



**THE EFFECT OF ORGANIZATIONAL CULTURE ON
ORGANIZATIONAL NON-FINANCIAL PERFORMANCE: THE CASE OF
ZEMEN BANK S.C"**

**BY
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DECLARATION

Under the supervision of my research advisor, Seifu Mamo (PhD), I hereby certify that the study titled "The Effect of Organizational Culture on Organizational Non-Financial Performance: A Case of Zemen Bank s.c" is my original work. It has been prepared and submitted to Addis Ababa University in partial fulfillment of the requirements for the Degree of Master of Business Leadership. No other university, including Addis Ababa University, has ever received this article for a degree award, and all information sources used in the study have been properly cited.

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STATEMENT OF CERTIFICATION

This is to certify that the research project "The Effect of Organizational Culture on Organizational Non-Financial Performance: The Case of Zemen Bank" completed by Sintayehu Arage under my supervision for the partial fulfillment of the requirements for the Degree of Master of Business Leadership at Addis Ababa University College of Business and Economics School of Commerce is an original work and has not been submitted previously for any degree award at this University or any other University.

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

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APPROVED BY BOARD OF EXAMINERS

The undersigned hereby attests to Addis Abeba University's acceptance of Sintayehu Arage's research project on The Effect of Organizational Culture on Organizational Non-Financial Performance: The Case of Zemen Bank in partial fulfilment of the requirements for the Masters of Arts Degree in business leadership.

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List of Abbreviations

BSC - Balanced Scorecard

CSOs - Customer Service Officers

CVF - Competing Values Framework

HO - Head Office

HR - Human Resources

MBL - Master of Business Leadership

NBE - National Bank of Ethiopia

OCI - Organizational Culture Inventory

PPMCC - Pearson Product-Moment Correlation Coefficient

ROA - Return on Assets

ROI - Return on Investment

SDT - Standard Delivery Time

SPMS - Strategic Performance Measurement System

SPSS - Statistical Package for the Social Sciences

VIF - Variance Inflation Factor

ZB - Zemen Bank

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Abstract

This study examines The Effect of Organizational Culture on Organizational Non-Financial Performance, with a focus on Zemen Bank S.C. in Ethiopia. Organizational culture, defined by shared values, beliefs, and practices, plays a pivotal role in shaping employee behavior and overall organizational success. The research employs Denison's Model of organizational culture, which includes four dimensions—Mission, Adaptability, Involvement, and Consistency—to assess their impact on the bank's non-financial performance. A mixed-methods approach was adopted, combining descriptive and inferential research designs. Primary data were collected through structured questionnaires distributed to 104 middle-level managers and clerical staff across Zemen Bank's branches and head office. The data were analyzed using SPSS, with results presented through descriptive statistics, correlation analysis, and multiple regression. Findings reveal that Adaptability and Involvement significantly and positively influence non-financial performance. Consistency and Mission, while positively correlated, did not show statistically significant effects in the regression model. The research underscores the importance of fostering a participatory and adaptable culture to enhance service quality, employee motivation, and customer satisfaction. It also highlights areas for improvement, particularly in mission clarity and cross-functional coordination. The study provides practical implications for Zemen Bank's leadership and contributes to the limited empirical literature on organizational culture in the Ethiopian banking context. Recommendations are made for enhancing cultural alignment with strategic goals, which is essential for sustaining competitiveness and managing digital transformation.

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

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In many industries, including banking, where rivalry and consumer expectations are only getting more intense, organizational culture has become a crucial determinant of corporate performance (Schein E. H., *Organizational Culture and Leadership.*, 2010). Culture is the basis for decision-making procedures, work ethics, and overall operational efficiency. It is defined as the common values, beliefs, and presumptions that direct employee behavior and organizational practices (Alvesson, M. & Sveningsson, 2015). Strong and flexible organizational cultures have been demonstrated to boost customer service, increase employee engagement, and eventually boost financial performance in the setting of financial institutions (Kotter & Heskett, *Corporate culture: The ultimate strategic asset*, 2015). Organizational culture is especially important in defining competitive advantage and long-term sustainability because of the banking industry's distinctive features, which include high regulation, risk management requirements, and customer-centric operations (O'Reilly & Caldwell, 2023).

Organizational culture is a critical factor that influences the performance, efficiency, and overall success of an organization. It encompasses the shared values, beliefs, norms, and practices that shape the behavior of employees and the way work is conducted within an organization. A strong organizational culture aligns employees with the organization's goals, fosters collaboration, and enhances productivity, ultimately leading to improved organizational performance (Schein E. H., *Organizational Culture and Leadership.*, 2010). Conversely, a weak or misaligned culture can lead to inefficiencies, low employee morale, and poor performance.

Many studies have been conducted in international settings to examine the relationship between organizational culture and performance, and researchers have shown definite connections between cultural traits and a range of performance metrics (Denison & Mishra, 1995). Models like Denison's Organizational Culture Model (2015) and Cameron and Quinn's Competing Values Framework (2015) have shown how various cultural kinds, such as clan, adhocracy, market, and hierarchy cultures, have varying effects on organizational outcomes. Particularly in the banking

industry, research has shown that innovative and customer-focused cultures are typically associated with improved risk management, increased profitability, and more robust market positioning (Hartnell, 2015). But since most of this research has been on developed economies, there are still a lot of unanswered questions about how these dynamics manifest in developing nations like Ethiopia, where banking environments face particular opportunities and problems.

This study is significant because it addresses a number of real-world issues that Zemen Bank and the larger Ethiopian banking industry face. First, recognizing and enhancing organizational culture becomes essential for preserving competitive advantage as the financial sector liberalizes and foreign banks join the market (World Bank, 2015). Second, a culture that encourages innovation and change is necessary for the bank's expansion objectives and digital transformation projects (McKinsey &, 2015). Third, issues with productivity and staff retention in Ethiopia's banking industry raise the possibility that cultural variables have a significant impact on HRM results (Belete, 2015). This study can offer practical insights for bank leadership and advance the scholarly knowledge of culture-performance links in developing market situations by analyzing the precise ways that organizational culture impacts performance at Zemen Bank.

According to organizational behavior and management science theoretical frameworks, there are several ways in which culture affects performance (Schein E. H., *Organizational Culture and Leadership.*, 2010). These include influencing innovation adoption rates, influencing consumer contact patterns, influencing operational decision-making processes, and impacting employee motivation and job satisfaction (Barney, 2015). Particularly in the banking industry, cultural elements may influence how well organizations handle financial risks, negotiate digital change, and stay in compliance with regulations while seeking expansion (DeYoung & Nolle, 2015). Knowing these cultural dynamics may be very helpful for organizational development and strategic planning projects for Zemen Bank, which has established itself as a technologically sophisticated and customer-friendly firm.

The Denison model offers a framework for assessing organizational culture through four key cultural attributes: mission, consistency, adaptability, and involvement. This model serves as a diagnostic tool to identify the strengths and weaknesses of an organization's culture, providing actionable insights for enhancing organizational performance. By evaluating these dimensions, the

model helps organizations understand how their culture influences effectiveness and offers solutions to address areas where cultural improvements are needed (Denison D. R., 1990).

This study's timing is especially pertinent as Zemen Bank manages important strategic possibilities and challenges. Significant changes are occurring in Ethiopia's banking industry, including increased foreign competition, regulatory reforms, and technological developments. In this situation, organizational culture can either facilitate or impede effective adaptation and expansion. Leadership at Zemen Bank may make better judgments on programs for cultural reform or reinforcement if they have a clear understanding of how the bank's culture currently affects performance. The results of the study may also have ramifications for other Ethiopian banks that are having trouble matching their organizational cultures to market needs and strategic goals.

1.2 Background of Zemen Bank (ZB)

Zemen Bank S.C. is a privately owned share company licensed by the National Bank of Ethiopia (NBE) in June 2008. It commenced operations in October 2008 with an initial paid-up capital of Birr 95 million, which has since grown to Birr 7.45 billion. As of June 2024, the bank operates through 128 branches and kiosk banking centers. To broaden its service reach, Zemen Bank continues to open new branches in Addis Ababa and regional towns.

The bank is governed by a Board of Directors, which includes a Chairperson, a Vice Chairperson, and seven Non-Executive Directors. Day-to-day management is overseen by a management team led by the President/Chief Executive Officer, who is appointed by the Board of Directors. The team also includes four Vice Presidents and sixteen department directors. The bank's organizational structure is divided into sixteen departments. As of June 30, 2024, Zemen Bank employed a total of 1,831 staff members. (Source: Zemen Bank S.C. (Zemen Bank s.c, 2024).

Zemen Bank has a clear vision, mission, objectives, and a range of services. Its vision is to become "Become a home of distinctive financial solutions and service excellence," while its mission is to deliver unique financial experience, engaging work environment and sustainable value for all our stakeholders using empowered workforce and technology, in socially responsible manner. The bank also aims to provide employees with an engaging, rewarding, and attractive work environment, alongside competitive compensation, and to deliver sustainable returns to shareholders.

The bank's primary objectives include relationship driven, socially oriented, Ethical and accountable, committed to diversity and committed to responsible finance professionalism.

Zemen Bank provides a variety of services, such as accepting different types of deposits, offering a range of loan facilities, delivering full-fledged international banking services, facilitating local and international money transfers, and providing card payment services through its ATM and POS networks.

