.53.

The standard deviation of organizational performance measurement is 1.11 which is low as depicted above on table 4.7 this shows most of individual responses for this dimension are close to the average /mean.

4.6 Relationship between Organizational Culture and Non-financial Performance

One of the objectives in this research is to study the relationship of Non-financial performance with the organizational culture practice at BoA. In order to evaluate this relationship, a Pearson Product Movement Correlation Coefficient is conducted with the result shown in the matrix below. As per Saunder (2009), a correlation coefficient enables to quantify the strength of the linear relationship between variables. This coefficient is usually represented by 'r' and can take only the value from -1 to +1.

4.6.1 Pearson Correlation Analysis

This study implements correlation analysis, which investigates the strength of the relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 + 1.0). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

Pearson correlation is +1 in the case of a perfect increasing (positive) linear relationship (correlation), -1 and 1 in all other case indicating the degree of linear dependency between variable. To determine the relationship between the four Organizational culture of Bank of Abyssinia using non-financial performance measures dimensions, Pearson correlation was computed. Table 4.7 the correlation analysis matrix, presents the results of Pearson correlation on the relationship.

Table 4.8 Correlation Analysis Matrix

		Organizational Performance
Organizational Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	110
Involvement	Pearson Correlation	.407 ^{**}
	Sig. (2-tailed)	.000
	N	110
Consistency	Pearson Correlation	.447 ^{**}
	Sig. (2-tailed)	.000
	N	110
Adaptability	Pearson Correlation	.512 ^{**}
	Sig. (2-tailed)	.000
	N	110
Mission	Pearson Correlation	.595 ^{**}
	Sig. (2-tailed)	.000
	N	110

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

Source: Own Survey, 2019

Accordingly, From the above correlation analysis table 4.7 result, noted that there is significant positive relationship between organizational performance and the identified cultural dimensions (Involvement, Consistency, Adaptability and Mission). The mission dimension is the dimension with strong relationships with performance indicated by $r=0.595$, followed by the adaptability dimension with $r=0.512$. Both mission and consistency culture have strong positive relationship with performance. The involvement and consistency dimension, are moderately related to performance with $r=0.407$ and $r=0.447$ respectively. These strong positive relationships indicate that the performance has increased due to the adequate level practice of organization culture at BoA. So, the moderate level of performance at BoA, $M=3.53$ influenced by the perception of employees on organization culture practice.

In General; Mission had stronger positive and significance correlation with organizational performance than the other cultural dimensions. Adaptability had strong and positive correlation to the performance. On the same side consistency also has strong positive correlation to the performance. However, Involvement was relatively less strong positive correlation to the

performance than other cultural dimensions. Over all cultural dimensions involvement, consistency, adaptability and Mission had significant positive correlation to organizational Non-financial performance of Bank of Abyssinia. This implies when there is an increase on those cultures or when these cultures become strong the performance of the bank will increase significantly.

4.7 Multiple Regression Analysis for the Effect of Organizational Culture on performance

Multiple regressions are the most common and widely used to analyze the relationship between a single continues dependent variable and multiple continues on categorical independent variable (George et al, 2003). In this study multiple regression analysis was employed to examine the relationship between organizational culture dimensions (Involvement, Consistency, Adaptability, and Mission) and performance. The coefficient of regression which is represented by R² measures the proportion in a dependent variable that can be explained by the independent variables.

The following table presents the results of multiple regressions analysis. Here the squared multiple correlation coefficients (R²) which tells the level of variance in the dependent variable (Non-financial Performance of Bank of Abyssinia) that is explained by the model summary under.

4.7.1 Model Summary

Table 4.9 Model Summary of Regression Analysis

Model	R	R Square(R ²)	Adjusted R Square(R ²)	Std. Error of the Estimate
1	.624	.390	.366	.60436

Source: SPSS Regression results output, 2019

The results of multiple regressions, as presented in table 4.9. Above, the coefficient of determination, i.e adjusted R Square, is computed to be 0.366=36.6%. That implies 36.6% of the variation of performance can be predicted by the independent variables Mission, Involvement, Adaptability, and Consistency. That is the organization culture at BoA has 36.6% influences on its Non-financial performance. The remaining 63.4% of the variation on performance can be

explained by other variables. This implies that organization culture at BoA considerably influences Non-financial performance.