1.3 Statement of the problem

Organizational culture is increasingly recognized as a critical driver of organizational performance, influencing employee behavior, decision-making processes, and overall effectiveness (Schein E. H., *Organizational Culture and Leadership.*, 2010). While financial metrics such as profitability and revenue growth are often used to measure organizational success, non-financial aspects such as employee satisfaction, customer loyalty, innovation, and adaptability are equally important in determining long-term sustainability and competitive advantage (Kaplan & Norton, 1996).

One of the top private financial companies in Ethiopia, Zemen Bank, works in a more regulated and competitive market. The bank's organizational culture may be the cause of a number of issues it encounters despite its expansion and market presence, such as staff turnover, inconsistent customer service, and the requirement for digital transformation (Alemayehu, B. & Van Vuuren, J., 2015). Although the bank has taken a number of strategic measures to improve performance, it is still unknown how organizational culture may help or hurt these attempts.

The problem this study addresses is threefold: First, there is insufficient empirical evidence on how organizational culture specifically impacts performance in Ethiopian banks. Second, Zemen Bank lacks a comprehensive understanding of how its current cultural attributes influence key performance indicators such as employee productivity, customer satisfaction, and Innovation and Learning perspectives. Third, without this understanding, the bank may be missing opportunities to align its culture with its strategic objectives, potentially limiting its competitive advantage in Ethiopia's evolving financial landscape.

According to existing research, there are several ways in which organizational culture influences performance, including through decision-making procedures, customer relationship management, and employee motivation (Kotter & Heskett, Corporate culture: The ultimate strategic asset, 2015).

Furthermore, it is unclear if Zemen Bank's current organizational culture encourages or hinders the company's operations and technological adoptions. Cultural elements that have not been thoroughly studied may have a big impact on the bank's capacity to manage digital change, preserve service quality while expanding, and retain skilled workers (McKinsey &, 2015).

As a member of Zemen Bank and having served the bank in different roles for over Six years, the researcher has observed, through recurrent discussions with colleagues, that there is no clearly defined information or framework outlining the organizational culture or its level within the bank, despite the presence of both strong and weak cultural elements. Additionally, during periods of management change, there is no designated body responsible for managing or preserving the organizational culture, often resulting in a restart from scratch. Moreover, while most studies tend to focus on the effect of organizational culture on financial performance, the emphasis on this aspect remains limited.

Recognizing this gap, the researcher believes it is crucial to study the effect of organizational culture on non-financial performance, as most existing research has primarily focused on the impact of culture on financial performance.

1.4. Research Questions

1. What does the organization culture of Zemen Bank looks like?
2. How does the current culture of Zemen Bank affect its non-financial performance?
3. What is the nature of the relationship between organizational culture and non-financial performance?
4. which organizational culture is more significantly affect the non-financial performance of Zemen Bank?

1.5 Objectives of the Study

1.5.1 General objective of the research

The general objective of this study was to evaluate the effect organizational culture on performance of Zemen Bank.

1.5.2. The specific objectives of the research

- i. To assess the prevailing organizational culture of Zemen Bank.
- ii. To assess the impact of Zemen Bank's organizational culture on its non-financial performance.
- iii. To determine the relationship between the organizational culture and non-financial performance of Zemen Bank.
- iv. To identify which organizational culture have the most significant influence on the non-financial performance of Zemen Bank.

1.6 Significance of the study

This study holds significant value for Zemen Bank as it highlights the crucial role of organizational culture in influencing non-financial performance outcomes, such as customer satisfaction, employee engagement, and service quality. By identifying which cultural aspects should be enhanced, managed, or potentially eliminated, the findings provide strategic guidance for improving internal operations. These insights support decisions related to employee motivation, customer experience, and digital transformation. Ultimately, the research serves as a foundation for deeper exploration and strategic planning, enabling Zemen Bank to align its organizational culture with core business objectives and enhance its competitiveness in the face of growing market pressures.

The study addresses a notable gap in local research by offering context-specific insights into the relationship between organizational culture and performance within Ethiopia's unique economic, regulatory, and cultural environment—an area that remains underexplored in existing literature. Furthermore, the findings assist the National Bank of Ethiopia in enhancing its regulatory strategies by highlighting how culture influences institutional performance, risk management, and compliance. The research provides a foundational framework for evaluating and improving organizational culture across the Ethiopian financial sector.

This study serves as a reference point for future academic and applied research focused on organizational culture, performance management, and banking innovation in Ethiopia and similar emerging markets. It encourages further exploration into how cultural alignment can drive sustainable development in the financial industry.

1.7. Scope of the Study

This study examines the influence of organizational culture on operational performance at Zemen Bank, with a specific focus on non-financial performance indicators. Given the bank's extensive network of branches and large workforce across Ethiopia, the research scope was deliberately limited to ensure feasibility. The investigation concentrates on selected Grade A, Grade B and Grade C branches along with key departments at the head office. These include the Credit Department, International Banking Division, Marketing Department, Internal Audit Unit, and Branch Management department - all critical units that directly impact service delivery and operational processes.

The decision to focus on non-financial performance metrics stems from practical considerations regarding data accessibility and reliability. Financial performance is still significant, but rather than depending just on employee opinions, an accurate assessment would need access to private bank records. Because they are all readily observable by employees and are more suited for survey-based evaluation, this study places a strong emphasis on quantifiable operational elements such as service quality, process efficiency, employee engagement, and customer happiness. Working within the limitations of a sizable, globally distributed financial institution such as Zemen Bank, this focused method enables a meaningful analysis of cultural impacts. While keeping the research manageable, the chosen departments and branches offer a representative sample of the bank's operations.

Although it acknowledges that results may have wider ramifications for Ethiopia's banking industry, this scope offers enough depth to produce practical suggestions for Zemen Bank while preserving research viability. The study focuses on intra-organizational cultural dynamics inside Zemen Bank rather than a full investigation of macroeconomic determinants or comparisons with other Ethiopian banks.

1.8. Limitation of the study

It is important to recognize the various limitations of this study on how organizational culture affects Zemen Bank's performance. First, although the study's emphasis on non-financial performance metrics is essential for pragmatic reasons, it leaves out important aspects of organizational performance. Due to limitations in data accessibility and the challenge of collecting precise financial assessments through employee surveys, financial variables such as profitability and growth which are critical for banks were left out.

Second, the sample was restricted to particular head office departments and a few branches in Addis Ababa, which would not accurately reflect the cultural dynamics across Zemen Bank's whole branch network in Ethiopia. Regional differences in organizational culture may be overlooked by this geographic focus.

Organizational culture is inherently qualitative and subjective. Although standardized questionnaires and frameworks were used, respondents' perceptions may differ, potentially introducing bias or inconsistency in how cultural elements were interpreted and assessed.

The other major limitations encountered during this research project was External factors such as economic conditions, regulatory changes, and technological disruptions were not deeply examined, though they may influence both culture and performance in ways not accounted for in this study.

1.9. Definition terms

Culture: Broadly, culture refers to the social heritage of a group, community, or society. It represents a pattern of responses developed, discovered, or invented during the group's history as it addresses problems arising from interactions among its members and between them and their environment. These responses are regarded as the correct way to perceive, feel, think, and act, and they are transmitted to new members through teaching and immersion. Culture defines what is acceptable or unacceptable, important or unimportant, right or wrong, and workable or unworkable. It encompasses all learned and shared assumptions, beliefs, knowledge, norms, values, attitudes, behaviors, dress, and language, whether explicit or tacit.

Organizational Culture: This refers to an organization's shared expectations, experiences, philosophy, and values that guide the behavior of its members. It is reflected in the organization's

self-image, internal operations, interactions with the external environment, and future aspirations. Organizational culture is built on shared attitudes, beliefs, customs, and written or unwritten rules that have evolved over time and are considered valid.

Performance: Performance is the process or action of carrying out a function or task effectively.

Financial Performance: This refers to the measurement of a firm's policies and operational results in monetary terms. These outcomes are typically reflected in metrics such as return on investment (ROI), return on assets (ROA), and value added.

Non-Financial Performance: These are quantitative measures that cannot be expressed in monetary units. They include indicators such as service quality, market share, and employee satisfaction.

Vision: A vision describes the desired future position or aspirations of a company.

Values: Values are the important and enduring beliefs or ideals shared by members of a culture. They define what is considered good or bad, desirable or undesirable.

Involvement: Involvement, or employee involvement, refers to creating an environment where employees actively participate in day-to-day decision-making processes. This fosters better relationships between employees and managers.

Consistency: Consistency refers to maintaining a logical order or following the same pattern in alignment with a set of rules, guidelines, or policies.

Adaptability: Adaptability is the ability of an entity or organism to adjust itself or its responses to changing circumstances or environments. It demonstrates the capacity to learn from experience and improve the learner's competitiveness or effectiveness.

Mission: A mission defines a company's core business, its objectives, and the approach it takes to achieve those objectives.

1.10. Organization of the paper

The research was organized into five chapters. The First Chapter consisted of the background, the problem statement, the research questions, the significance of the study, the scope of the research, and the definition of terms. The Second Chapter included the literature review, covering the theoretical, empirical, and conceptual frameworks of the study. Chapter Three described the research methodology that the study followed, while the findings were discussed in the Fourth Chapter. Finally, in Chapter Five, the discussion, conclusions, and recommendations, along with future research directions, were presented

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Introduction

The primary aim of this study was to assess the impact of organizational culture on the organizational non-financial performance of Zemen Bank. In this chapter, the focus was on defining and conceptualizing organizational culture and organizational performance, with particular emphasis on non-financial performance. The chapter also reviewed existing literature and prior studies that examined the relationship between organizational culture and organizational performance. Information was collected in line with the scope of the research, and relevant literature was compiled to develop a theoretical framework. Key concepts related to culture, organizational culture, and their connection to organizational performance were explored to provide a foundational understanding for the study.

2.1.2 What is organizational culture?

Organizational culture refers to a framework of norms, values, beliefs, and attitudes that significantly influence organizational behavior. While there are numerous definitions of organizational culture, scholars have provided various perspectives to capture its essence. (Kilmann, 1985) describe organizational culture as a "shared philosophy, ideology, values, assumptions, beliefs, expectations, behaviors, and norms that bind an organization together." (Robbins, 1996) defines it as "the common perceptions held by members of an organization; a system of shared meaning." Similarly, (George, 1996) characterize it as "the informal set of values, norms, and practices that govern how individuals and groups within an organization interact with one another and with external parties."

At its core, organizational culture represents a pattern of shared values and beliefs that help individuals understand how the organization functions. These shared elements provide members with behavioral norms and guidelines, shaping their actions and interactions within the organizational context (Schein E. H., *Organizational Culture and Leadership.*, 1985).

Organizational culture can serve as a strategic asset for an organization by enhancing its adaptability and improving the alignment between the organization and its external environment (Kotter & Heskett, *Corporate Culture and Performance*, 1992). Members of an organization continuously interpret their work environment, and these interpretations, along with how they are enacted, collectively form the organization's culture (Schein E. H., *Organizational Culture and Leadership*., 1985).

The manifestations of organizational culture are diverse and include rituals, group norms, habitual ways of thinking, and espoused values (Trice & Beyer, 1993). These elements collectively shape the identity and functioning of the organization, influencing both internal dynamics and external interactions.

2.1.3 How Organization Culture Develops?

Organizational culture develops as a response to two primary sets of challenges that every organization faces: external adaptation and survival and internal integration (Schein E. H., *Organizational Culture and Leadership*., 2010). External adaptation and survival refer to how an organization establishes its niche and adapts to the constantly changing external environment. This includes addressing issues such as defining the organization's mission and strategy, setting specific goals, determining the means to achieve these goals, establishing measurement criteria to evaluate performance, and implementing corrective mechanisms to address mismatches between individual behaviors and organizational objectives. These elements collectively contribute to shaping the culture of an organization.

In addition to these factors, two other significant influences on the development of organizational culture are the founder's values and vision and the national culture in which the organization operates. During the early stages of a company's development, the founder often plays a pivotal role in defining the organizational culture. Furthermore, the national culture, including societal norms, customs, and values of the country where the organization is based, also significantly influences the formation of its culture (Hellriegel, 1987). Together, these internal and external factors create a unique cultural framework that guides the organization's operations and identity.

According to (Robbins, S.P. and Judge, T.A., 2015) organizational culture begins with the customs, traditions, and general practices that have been established over time, largely influenced

by the organization's past actions and the degree of success it achieved in those endeavors. Robbins emphasizes that the founders of an organization play a critical role in shaping its culture, as they are the ultimate source of its values, norms, and practices.

From the definition of an organization, it is understood that members come together to address two fundamental survival issues: external adaptation and internal integration. External adaptation involves determining what needs to be accomplished and how it can be achieved, while internal integration focuses on resolving daily problems related to living and working together effectively. These two issues are central to the development and perpetuation of organizational culture (Robbins, 1996).

2.1.4 Levels of Organizational Culture

There are several layers of organizational culture, and each has a different degree of visibility and flexibility. According to (Hofstede, G. J. & Minkov, M., 2010) hierarchical model, there are four separate layers:

- (1) **Common presumptions**, which serve as the most fundamental and frequently unconscious basis for ideas about human nature;
- (2) **Cultural ideals**, which stand for group assessments of what is ideal or typical;
- (3) **Common practices**, which are more noticeable than values but aren't always intentionally connected to them; and
- (4) **Cultural symbols**, which are the most surface-level expressions, such as language, gestures, and artifacts.

(Burnes, 2004) warns that actual organizational cultures are more complex than these models indicate, frequently exhibiting contradictory subcultures, differences between declared values and practice, and coexisting subcultures. This intricacy emphasizes how difficult it is to classify culture in organizational settings while recognizing its dynamic, multidimensional nature.

2.1.5 Function of Culture Organization Culture

Organizational culture serves several critical functions within an organization, shaping its identity, guiding behavior, and influencing performance. Below are the key functions of organizational culture.

Defines Organizational Identity: Organizational culture helps establish a sense of identity for employees by clarifying the organization's core values, beliefs, and mission. This shared identity fosters a sense of belonging and unity among members (Schein E. H., *Organizational Culture and Leadership.*, 2010).

Guides Employee Behavior: Culture acts as a framework for acceptable behavior within the organization. It provides norms and standards that guide how employees interact with each other, make decisions, and approach their work (Robbins, S.P. and Judge, T.A., 2019).

Enhances Stability and Continuity: Culture provides stability by creating a consistent environment where employees understand what is expected of them. This continuity is especially important during times of change or uncertainty (Cameron & Quinn, *Diagnosing and Changing Organizational Culture Based on the Competing Values Framework.*, 2011).

Facilitates Social Integration: Organizational culture promotes cohesion by aligning employees around shared values and goals. It helps resolve conflicts and ensures that members work together effectively (Schein, 2010).

Improves Performance and Motivation: A strong culture can enhance employee motivation and performance by fostering a sense of purpose and commitment. When employees identify with the organization's values, they are more likely to be engaged and productive (Denison D. R., 1990).

Shapes External Adaptation: Culture helps organizations adapt to external challenges by defining how they respond to changes in the environment. It influences strategies for achieving goals and maintaining competitiveness (Schein E. H., *Organizational Culture and Leadership.*, 2010)

Attracts and Retains Talent: Organizational culture plays a key role in attracting individuals who align with the organization's values and retaining employees who feel a sense of fit and satisfaction (Cameron & Quinn, Diagnosing and Changing Organizational Culture Based on the Competing Values Framework., 2011).

2.1.6 Characteristics of organizational culture

Organizational culture plays a crucial role in shaping employee behavior, decision-making processes, and overall organizational effectiveness. Scholars have identified several key characteristics that define organizational culture, each influencing how employees interact and how the organization functions. One prominent characteristic is innovation and risk-taking, which is often found in dynamic and entrepreneurial cultures. According to (Cameron & Quinn, Diagnosing and Changing Organizational Culture Based on the Competing Values Framework., 2011), organizations with an "Adhocracy Culture" encourage creativity and experimentation, while (O'Reilly, C.A., Chatman, J. and Caldwell, D.F., 1991) note that such cultures tolerate failure as part of the learning process. Another important trait is attention to detail, where precision and thoroughness are prioritized. Schein (Schein E. H., Organizational Culture and Leadership., 2010) argues that this characteristic is essential in industries like healthcare and aviation, where errors can have serious consequences.

Additionally, team orientation fosters collaboration and collective problem-solving, leading to higher engagement and productivity ((Katzenbach, J.R. and Smith, D.K., 2005). In contrast, some cultures emphasize aggressiveness (competitiveness), where organizations focus on outperforming rivals, though excessive competitiveness may lead to unethical practices ((Deal, 1982). On the other hand, cultures that prioritize stability and control rely on hierarchy, rules, and formal procedures to maintain order (Weber, 1947). Another defining feature is customer-centricity, where organizations prioritize service excellence and customer satisfaction, leading to stronger loyalty and profitability (Schneider et al., 1994).

2.1.7. Organizational Culture Models

2.1.7.1 Denison's model of Organizational Culture

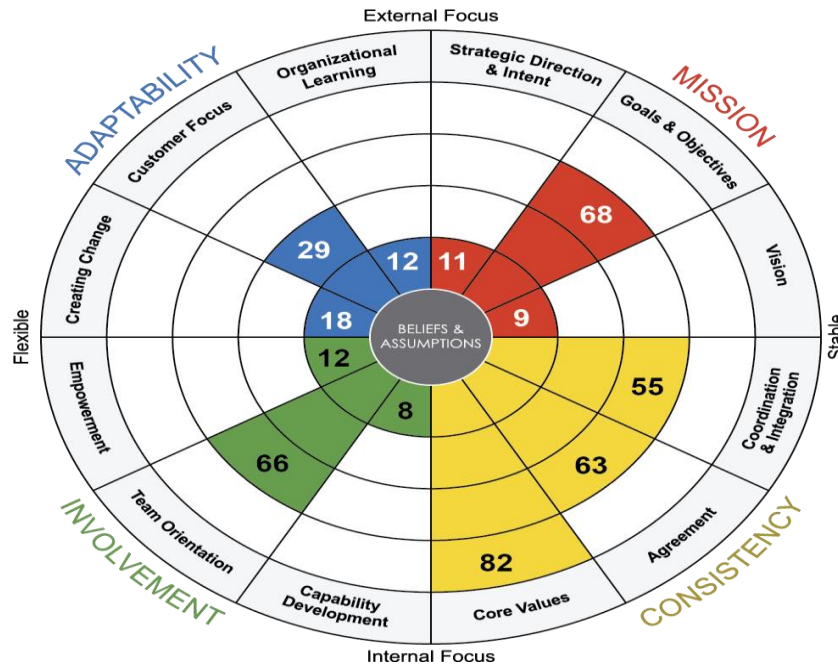
Daniel R. Denison created the Denison organizational culture model, which highlights the connection between performance and organizational culture. According to (Denison, 2012), the model outlines four essential cultural characteristics that affect an organization's effectiveness: engagement, consistency, adaptability, and mission. Currently a professor at the IMD Business School in Switzerland, Denison was previously affiliated with the University of Michigan. These characteristics are divided into two categories by the model: external (adaptability and mission) and internal (involvement and consistency). Through open communication, participative leadership, and solid working relationships, **involvement** promotes employee engagement (Engelen, A., Gupta, V., Strenger, L. & Brettel, M., 2014). When employees are involved in decision-making, they develop a sense of ownership, trust, and accountability, which enhances motivation and performance (Denison D. R., 1990). However, excessive involvement may lead to role ambiguity, making it difficult to assign responsibility (Givens, 2012).