4.7.2 ANOVA Table

From the ANOVA table 4.11 Shows that accepting at least one of the Organizational cultures of Bank of Abyssinia (Mission, Involvement, Adaptability, and Consistency) had a significant relationship on using Non-financial performance measures, since the p-value for F-Statistics (0.000) less than the significance level 0. 05.

Table 4.11 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	24.486	4	6.122	16.760	.000 ^b
Residual	38.351	105	.365		
Total	62.838	109			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Mission, Consistency, Adaptability, Involvement)

4.7.3 Coefficients

Based on the table 4.11, show the unstandardized beta coefficient, which tell us the unique contribution of each factor to the model. A high beta value and a small p value (<0.05) indicate the predictor variable has made a significance statistical contribution to the model. On the other hand, a small beta value and a high p value ($p > 0.05$) indicate the predictor variable has little or no significant contribution to the model Ggorge et al (2003).

The under depicted Table 4.12 Coefficients also indicates that involvement, adaptability, and mission had significant relation to organizational performance of Bank of Abyssinia at 95% confidence level, since their p-values 0.017, 0.013, and 0.000 for involvement, adaptability and mission respectively less than the significance level 0.05. But consistency had no significant influence to performance since their p-value 0.525 greater than the significance level 0.05.

Table 4.12. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.500	.302		4.966	.000
Involvement	-.185	.137	-.180	-1.353	.017
1 Consistency	.092	.144	.084	.638	.525
Adaptability	.223	.119	.249	1.878	.013
Mission	.463	.102	.500	4.544	.000

- a. Dependent Variable: Organizational Performance
- b. Predictors: (Constant), Mission, Consistency, Adaptability, Involvement)

SPSS Regression results output, 2019

To further assess the effect of organization culture on Non-financial performance, **multiple linear** regression analysis was conducted and indicated as follows.

- a. Predictors: (Constant), Involvement Culture, Consistency Culture, Adaptability culture and Mission Culture.
- b. Dependent Variable: Employee Performance

Multivariate regression model is applied to determine how organizational culture in BoA affects performance. The following model is used with four predictor variables that is X1, X2, X3and X4.

Where Y is the performance, X1 is the involvement culture, X2 is the consistency culture, X4 is the Adaptability culture and X4 is the mission culture, e is the error term.

From the significant and insignificant cultural dimensions to Organizational Performance of Bank of Abyssinia using Non-financial performance can construct the model as follows.

$$\text{Organizational Performance} = 1.500 - 0.185 \text{ Involvement} + 0.092 \text{ consistency} + 0.223 \text{ Adaptability} + 0.463 \text{ Mission.}$$

4.7.4 Hypothesis testing

Hypothesis testing is based on standardized coefficients beta and p-value to test whether the hypotheses are accepted or rejected.

Hypothesis 1: There is significant relationship between Involvement and Organizational Performance.

The results of multiple regressions, as presented in table 4.11 above, revealed that involvement has a negative and significant relationship to organizational performance using non-financial performance measures with Beta = -0.185, at 95% confidence level ($p < 0.05$). The beta value (-0.185) shows as one-unit increase in involvement there will be 18.5% decrease on organizational performance. Therefore, the researcher may reject the hypothesis, this indicates that involvement has a negative and significant influential relationship to organizational performance of Bank of Abyssinia using non-financial performance measures.

Hypothesis 2: There is significant relationship between Consistency and Organizational Performance

The results of multiple regressions, as presented in table 4.11 above, revealed that consistency have a positive relationship to organizational performance of Bank of Abyssinia using non-financial performance measures with Beta = 0.092, at 95% confidence level ($p > 0.05$). However, the beta value (0.092) shows as one-unit increase in consistency there will be 9.2% increase on organizational performance. Therefore, the researcher accepts the hypothesis, this indicates that consistency has a positive impact on organizational performance of Bank of Abyssinia under non-financial performance measures.

Hypothesis 3: There is significant relationship between Adaptability and Organizational Performance

The results of multiple regressions, as presented in table 4.11 above, revealed that Adaptability have a positive and significant relationship to Organizational Performance of Bank of Abyssinia using Non-financial performance measures with Beta = 0.223, at 95% confidence level ($p < 0.05$). The beta value (0.223) shows as one-unit increase in involvement there will be 22.3% increase on organizational performance. Therefore, the researcher accepts the hypothesis, and this

indicates that adaptability has a positive and significant relationship to organizational performance of Bank of Abyssinia using non-financial performance measures.

Hypothesis 4: There is significant relationship between Mission and Organizational Performance

The results of multiple regressions, as presented in table 4.11 above, revealed that mission have a positive and significant relationship to organizational performance of Bank of Abyssinia using non-financial performance measures with Beta = 0.463, at 95% confidence level ($p < 0.05$). the beta value (0.463) shows as one-unit increase in mission there will be 46.3% increase on organizational performance. Therefore, the researcher accepts the hypothesis, this indicates that mission has a positive and significant influential relationship to organizational performance of Bank of Abyssinia using non-financial performance measures.

In general, the three cultural dimensions Involvement, adaptability, and mission have positive significant relationship to performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study findings and results and based on the key findings and results, conclusions are drawn and some recommendations are given accordingly.

The main objective of this study was to assess and identify the effect of organizational culture on the organizational performance the case of bank of Abyssinia. Therefore; the researcher has summarized the findings, and has given conclusions and recommendation based on the information collected and analyzed.

5.2 Summary of Findings

On this section the researcher presents the summary of key findings of the study and they are outlined as follows.

- 110 responses which is represented by 100% response rate were valid for analysis.
- The study revealed that the respondents were composed of male staff which constitutes 61.8% and the other 38.2% are female staff.
- From the age group data, 44(40%) of the respondents are in the age group of 21-30 years,48(43.6%) of the respondents are in the age group of 31-40, Those in the age group of 41-40 years and above years constitute 18(16.5%) of the respondents.
- The study revealed that respondents from each employment category under the study are involved. The majority 43(39.09%) are customer service officers. Management staff at HO, professionals /Support staff / and Branch Managers /Deputy/ are 27(24.55%), 25(22.73%) and 15(13.64%) respectively.
- From involvement culture, three sub dimensions of empowerment, team orientation and capacity development are measured and found M=3.45 which is moderate agreement. The involvement culture dimension, which is an aggregate of its three sub-dimensions is evaluated to have been practiced moderately to the level M=3.45

- In relation to consistency culture, statements in relation to the agreement sub-dimension core values agreement and coordination and integration are found the agreement is rated to the level, $M=3.26$ and the sub-dimension is assessed with employees' level of agreement, and evaluated to have been practiced moderately to the level $M=3.26$.
- From adaptability culture, three sub dimensions of creating change, customer focus and organizational learning are measured and found $M=3.36$ which is moderate agreement. The adaptability culture dimension, which is an aggregate of its three sub-dimensions is evaluated to have been practiced moderately to the level $M=3.36$
- From Mission culture, three sub dimensions of strategic direction and intent, Goals and Objectives, and vision are measured and found $M=3.50$ which is moderate agreement. The mission culture dimension, which is an aggregate of its three sub-dimensions is evaluated to have been practiced moderately to the level $M=3.50$.
- The non-financial performance was assessed with nine performance indicator statements. The average agreement to these statements ranges from the smallest 3.33 to the largest 3.79. For all these statements, the non-financial performance level of Bank of Abyssinia is computed to the level $M=3.53$, which is a moderate level of performance.
- From the **Correlation Analysis Matrix**, it is found that all the four organization culture dimensions involvement, consistency, adaptability and mission are found to have positive correlation with the Non-financial performance. The mission dimension is the most related to performance with $r=0.595$ followed by the adaptability dimension with $r=0.512$. and the consistency and involvement are moderately related to performance with $r=0.447$ and $r=0.407$.
- To further assess the effect of organization culture on performance using **Multiple Regression Analysis** (model summary) was conducted, from the regression result, the coefficient of determination, i.e R Square, is computed to be $0.366=36.6\%$.
- Using **ANOVA** regression analysis, the unstandardized beta coefficient, which tell us the unique contribution of each factor to the model. A high beta value and a small p value (<0.05) indicate the predictor variable has made a significance statistical contribution to

the model. since the p-value for F-Statistics (0.000) is less than the significance level 0.05.