Consistency reflects the stability and coherence of organizational culture, contributing to employee alignment and performance (Givens, 2012). However, some researchers argue that high consistency does not necessarily improve employee commitment (Nongo, E. S. & Ikyanyon, D. N., 2012).

Adaptability refers to an organization's ability to respond to external changes. Effective leaders must adjust internal processes and culture to remain competitive (Schein E. H., *Organizational Culture and Leadership.*, 2010). Adaptability requires employees to modify behaviors and attitudes in response to external pressures (Denison, 1990), making it a critical driver of business success (O'Reilly, C.A., Chatman, J. and Caldwell, D.F., 1991)

Finally, a clear **mission** provides direction by defining the organization's vision, strategic goals, and objectives (Mousavi & Hassanpour, 2015). Leaders use the mission to guide both internal and external stakeholders ensuring alignment with short- and long-term goals (Raza, A., Standing, C. & Yap, C., 2014).

Figure 2.1: Denison's model of organizational culture)



2.1.7.2 Schein's Theory of Organizational Culture

Edgar Schein's model of organizational culture provides a structured framework for analyzing the complex layers that shape workplace dynamics. According to (Schein E. , 2017), organizational culture operates at three distinct levels: artifacts, values, and underlying assumptions.

The first level, artifacts, encompasses the visible and tangible elements of an organization's culture. These include observable aspects such as dress codes, office layouts, facilities, policies, procedures, and reward systems (Schein E. , 2017). Artifacts serve as the most accessible indicators of culture, offering insights into the organization's norms and practices. However, Schein cautions that while artifacts are easy to observe, they may not fully reveal the deeper cultural dynamics.

The second level, values, represents the shared beliefs and principles that guide employee behavior and decision-making. These values influence workplace interactions, shape acceptable conduct, and contribute to the overall organizational climate. By examining how employees communicate, collaborate, and respond to challenges, leaders can assess whether espoused values align with actual behaviors. Misalignment between stated values and actions can lead to cultural inconsistencies.

The deepest and most ingrained level consists of underlying assumptions—unconscious, taken-for-granted beliefs that dictate how individuals perceive and respond to their environment. These assumptions are rarely questioned and are often passed down through organizational socialization. Since they operate at a subconscious level, they are difficult to measure or change without deliberate intervention. Schein emphasizes that sustainable cultural transformation requires addressing these foundational assumptions rather than merely modifying surface-level artifacts or values.

Schein's model highlights the multi-layered nature of organizational culture, demonstrating how visible behaviors are shaped by deeper, often invisible, belief systems. His work remains a cornerstone in organizational studies, providing valuable insights for leaders seeking to diagnose and influence workplace culture effectively (Schein, E.H. and Schein, P.A, 2016).

2.1.7.3 Hofstede's Cultural Dimensions

The cultural dimension's theory of Geert Hofstede offers a thorough framework for examining how cultural values influence organizational procedures and workplace behavior in various countries. This model, which outlines six essential elements that define cultural differences, was created through in-depth research involving IBM personnel in more than 50 countries (Hofstede, 1980); Hofstede et al., 2010). The first-dimension **power distance**, shows how society accepts a hierarchical power structure. Low power distance cultures, like Denmark, prefer egalitarian methods, whereas high power distance cultures, like Malaysia, preserve inflexible organizational structures.

The masculinity-femininity dimension affects gender roles and workplace motivation by contrasting achievement-oriented cultures (like Germany) with quality-of-life-focused societies (like Sweden). Uncertainty avoidance gauges a person's capacity for ambiguity, which explains why low-avoidance cultures like Singapore value adaptable corporate practices and high-avoidance cultures like Greece enforce rigid procedures.

The long-term versus short-term orientation dimension reveals cultural differences in strategic planning, with East Asian nations demonstrating remarkable persistence toward future goals compared to Western countries' focus on immediate results. Finally, the **indulgence-restraint** continuum highlights variations in gratification regulation, where indulgent societies

like Brazil encourage leisure and expression, contrasting with restrained cultures like China that emphasize discipline and social control.

These factors have a significant impact on global company since they help managers modify their leadership approaches, improve intercultural communication, and create HR policies that are in line with cultural norms. Organizations can respect local cultural contexts and improve their global competitiveness by implementing Hofstede's framework (Hofstede, G. J. & Minkov, M., 2010). While modern researchers advise supplementing the theory with more sophisticated cultural assessments for complicated worldwide operations, the idea is still useful in academic study and practical management.

2.1.7.4 Robert A. Cooke's Organizational Culture Model

A behavioral-based paradigm for examining corporate culture through the prism of common standards and expectations that direct behavior in the workplace was created by Robert A. Cooke. Based on sociological and psychological concepts, his model distinguishes three main culture types: **Aggressive/Defensive**, **Passive/Defensive**, and **Constructive**. Each type is distinguished by unique organizational outcomes and behavioral norms (Cooke, R.A. and Szumal, J.L, 2000).

When norms support achievement, self-actualization, and humanistic principles, a constructive culture promotes teamwork, creativity, and employee growth. According to (Cooke, R.A. and Lafferty, J.C., 1987), organizations with this culture type, which are frequently seen in forward-thinking tech enterprises or creative industries, tend to have strong employee engagement, adaptability, and long-term success. Employees in a passive/defensive culture, on the other hand, value bureaucratic compliance and approval-seeking over initiative and exhibit avoidance tendencies, conformity, and risk aversion. These kinds of settings, which are typical in highly regulated sectors, can inhibit innovation and diminish organizational flexibility. Because norms emphasize oppositional behaviors, power struggles, and short-term results—qualities commonly seen in high-pressure financial or sales-driven organizations—the aggressive/defensive culture fosters competitiveness and perfectionism at the expense of employee well-being (Cooke, R.A. and Szumal, J.L, 2000)

The Organizational Culture Inventory (OCI), a psychometric instrument that assesses cultural norms and their effect on performance, operationalizes Cooke's paradigm. Leaders can detect discrepancies between professed ideals and real behaviors by diagnosing cultural profiles, which enables focused interventions for cultural transformation (Cooke, R. A. & Szumal, J. L., 2013). In order to improve productivity and employee satisfaction, firms can shift from defensive to constructive norms with the help of the model's actionable insights.

2.1.7.5 Kim Cameron and Robert Quinn Model

Kim Cameron and Robert Quinn developed the Competing Values Framework (CVF), a widely recognized model for assessing organizational culture and effectiveness. The CVF is based on two primary dimensions: flexibility vs. stability and internal vs. external focus, which create four distinct culture types: Clan, Adhocracy, Market, and Hierarchy (Cameron & Quinn, *Diagnosing and Changing Organizational Culture Based on the Competing Values Framework.*, 2011). The Clan culture emphasizes collaboration, mentorship, and employee development, resembling an extended family. The Adhocracy culture fosters innovation, risk-taking, and adaptability, often seen in dynamic, entrepreneurial environments. The Market culture prioritizes competitiveness, goal achievement, and customer focus, driven by results. Lastly, the Hierarchy culture values structure, control, and efficiency, typical of highly regulated organizations (Cameron & Quinn, *Diagnosing and Changing Organizational Culture Based on the Competing Values Framework.*, 2011).

The CVF is instrumental in diagnosing organizational culture and guiding change initiatives. By identifying dominant and subdominant culture types, leaders can align strategies, processes, and leadership styles to enhance performance. The model has been applied in various sectors, including business, healthcare, and education, demonstrating its versatility in improving organizational effectiveness (Belias, D. and Koustelios, A., 2014).

The Denison model is chosen primarily as a framework because it provides a comprehensive and performance-oriented framework that connects organizational culture directly to measurable outcomes, including non-financial performance indicators such as employee satisfaction, customer loyalty, innovation, and internal process effectiveness (Denison D. R., 1990). Denison model is empirically validated across various sectors and cultures, including emerging markets, making it

a reliable tool for assessing how culture shapes both financial and non-financial outcomes (Denison D. , 2008). Its quantitative survey-based structure also allows for easy integration into empirical research, making it highly suitable for academic studies focused on institutions like Zemen Bank.

2.1.8 The Concept of Organizational Performance

2.1.8.1 The Concept of Performance

According to Wikipedia, organizational performance is the degree to which a company meets its set goals and objectives as evidenced by its actual outputs. There are various ways to interpret a performance. In order to achieve organizational goals, it entails converting inputs into outputs from a process perspective (Aldholay, A.H., Isaac, O., Abdullah, Z. and Ramayah, T., 2018).

Furthermore, according to (Abd. Jalani, 2013) performance is connected to financial results, operational effectiveness, and goal achievement. Managing intangible assets, such as customer connections, service quality, and overall performance, is becoming more and more important to modern firms than just financial measures (Kaplan & Norton, 1996). Strong performance evaluation systems that evaluate both financial and non-financial factors are therefore becoming more and more necessary. According to (Chenhall, 2005), an organization's strategic competitiveness is improved when these factors are integrated into a Strategic Performance Measurement System (SPMS).

Different concepts of organizational performance have been put forth by researchers. (Richardo, 2001) sees it as the organization's capacity to reach its objectives, whereas (Daft, 2000) defines it as the effective and efficient use of resources to accomplish goals. According to (Cooke, R.A. and Szumal, J.L, 2000), performance is commonly confused with productivity and lacks a broadly accepted definition. (Richardo, 2001), however, makes a distinction between the two, stating that performance includes more comprehensive elements like quality, consistency, and efficiency, whereas productivity gauges output per unit of time.

Organizational performance is defined by (Moullin, 2003) as the value provided to stakeholders and the management's efficacy. According to Neely et al., it demonstrates both efficacy (fulfilling stakeholder expectations) and efficiency (best resource usage). According to (Denison D. , 2008),

performance entails reaching both monetary and non-monetary objectives in order to guarantee long-term viability.

2.1.8.2 Performance Measurement

Using standardized metrics to assess an organization's actions is known as performance measurement (Neely et al., 2000). (Moullin, 2003) highlights its use in evaluating stakeholder value and managerial efficacy. It is a tool for monitoring development, determining strengths and shortcomings, and directing future advancements, according to (Amaratunga, D. and Baldry, D., 2002).

2.1.8.3. Measurement of Organizational Performance

Prior studies have used various financial and operational metrics such as profitability, return on assets (ROA), return on investment (ROI), market share, sales growth, and operational efficiency to evaluate performance. However, inconsistencies exist, with many researchers relying solely on quantitative financial data (Kotter & Heskett, Corporate Culture and Performance, 1992). Performance measurement includes both efficiency (input-output ratio) and effectiveness (growth, employee satisfaction). Financial metrics (e.g., ROA, ROI) provide objective data, while non-financial indicators offer perceptual insights (Venkatraman, N. and Ramanujam, V., 1986).

2.1.8.4. Balanced Scorecard

(Kaplan & Norton, 1996) created the Balanced Scorecard (BSC), a popular paradigm for performance evaluation. To give a comprehensive picture of performance, it combines financial measurements with internal procedures, innovation, and customer pleasure. The BSC uses four viewpoints to assess organizations:

Financial Perspective – Measures profitability, market value, and liquidity (Kaplan, R. S. & Norton, D. P., 2001).

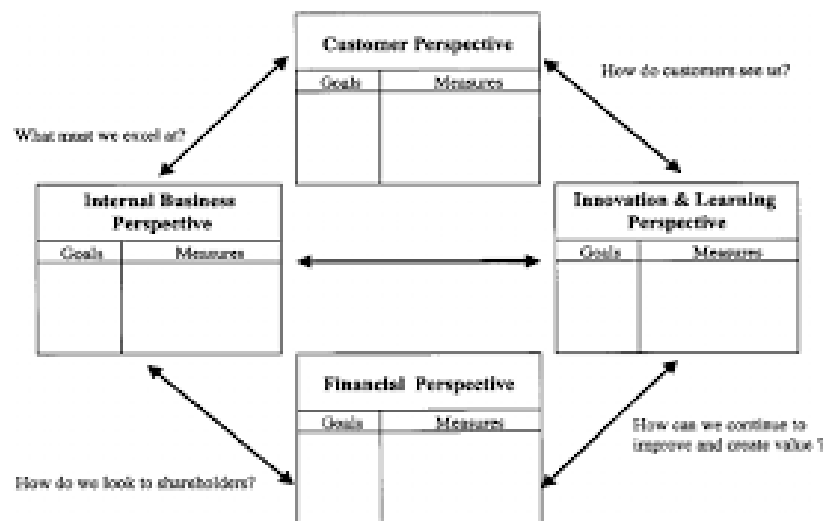
Customer Perspective – Assesses satisfaction, retention, and service quality (Kaplan, R. S. & Norton, D. P., 2001).

Internal Business Perspective – Evaluates operational efficiency and process effectiveness (Kaplan, R. S. & Norton, D. P., 2001).

Innovation & Learning Perspective – Focuses on employee development, IT adoption, and innovation (Kaplan, R. S. & Norton, D. P., 2001).

The BSC operates on a cause-and-effect logic: financial success depends on customer loyalty, which stems from efficient internal processes, driven by employee learning and growth (Kaplan & Norton, 1996).

Figure 2.2: The Balanced Scorecard – Source: (Kaplan & Norton, 1992)



Source: Kaplan and Norton (1992)

2.1.8.5. Performance Measurement in Banks

Intangible elements like efficiency, service quality, and financial dependability make evaluating a bank's performance difficult (Bikker, 2017). Indirect indicators must be utilized because these aspects cannot be directly observed. The efficiency-cost-to-income ratio and operational productivity are two major measurement problems. Product quality includes service delivery and customer satisfaction.

Reliability: solvency and capital adequacy ratios. Creating precise performance measures is still crucial but difficult since financial goods are special.

2.2 Empirical Review

2.2.1 Empirical Review on Culture

Employee behavior, decision-making procedures, and overall operational efficiency are all impacted by organizational culture, which is widely acknowledged as a crucial factor in determining organizational effectiveness. This link has been the subject of numerous empirical investigations in a variety of businesses, including banking. A robust, flexible, and values-based culture improves customer satisfaction, staff engagement, and financial results, according to recent studies. For example, a study by (Denison D. N., 2023) discovered that companies with mission-driven and participatory cultures have more market share and profitability because of increased employee dedication and creativity. In a similar vein, (Alvesson, M. & Einola, K., 2023) contend that whereas powerful cultures might promote unity, they can also suppress dissent if they are not handled inclusively. This emphasizes the necessity of balanced cultural frameworks in fast-paced sectors such as banking.

Organizational culture is crucial in determining service quality, risk management, and competitive positioning in the banking industry. Banks with customer-centric cultures report greater levels of client retention and trust, which directly affects financial performance, according to a study on financial institutions conducted by O'Reilly et al. (2023). Additionally, Schein and Schein's research from 2023 highlights how cultural alignment between employees and leadership improves operational efficiency by lowering conflict and encouraging cooperation. Studies like those by (Cooke, R. A. & Szumal, J. L., 2013) show that innovative cultures have a favorable impact on digital adoption and performance indicators like return on equity (ROE) and return on assets (ROA) in emerging economies, where banking sectors are rapidly undergoing digital transformation. These findings suggest that banks cultivating agility and openness to change are better positioned to thrive in competitive markets.

Limited but increasing empirical data, with particular emphasis on Ethiopia's banking sector, emphasizes how organizational culture affects performance. Clan and adhocracy cultures, which are defined by adaptability and employee empowerment, have a favorable correlation with financial performance metrics like net interest margin and loan recovery rates, according to a study conducted on Ethiopian commercial banks by (Abebe, B. & Lemma, S., 2023). On the other hand, bureaucratic delays and decreased customer satisfaction were linked to hierarchical cultures.

One of the top private banks in Ethiopia, Zemen Bank S.C., offers a pertinent case study. According to recent internal reports (Zemen Bank s.c, 2024), a hybrid culture that combines teamwork and market-driven competition may be partially responsible for its success. Nevertheless, there are still gaps in empirical research that explicitly connect Zemen Bank's cultural characteristics to measurable performance indicators, calling for more investigation.

External factors like regulatory settings and technological upheavals also have an impact on how culture and performance interact. For instance, banks in high-uncertainty-avoidance cultures, such as Ethiopia's, typically employ more conservative practices, which may impede innovation, according to a cross-national study by Hofstede Insights (2023). However, in line with worldwide trends, Zemen Bank's recent investments in digital banking (such as agent banking and mobile apps) show a cultural shift toward adaptation (Gebreyohannes, 2023). The necessity for Zemen Bank to thoroughly evaluate its cultural dynamics is further supported by empirical evidence from comparable contexts, such as Kenya's Equity Bank (Mwangi, M. & Karanja, E., 2023), which demonstrates that cultures that prioritize learning and digital fluency yield greater performance.

2.2.2 Empirical Review on Performance Measurement

Performance measurement is a critical aspect of organizational management, enabling firms to assess efficiency, productivity, and overall success. Various empirical studies have explored different performance measurement frameworks, key indicators, and their impact on organizational effectiveness. Recent research emphasizes the shift from purely financial metrics to balanced, multidimensional approaches that incorporate both quantitative and qualitative measures.

2.2.2.1. Non-Financial Performance Indicators

Non-financial performance indicators (NFPIs) play a crucial role in evaluating the overall effectiveness and sustainability of an organization beyond traditional financial metrics. One critical NFPI is **employee satisfaction and engagement**, which reflects how motivated and committed employees are to their work and the organization. High levels of engagement are often linked to a strong organizational culture that promotes trust, recognition, and professional growth, leading to better productivity and service quality. (Neely, 2023)

Customer satisfaction and loyalty represent another vital NFPI, particularly in service-oriented industries like banking. A customer-centric culture often results in higher retention rates, positive word-of-mouth, and long-term profitability, even if financial gains are not immediately visible (Kaplan & Norton, 1996). **Service quality** the consistency and excellence of service delivery is influenced by both organizational systems and employee behavior. A culture that emphasizes continuous improvement and accountability contributes significantly to superior service quality (Schein E. H., Organizational Culture and Leadership., 2010). Likewise, **innovation and adaptability** are indicators of an organization's ability to respond to changes in the external environment, such as technological developments and market demands.