- **Coefficients** also indicates that involvement, adaptability, and mission had significant relation to performance at 95% confidence level, since their p-values 0.017, 0.013, and 0.000 respectively less than the significance level 0.05. But consistency had no significant influence to performance since their p-value 0.525 greater than the significance level 0.05.
- **Hypothesis testing** from results of multiple regressions, as, revealed that involvement culture has a negative relationship to organizational performance using Non-financial performance measures with Beta = -0.185, at 95% confidence level ($p < 0.05$). consistency culture has a positive and insignificant influential relationship to performance with Beta = 0.092, at 95% confidence level ($p > 0.05$). Adaptability culture has a positive and significant relationship to performance with Beta = 0.223, at 95% confidence level ($p < 0.05$). Mission culture has a positive and significant relationship to Performance with Beta = 0.463, at 95% confidence level ($p < 0.05$).

5.3 Conclusion

Based on the above findings on each research objective, the next section gives the conclusions in relation to each cultural component and its impact on performance of an organization. This research work justified that organizational culture has positive relationship and effect on organizational performance.

the result of this study indicates that the involvement practiced at moderate level, which shows that in the organization people moderately connected to their work, are aware of its importance, its connection to the rest of the organization, and are willing to accept additional responsibilities. Organizations which uphold an involvement culture emphasize on the input and participation of its members. This can be achieved by using implicit control system and giving the employees the authority and ability to manage and decisions that affect their own work.

As perceived by the study participants, the consistency aspect of organizational culture is found to being moderately practiced at Bank of Abyssinia. The consistency elements took the dimension of core values, agreement and coordination and integration with an aggregate practicing of this organizational culture at the moderate level. As per this study the consistency dimension has

positive relationship with non-financial performance and this is manifested by employees of the bank who participate in the study.

When there exists a culture of consistency in an organization, different functions and departments of the organization are able to work together well to achieve common goals. Responsibility of promoting this culture is the top management who are expected to be model by practicing what they preach and to set clear and consistent values, ethical codes that the employee easily predict and consistently practice it.

The Adaptability dimension of organizational culture is also reported to being moderately practiced at the Bank of Abyssinia. The Adaptability elements took the dimension of creating change, customer focus and organizational learning with an aggregate practicing of this organizational culture at the moderate level. As per this study the adaptability dimension has positive relationship with non-financial performance and this is manifested by the employees who participated on the study. When there exists a culture of Adaptability in an organization, better ways to do work are continually adopted different functions and departments of the organization, customer feedback often leads to change and innovation is motivated, for this it is the top management who are expected to view failures as an opportunity and to create change.

The mission culture is the organization's reason for existence and has sub dimensions of strategic intent and direction, objectives and goals and vision. As per the outcome of this dimension, employees perceive that this culture dimension has a moderate effect and is moderately practiced at the Bank. Therefore, knowing very well the reason why an organization exists will give an employee the motivation to achieve the organizational objectives. This study has shown that moderate-performing organizations have a committed workforce that is aligned with the organization's mission, vision and values. It came out very clearly that the top management are playing some role in influencing organizational mission culture so that it aligns to organizational strategy and structure. For a better result, top management is responsible towards the fulfilment of mission of the organization to own sustainable growth.

For an organization to achieve its objective, the mission statement advocates for strong work ethics and this study looked at if there is a clear mission that gives meaning and direction to employees that by extension, they influence employee job performance. The findings have clearly

indicated that a clear, shared and realistic mission highly influence employees to work towards the mission, hence high performance can be achieved.

In addition, the relationship of the different dimensions of organizational culture on performance, the effect of these four cultural dimensions constitutes 36.6%. The percentage contribution and effect on performance is increasing when it adds-on or strengthens organizational cultural dimensions like mission, adaptability, involvement and consistency culture.

5.4 Recommendations

Based on the findings of the study, in order to evaluate the success of an organization, organizational culture and performance are among the key influential factors. It is well recognized that organization's success indirectly depends on its existing culture and norm. In order to foster productivity, there should be continuous effort to maintain and enhance the existing culture and performance.

According to the overall study findings, organizational culture at Bank of Abyssinia, as evaluated by the identified four culture dimensions and as perceived by its employees, is found to be good. The relationship between the organization's culture and its performance is manifested through the four types of organizational culture. However, in order to keep this momentum going and to the strengthening of the organizational culture in the future, the following recommendations are suggested by the researcher.