Internal process efficiency how well the organization's internal operations are executed is also a key non-financial indicator. Efficient internal processes reduce waste, shorten service delivery times, and improve coordination among departments. This is often a result of a culture that values operational excellence and teamwork. Lastly, **employee retention and turnover rates** serve as indicators of how well an organization retains talent, which is closely linked to job satisfaction, organizational commitment, and leadership practices. High turnover may signal a misalignment between employee expectations and the organizational culture (Kaplan, R. S. & Norton, D. P., 2001).

Collectively, these non-financial performance indicators provide a holistic view of an organization's health and long-term sustainability, making them essential for evaluating how organizational culture influences performance in institutions such as Zemen Bank.

2.2.2.2. Performance Measurement in the Banking Sector

Performance measurement in the banking sector has become increasingly critical due to mounting regulatory requirements, intense competition, and rapid technological advancements. Contemporary research by (Berger, A.N. and Bouwman, C.H.S, 2018) demonstrates that financial institutions utilizing risk-adjusted performance metrics like Risk-Adjusted Return on Capital (RAROC) achieve more stable financial performance. Complementing these findings, (Sufian, F. and Habibullah, M.S, 2019) revealed through their study of African banks that operational efficiency indicators, particularly the cost-to-income ratio, significantly impact profitability, underscoring the importance of cost management alongside revenue generation strategies.

Employee performance evaluation has similarly evolved, with research on Ethiopian banks showing that comprehensive assessment methods like 360-degree feedback and strategically aligned KPIs correlate with enhanced productivity and reduced staff turnover. The digital transformation era has introduced new performance benchmarks, including cybersecurity compliance levels and fintech integration success rates, which the (World Bank, 2019) identifies as crucial indicators for modern banking institutions.

2.2.2.3. Challenges in Performance Measurement

Despite these advancements, significant challenges persist in performance measurement systems. (Franco-Santos, M. and Bourne, M., 2018) identified "measurement fatigue" as a growing concern, where organizations tracking excessive KPIs experience diminished strategic focus. Further highlight how traditional financial metrics often encourage short-term profit maximization at the expense of long-term sustainability. In response to these challenges, scholars like (Bititci, U., Garengo, P., Dörfler, V. and Nudurupati, S, 2019) advocate for dynamic performance measurement systems capable of adapting to evolving business environments. The complexity of performance assessment is compounded by the diversity of available metrics, ranging from transactional efficiency to output measurements.

2.2.3 Studies on Performance Measurement

The impact of organizational culture on banking performance has received substantial scholarly attention in recent years. (Denison D. , 2008) established through their global study of 1,200 enterprises that mission-driven cultures generate 30% greater revenue growth compared to less aligned competitors. (Schein E. , 2017) further differentiate cultural typologies, finding that clan cultures emphasizing collaboration and adhocracy cultures fostering innovation demonstrate superior long-term performance. In the banking context specifically, (O'Reilly & Caldwell, 2023) documented how customer-centric cultural orientations yield 25% higher client retention and 40% fewer service complaints among financial institutions. Digital transformation success shows similar cultural dependence, with reporting 15-20% faster fintech adoption rates in innovation-friendly banking cultures. However, (Alvesson, M. & Sveningsson, 2015) caution that bureaucratic organizational structures frequently hinder adaptability, particularly in rapidly evolving markets.

A variety of metrics are included in performance measurement, such as transactional efficiency, output efficiency, and input efficiency (Stannack, 1996) Given the variety of goals and measurements that businesses use, contended that there is no one ideal way to assess an organization's performance. The excessive focus on financial metrics and historical performance in early performance measurement systems drew criticism because they frequently did not match organizational plans or capture elements required for sustained competitive advantage. (Zou, S. and Stan, S., 1998) reviewed empirical literature from 1987 to 1997 and presented seven categories of financial, non-financial, and composite scales to quantify export performance. Financial metrics like sales, profit, and growth are more objective than non-financial metrics like goal achievement, satisfaction, and perceived success.

2.2.4 Studies on the Effect of Organizational Culture on Performance

Employee behavior, operational effectiveness, and financial results are all impacted by organizational culture, which has been well researched as a crucial factor in determining business performance. Flexible, innovative, and employee-empowering cultures have a beneficial impact on market share and profitability, according to research by (Denison D. N., 2023).

Emerging market research provides unique insights into cultural-performance dynamics. (Abebe,B. & Lemma, S., 2023) found participatory leadership approaches in Ethiopian banks correlate with 18% productivity gains and reduced turnover intentions. The success of Zemen Bank's hybrid culture, blending collaborative and competitive elements, demonstrates the potential of culturally informed strategies (Zemen Bank s.c, 2024). Nevertheless, (Hofstede, G. J. & Minkov, M., 2010) notes persistent challenges in quantifying culture's financial impact, particularly regarding cultural dimensions like power distance and uncertainty avoidance in developing economies. Organizational culture fundamentally operates through three mechanisms: establishing behavioral norms (social control), enhancing employee commitment (social glue), and providing interpretive frameworks for strategic objectives (sense-making). Future research employing longitudinal designs is needed to better understand cultural evolution during digital transformation periods and its subsequent performance implications.

Traditional beliefs and contemporary economic techniques collide in emerging markets, creating distinctive cultural dynamics. Strong internal cohesion and participatory leadership styles increase

staff productivity by 18% and lower turnover intentions, according to research on Ethiopian banks conducted by (Abebe, B. & Lemma, S., 2023). Zemen Bank's above-average ROA has been attributed to its hybrid culture, which strikes a balance between teamwork and a competitive market orientation (Zemen Bank Annual Report, 2023). However, there are still unanswered questions about how Ethiopian enterprises' cultural traits such as power distance and uncertainty avoidance affect performance indicators.

Measuring the relationships between culture and performance is still difficult. Although qualitative research emphasizes brand reputation and staff satisfaction as results, quantitative assessments find it difficult to separate the direct financial influence of culture (Hofstede, G. J. & Minkov, M., 2010). Longitudinal designs should be used in future studies to evaluate the effects of cultural changes on sustainable performance, especially in periods of digital revolution.

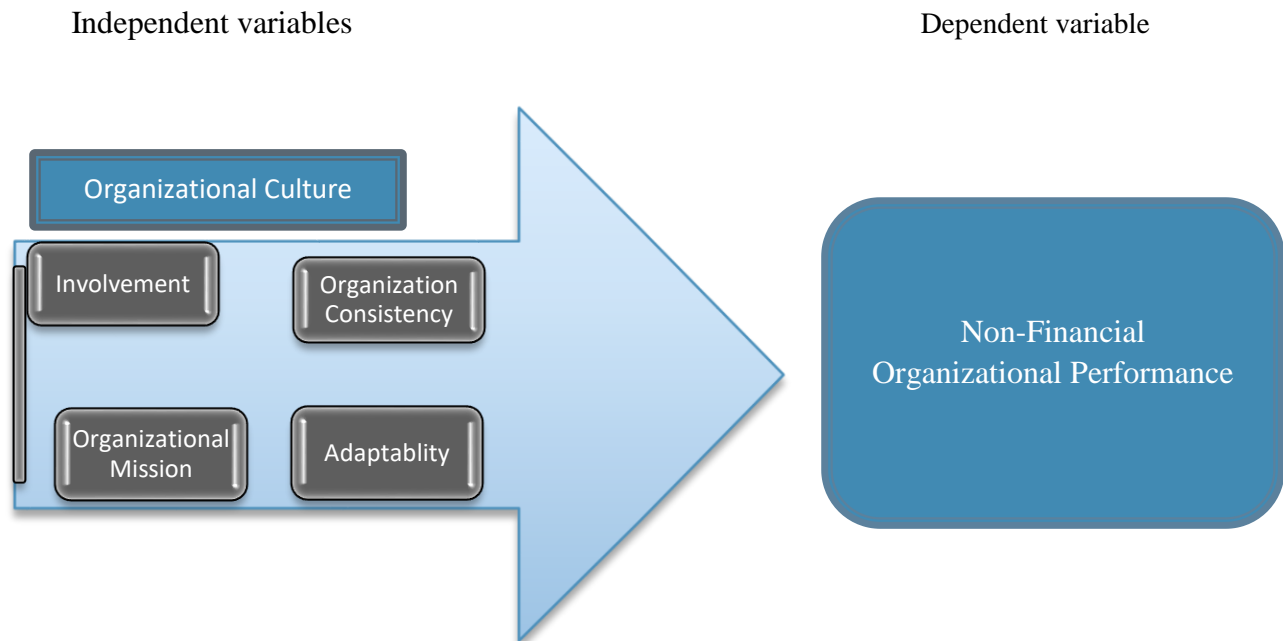
2.3 Conceptual Framework of the Study

Denison's Organizational Culture Model (1990) serves as the theoretical foundation for this study's conceptual framework. The model identifies four essential cultural characteristics involvement, consistency, adaptability, and mission as crucial determinants of organizational performance. These dimensions provide a comprehensive lens through which to examine how cultural factors influence various aspects of organizational effectiveness, particularly in the banking sector.

This study applies Denison's model to analyze Zemen Bank S.C., focusing on how these cultural dimensions' impact key performance metrics. Specifically, the research examines how employee involvement (through empowerment and teamwork), consistency (in shared values and coordination), adaptability (in responding to market changes), and mission (through strategic direction and goals) affect profitability, customer satisfaction, and operational efficiency. According to Denison's framework, a strong and balanced organizational culture enhances performance by aligning employee behaviors with strategic objectives, creating a cohesive and effective work environment.

The conceptual framework, illustrated in Figure 2.1, visually represents the relationship between organizational culture and non-financial performance indicators.

Figure 2.3 Conceptual Framework



Source: Adopted from literature

2.4. Research Hypothesis

In order to answer the research questions and achieve the objectives of the study, the following hypothesis was developed. These hypotheses provide a structured approach to understanding which aspects of Zemen Bank's culture most significantly contribute to its performance, offering valuable insights for both academic research and practical management applications.

H1: There is a positive relationship between Organizational culture 'mission' and organizational non-financial performance.

H2: There is a positive relationship between Organizational culture 'Involvement' and organizational non-financial performance.

H3: There is a positive relationship between Organizational culture 'Adaptability' and organizational non-financial performance.

H4: There is a positive relationship between Organizational culture 'Consistency' and organizational non-financial performance

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The research design, target population, sampling strategy, data collection tools, data analysis, and data presentation are all highlighted in this chapter, which also covers the study's methodology approach. Issues of validity, dependability, and ethics were also covered.

3.2 Research Design

Research design refers to a structured plan or blueprint that outlines the methods for collecting and analyzing data related to a specific research problem. The research design provides an operational frame within which facts are placed, processed through analyzing procedures and valuable research output is produced. It serves as a procedural framework guiding the entire investigation (Cooper, 2006)

The study applied a Descriptive research design on field, involves planning and creating a structured set of questions or tasks to gather information from a targeted group of individuals. since it examined aspects such as opinion, abilities, behavior, knowledge and beliefs of individuals.

3.3. Research Approach

In order to gather pertinent information and investigate the connection between Zemen Bank's organizational culture (an independent variable) and organizational performance (a dependent variable), the study used a quantitative technique. The results were analyzed and interpreted using a descriptive and inferential research approach. A standardized questionnaire intended to assess organizational performance and culture served as the main study tool.

3.4. Target population, Sampling size and sampling techniques

3.4.1. Target Population

According to data from the Human Capital Department at Zemen Bank, there are a total of 1,831 permanent employees. However, the study focused exclusively on branches under the two districts located in Addis Ababa, as well as departments at the head office located in Sengatera. 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 140 employees only working under the two districts located in Addis Ababa and on departments at head office.

3.4.2. Sampling Frame

The researcher has divided the respondents into four major groups for the sake of this Zemen Bank-focused study, and each group has at least a first-degree degree. Customer service representatives, branch managers and their assistants, head office management personnel, and professional staff make up the group. Highly skilled workers with administrative, strategic, or supervisory duties in banking operations are referred to as managerial staff at Zemen Bank. These individuals are essential to organizational leadership and decision-making. Frontline personnel who continue to be directly involved in the bank's fundamental business operations and client contacts are represented by the remaining groups, which include professional staff and customer service officers. While keeping an eye on qualified employees whose jobs have a big impact on Zemen Bank's organizational culture and performance, this classification system guarantees thorough representation throughout all operational levels. Different job levels' experiences and contributions to the bank's operational dynamics can be nuancedly analyzed thanks to the separation between managerial and frontline staff.

In the context of Zemen Bank, this study specifically includes employees holding managerial positions such as Branch Managers, Deputy Branch Managers, Relationship Managers, Directors, Operational Managers, Business Managers, and Team Leaders. The professional and frontline worker category comprises Customer Service Officers, Internal Auditors, Marketing Officers, and Cash Supervisors. Semi-skilled and non-professional Zemen Bank personnel are purposefully left out of the study since their positions usually involve little strategic exposure and little direct influence on the caliber of customer care and overall bank performance. Because managerial and professional staff members have the organizational knowledge and experience needed to offer insightful information about the bank's operational dynamics and performance metrics, their responses are therefore considered more trustworthy and pertinent for this study. This methodical approach guarantees that the study obtains excellent feedback from staff members whose positions have a direct impact on Zemen Bank's strategic goals and customer service provision.

3.4.3. Sampling Size

For this study on Zemen Bank, the researcher employed (Yamane, 1964) sampling formula to determine an appropriate and representative sample size from the bank's employee population. This scientifically validated approach was specifically selected to ensure the sample adequately represented Zemen Bank's workforce while maintaining statistical reliability. Yamane's formula guided the calculation of the working sample size, enabling the researcher to obtain meaningful results that could be generalized to the broader employee population at Zemen Bank while maintaining manageable research parameters. The application of this established sampling technique helped maintain methodological rigor in selecting participants who could provide valuable insights into the bank's organizational culture and performance dynamics.

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

Where:

n = Required sample size

N = Total population size

I = is a constant

e^2 = is the estimated standard error which is 5% for 95% confidence level

$$n = 140 / 1 + 140(0.05^2) = 104$$

According to the formula, to ensure statistically reliable findings, this study adopted a 95% confidence level, indicating a high degree of certainty (95 out of 100 times) that the survey responses accurately reflect the true perceptions of Zemen Bank employees. A 5% margin of error was permitted, meaning the results may vary by $\pm 5\%$ when generalizing to the entire target population. Based on these parameters, a sample size of 104 employees was deemed representative of Zemen Bank's eligible workforce (those with first-degree qualifications or higher).

To guarantee fair representation, questionnaires were delivered proportionately to 104 employees across various job categories and hierarchical levels. The population was divided into subgroups (such as head office managers, branch managers, customer service officers, and professional staff) using stratified random sampling, and participants were chosen at random from each stratum.

Diverse employee viewpoints on Zemen Bank's organizational culture and performance were captured by this strategy, which made sure that all important departments and positions were fairly represented.

The table below illustrates how the 104 respondents were proportionally allocated across various departments and branches based on their workforce composition.

Table 3.1 Population Distribution

Department/Branch	Staffs Job Category	Number of Branches	Population	Sample Size
Grade A Branches	Manager /Deputy & CSOs	2	30	22
Grade B Branches	Manager /Deputy & CSOs	3	30	22
Grade C Branches	Manager /Deputy & CSOs	4	40	30
Head office	Section Heads, Managers, Relationship Managers, senior officers, principal officers	1	40	30
Total			140	104

Source: Researcher's Own Survey, 2025

3.5 Data collection – Type, source, procedure and instruments

This study sought to investigate the relationship between organizational culture and organizational performance, with a specific focus on examining how organizational culture influences performance at Zemen Bank. To establish a strong theoretical foundation, the researcher conducted an extensive review of relevant literature and empirical studies on the impact of various

organizational culture types on performance. This review provided critical insights and contextual background for the study.

The study used (Kaplan, R.S. and Norton, D.P. , 1992) performance measurement framework for the dependent variable (performance) and Daniel Denison's organizational culture measuring scale for the independent variable (culture) in order to maintain methodological rigor. A standardized questionnaire with three main components was used in the data collection process. Respondents' basic demographic and professional data were collected in the first section. Respondents' opinions of Zemen Bank's corporate culture were gauged in the second section using a five-point Likert scale that went from "Strongly Disagree" (1) to "Strongly Agree" (5). Based on respondents' assessments, the third component assessed how well performance targets were being met.

The questionnaire primarily consisted of closed-ended questions, with the Likert scale applied uniformly to measure agreement levels for both the independent variable (organizational culture) and dependent variable (organizational performance). This approach ensured consistency in data collection and facilitated quantitative analysis of the relationship between these key variables. The methodological design enabled the researcher to systematically examine how different aspects of Zemen Bank's organizational culture might be influencing its overall performance outcomes.

3.6 Reliability and Validity

The researcher carried out thorough testing to guarantee the validity and reliability of the data collection tool before looking at the association between organizational culture (an independent variable) and organizational performance (a dependent variable). To ensure that the measurement instrument reliably caught the targeted structures and yielded consistent results, this first evaluation was crucial.

3.6.1 Reliability

Reliability refers to the degree to which measurement scales demonstrate internal consistency, stability, and reproducibility. As (Saunders, M., Lewis, P. and Thornhill, A., 2007) note, citing reliability represents the extent to which data collection methods produce consistent findings across repeated measurements. Validity, conversely, concerns whether a study accurately measures the specific construct it intends to examine (Campbell, D.T. and Stanley, J.C., 1966)

To ensure methodological rigor, the study conducted reliability analysis to examine the internal consistency of research variables. Following Anderson et al. (2010), unreliable measurement items would compromise the validity of study findings. The assessment employed Cronbach's alpha coefficient to evaluate both overall scale reliability and dimension-specific internal consistency.

As established in methodological literature (Hair et al., 1998; Nunnally, 2000; George & Mallery, 2003), the study adopted 0.6 as the minimum acceptable threshold for Cronbach's alpha. The results presented in Table 4.2 confirmed that all variables exceeded this benchmark, demonstrating sufficient reliability for subsequent inferential analysis.

Table 3.2 Result of reliability analysis for the questionnaire

No.	Culture dimensions	Number of Attributes	Cronbach's Alpha
1	Involvement	9	0.882
2	Consistency	9	0.885
3	Adaptability	9	0.902
4	Mission	9	0.916
7	Organizational Performance	3	0.923
	Overall	45	0.952

Source: Researcher's Own Survey, 2025

3.6.1 Validity

Construct validity, face validity (also known as external validity), and internal validity are the three main validity metrics listed by (Greener, 2008) Construct validity, which guarantees that the tool measures what it is supposed to measure, received special consideration in the survey instrument's design.