5.4.1 Recommendations to Bank of Abyssinia

The following recommendations are made based on the summary of findings and conclusion:

- The Bank should review the existing culture once in a while, whether it is towards to the objective of the bank or not. Accordingly, if the culture is a strong culture the bank should work to maintain the culture or if it is found weak culture the bank should work to improve it.
- Among the organizational culture under review mission, with its sub-dimension strategic direction and intent, goals and objectives and vision, has a significantly higher impact on performance. Therefore, the bank should give a priority for the mission of the bank, should ensure the bank has clear and realistic mission that gives long term direction to all

employees of the bank. The bank should also make sure that the mission is well communicated to the employees of the bank.

- With regard to the study findings consistency with its sub dimension core value, agreement and coordination and integration and has the second highest significant impact on performance. Therefore, for a better performance the bank should maintain and improve the existing consistency culture by setting a clear and consistent values, policies, procedures, and agreements that the employee and the management staff commonly share and easily understand each other.
- From the review result adaptability with its sub dimension creating change, customer focus and organizational learning also has a significant impact on performance of Bank of Abyssinia. In addition, due to the business world is constantly changing; adaptability is the core culture to follow the change. Therefore, the bank should take a customer feedback as a source for change, take attention for learning and development that can absorb the change and should motivate innovation.
- According to the research result involvement with its sub division empowerment, team orientation and capability development revealed that involvement have a negative relationship to organizational performance of the bank. This shows the bank is working involvement culture is very low. Therefore; the bank should conduct further research on the impact of involvement on performance.
- The cumulative effect of the four organizational culture shows that culture has a very significant impact on performance of the bank. Therefore, the existing culture can serve as a competitive advantage for the bank because culture is unique by its nature. whereas; still the remaining 63.4% impact to a performance from other factors related to performance. So, the organization should look for those contributing factors (might be job satisfaction, leadership style, salary and benefits, first move advantage, power distance, organizational structure, control systems and other issues) and this will in return maintain organization performance and ensure sustainable growth.
- The study only reviews the effect of culture on non-financial performance of the Bank as perceived by its employees. The overall performance level of the bank is at moderate level

of performance only measuring non-financial performance this implies there is adequate level practice of organization culture at BoA but this is not satisfactory instead the bank should have to work more on culture to have strong culture and ensure the achievement of its performance (financial performance and non-financial performance).

5.4.2 Recommendations for further studies

The following are some of the recommendations for future studies:

- This research study was done based on Denison's Model on organizational culture whereas; further research on the same organization can be done using a different framework of organizational culture as suggested above to bring depth understanding on the culture itself and its impact on organizational performance.
- This study was on the effect of organizational culture on non-financial performance. whereas it is recommended further research to be done on the effect of organizational culture directly to the financial performance which is very visible and an interest of all stake holders.
- It is recommended that the study to be conducted on the specific culture and to the specific performance by using large sample size at industry level and the result will be more specific and clearer for the user of the research result and of course the research result will be helpful for all financial institutions as a reference. `

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Addis Ababa University

School of Commerce

Department of Business Administration and Information System

Questionnaire to be filled by employees of Bank of Abyssinia

Dear Respondent: I am MBL post graduate student at Addis Ababa University School of commerce. This questionnaire is designed to collect relevant information for the research carried out on the topic “The effect of Organizational Culture on The Organizational Performance: The case of Bank of Abyssinia”. The study is conducted for academic purpose that is for partial fulfillment of the requirements of the Master of Business Leadership. Hence, your responses will be kept confidential.

The soundness and validity of findings highly depend on your honest and thoughtful responses. Therefore, I kindly request you to fill the questionnaire carefully and return at your earliest convenience.

Thank you in advance for your kind cooperation!

Part 1: General Profile (Please put (√) mark in the box that best describes you)

1. Age: 21-30 31-40 41-50 51 and above
2. Gender: Female Male
3. Educational Qualification: First Degree Post Graduate and above
4. Years of service at BoA: Below 5 yrs 6- 10 yrs 11-15 yrs 15yrs and above
5. Your Job Category at BoA: Management Staff at HO Professionals /support staff
 Customer Service Officer Branch Manager/Deputy

Part II: Organizational Culture of Bank of Abyssinia

Please indicate the degree of your agreement/disagreement with the following statements associated with the four traits of organizational culture: Involvement, Consistency, Adaptability and Mission in Bank of Abyssinia with their respective 3 indexes each. Please put (√) on the alternative choice that best describes your view using the five Point Likert Scale shown under.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral or Undecided	Agree	Strongly Agree

Traits of Organizational Culture in case of Bank of Abyssinia

I. Involvement					
Empowerment	1	2	3	4	5
1. In Bank of Abyssinia decisions are made at the levels where the right information is available.					
2. Employees believe that they have a positive impact on BoA’s performance.					
3. Information is widely shared so that employees can access the information they need easily.					
Team Orientation					
4. Cooperation across different parts of the organization is highly encouraged.					
5. Teamwork is used to get work done, rather than to keep the Hierarchy.					
6. Employees work as they are part of a team.					
Capability Development					
7. Authority is delegated so those, employees can act by their own up to their discretion limit.					
8. There is a continuous investment to develop the skills and					

capabilities of employees.					
9. The capabilities of employees are viewed as an important source of competitive advantage.					
II. CONSISTENCY					
Core Values	1	2	3	4	5
10. Leaders "practice what they preach".					
11. There is a clear and consistent set of values that govern the way Bank of Abyssinia does business.					
12. There is an ethical code that guides employees' behavior and tells differentiating right from wrong.					
Agreement					
13. When disagreements occur, employee effort is to achieve a "win-win" solution.					
14. There is a clear agreement regarding the right way and the wrong way to do things.					
15. It is easy to reach consensus; even conflicting issues occurs.					
Coordination and Integration					
16. Employees from different parts of the organization share a common perspective.					
17. It is easy to coordinate projects across different parts of the organization.					
18. The approach doing business is very consistent and predictable.					
III. ADAPTABILITY					
Creating Change					
19. Better ways to do work are continually adopted.					
20. All parts of the organization cooperate to create change.					
21. Bank of Abyssinia responds well to the competitors' actions and other changes in the business environment.					
Customer Focus					

22. Customers' feedback often leads to changes.					
23. Employees understand customer's wants and needs.					
24. Customer input directly influences decision at different level.					
Organizational Learning	1	2	3	4	5
25. Innovation is encouraged and rewarded.					
26. Learning is an important objective for employees' day-to-day work.					
27. Bank of Abyssinia view failures as an opportunity for learning and improvement.					
IV. MISSION					
Strategic Direction and Intent					
28. There is a clear mission that gives meaning and direction to my work.					
29. Bank of Abyssinia strategic direction is clear to me.					
30. The bank has long-term purpose and direction.					
Goals and Objectives					
31. Leaders set goals that are ambitious, but realistic.					
32. Bank of Abyssinia continuously tracks its progress against the stated goals.					
33. There is widespread agreement about the goals of the company.					
Vision					
34. Employees of BoA have a shared vision of what the organization will be like in the future.					
35. Leaders have a long-term viewpoint.					
36. Bank of Abyssinia vision creates excitement and motivation for its employees.					

Part III: Organizational Performance of Bank of Abyssinia using Non-financial performance measures

please indicate 1 (to a very little extent) to 5 (to a very great extent) to what extent Bank of Abyssinia achieves its non-financial performance mentioned under.

- 1 = To a very little extent
- 2 = To a little extent
- 3 = To some extent
- 4 = To a considerable extent
- 5 = To a very great extent

To what extent does Bank of Abyssinia achieve its Non-financial Performance in Customer Perspective, Internal Business Perspective and Innovation and Learning Perspective?

	1	2	3	4	5
Customer Perspective					
1. Customers are satisfied with the Banks’ product/ service quality.					
2. The bank has a good relationship with customers relative to other competitor banks.					
3. The bank has recognizable image and favorable reputation by its customers.					
Internal Business Perspective					
4. Customers are served with in the standard delivery time (SDT) set by the bank.					
5. BoA has satisfactory products/services variety for its customers.					
6. Customers are happy by the bank’s ‘after-sales’ service.					
Innovation & Learning Perspective					
7. BoA employees are operationally efficient/competent.					
8. I believe that my service to the company and the contributions that I have made are appreciated.					
9. The people with whom I work have the appropriate skill set to contribute to the Bank’s success.					

Thank you!!