Five randomly chosen respondents participated in a pilot test of the questionnaire's draft version in order to identify any potential construct validity issues. The survey was improved and finalized based on their input. Through the identification of any redundant, ambiguous, or unclear items, the pilot test sought to determine whether the questionnaire successfully fulfilled its intended function.

The researcher was able to make the required corrections prior to broader distribution after participants pointed out specific technical jargon and awkwardly worded questions.

This pilot testing process not only helped verify the instrument's **reliability and validity** but also improved the clarity and comprehensibility of the questions, ultimately enhancing the response rate and the quality of the data collected.

3.7. Data Analysis Methods

Using IBM SPSS (Statistical Package for the Social Sciences) Version 27, both descriptive and inferential statistics were used to examine the primary data that had been gathered. The dataset was summarized using descriptive statistics, which produced important indices such as measures of distribution (skewness), dispersion (standard deviation, range), and central tendency (mean, median, mode) (Kothari, 2004). By using frequencies, percentages, means, and standard deviations, these methods made it easier to examine participant demographics and the general distribution of study data.

Inferential statistics were then applied to generalize findings beyond the sample and test research hypotheses (Kothari, 2004). Specifically, Pearson's correlation analysis assessed the strength and direction of the relationship between the independent and dependent variables, while regression analysis determined the magnitude and nature of the independent variable's influence on the dependent variable. Together, these methods provided a robust framework for data interpretation and meaningful conclusions.

3.8. Ethical Considerations

According to (Saunders, M., Lewis, P. and Thornhill, A., 2007), ethical norms in research guarantee that the study is carried out with integrity, respecting the participants' rights and welfare. To preserve expertise and confidence, ethical standards were closely adhered to in this study on Zemen Bank S.C. Prior to data collection, participants were fully informed about the study's goals, and participation was completely voluntary. All replies were anonymized to preserve participant anonymity and guarantee confidentiality. Furthermore, the questionnaire was meticulously crafted to conform to the environment of the banking sector, guaranteeing clarity and preventing ambiguity. In accordance with ethical guidelines for conducting study, only employees who voluntarily consented to participate were included.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS & INTERPRETATION

4.1 Introduction

This chapter presents the analysis and interpretation of data collected on the relationship between organizational culture and organizational performance, using Zemen Bank as the case study. It begins with an introduction, followed by sections on response rate and the demographic characteristics of respondents. The chapter then examines different dimensions of organizational culture, including involvement culture, consistency culture, adaptability culture, and mission culture, as well as their influence on non-financial performance. Finally, the chapter explores the relationship and impact of organizational culture on performance through correlation and regression analysis. The findings provide insights into how cultural factors shape Zemen Bank's overall effectiveness and success.

4.2 Response Rate of the Respondents

The validity and reliability of the survey items were evaluated in order to investigate the relationship between the independent variable (organizational culture) and the dependent variable (organizational performance). 98 (94%) of the 104 completed questionnaires that were given to employees were returned for the study. The study's conclusions and suggestions were adequately supported by this high response rate. Response rates of 50%, 60%, and 70% or more are regarded as satisfactory, good, and very good, respectively (Saunders et al., 2007).

Table 4.1 Response Rate

Sample Size	Distributed Questionnaire	Collected Questionnaire	Remains uncollected	Used for Analysis	Response Rate
104	104	98	6	98	94%

Source: Researcher's Own Survey, 2025

4.3. Demographic Characteristics and other Information of Respondents

The table below highlights the demographic (gender and age) and other characteristics (educational level, work experience, and job category) of respondents.

Table 4.2 Demographic Characteristic of the Respondents

S/N	Description	Frequency	Percent	Valid Percent	Cumulative Percent	
1	Age	21-30	43	43.9	43.9	43.9
		31-40	38	38.8	38.8	8.7
		41-50	12	12.2	12.2	94.9
		51 and above	5	5.1	5.1	100
		Total	98	100	100	
2	Gender	Female	48	49	49	49
		Male	50	51	51	100
		Total	98	100	100	
3	Educational Qualification	BA/BSC	57	58.2	58.2	58.2
		MA/MSC	41	41.8	41.8	100
		Total	98	100	100	
4	Year of Service at Zemen Bank	5 years or less	31	31.6	31.6	31.6
		6-10 years	42	42.9	42.9	74.5
		11-15 years	13	13.3	13.3	87.5
		16 years and above	12	12.2	12.2	100
		Total	98	100	100	
5	Job Category	Branch Manager/Deputy	22	22.4	22.4	22.4
		Customer service officers	47	48.0	48.0	70.4
		Professional/Support staff	18	18.4	18.4	88.8
		Management Staff at HO	11	11.2	11.2	100
		Total	98	100	100	

Source: Researcher's Own Survey, 2025

Out of the 98 respondents, the gender distribution was nearly balanced, with 48 (49%) females and 50 (51%) males. In terms of age, the majority of respondents fell within the most productive age ranges: 43 (43.9%) were between 21 and 30 years old, while 38 (38.8%) were between 31 and 40 years old. A smaller proportion were aged 41–50 (12, 12.2%) or above 50 (5, 5.1%). This indicates that most employees are in their prime working years, which is likely to contribute positively to organizational performance. Regarding educational qualifications, more than half of the respondents (57, 58.2%) held a first degree, while the remaining 41 (41.8%) had postgraduate qualifications or higher. Work experience varied among respondents: 31 (31.6%) had fewer than 5 years of experience, 42 (42.9%) had 6–10 years, 13 (13.3%) had 11–15 years, and 12 (12.2%) had over 15 years of service. Thus, the largest group had 6–10 years of experience. In terms of job roles, most respondents (47, 48%) were customer service officers. Branch managers or deputy branch managers accounted for 22 (22.4%), while professional or support staff made up 18 (18.4%). The remaining 11 (11.2%) were management staff at the head office.

4.4 Descriptive Analysis on Organizational Culture

To assess the organizational culture at Zemen Bank, employees were surveyed on their level of agreement with statements aligned with the four key dimensions of culture. Responses were collected using a 5-point Likert scale, where 1 represented Strongly Disagree, 2 Disagree, 3 Neutral/Undecided, 4 Agree, and 5 Strongly Agree. The data were analyzed using descriptive statistics, including mean scores and standard deviations, to evaluate employee perceptions.

The (Krosnick, J.A. and Berent, M.K., 1993) paradigm, which categorizes results as follows: scores below 3.39 indicate low agreement, scores between 3.40 and 3.79 reflect moderate agreement, and scores of *3.8 or higher indicate strong agreement, was used to interpret the mean scores. According to Denison's organizational culture model, the results are shown in the following tables, each of which focuses on one of the four aspects of organizational culture: involvement, consistency, adaptability, and mission. The frequency distribution and percentage of responses for each characteristic are further examined in this section, offering insight into how employees view the organizational culture of Zemen Bank.

4.4.1 Effect of Organizational Culture Involvement on Performance

This section examines the involvement dimension of Zemen Bank's organizational culture. The dimension is assessed based on its three sub-dimensions' empowerment, team orientation, and

capability development each measured using three specific questions. The findings of the analysis are presented in Table 4.3 below.

Table 4.3 The Involvement Cultural Dimension at Zemen Bank

Descriptive Statistics	Mean	Std. Dev
Descriptive Statistics	Mean	Std. Dev
In Zemen Bank decisions are made at the levels where the right information is available.	3.35	.964
Employees believe that they have a positive impact on ZB's performance.	3.62	1.021
Information is widely shared so that employees can access the information they need easily.	3.27	1.080
Cooperation across different parts of the organization is highly encouraged.	3.26	1.029
Teamwork is used to get work done, rather than to keep the Hierarchy.	3.72	.982
Employees work as they are part of a team.	3.74	.977
Authority is delegated so those, employees can act by their own up to their discretion limit.	3.26	1.169
There is a continuous investment to develop the skills and capabilities of employees.	3.69	.901
The capabilities of employees are viewed as an important source of competitive advantage.	3.72	.883
Involvement	3.5	1.00

Source: Researcher's survey output, 2025

The descriptive statistics from the survey of Zemen Bank (ZB) employees provide valuable insights into perceptions of organizational involvement, decision-making, and workplace culture. The data, measured on a Likert scale (assumed to be 1–5, where higher values indicate stronger agreement), reveals both strengths and areas requiring attention.

The highest-rated statements reflect a strong emphasis on teamwork and employee development. For instance, "Employees work as they are part of a team" (Mean = 3.74, SD = 0.977) and "Teamwork is used to get work done, rather than to keep the Hierarchy" (Mean = 3.72, SD =

0.982) indicate a collaborative work environment where hierarchical barriers are minimized. Additionally, "The capabilities of employees are viewed as an important source of competitive advantage" (Mean = 3.72, SD = 0.883) suggests that ZB values human capital as a key driver of success. These findings align with research emphasizing the role of teamwork and skill development in organizational performance (Pfeffer, 1998). However, certain areas exhibit lower agreement levels, signaling potential challenges. "Cooperation across different parts of the organization is highly encouraged" (Mean = 3.26, SD = 1.029) and "Authority is delegated so that employees can act on their own up to their discretion limit" (Mean = 3.26, SD = 1.169) suggest that interdepartmental collaboration and employee autonomy may need reinforcement. Similarly, "Information is widely shared so that employees can access the information they need easily" (Mean = 3.27, SD = 1.080) indicates room for improvement in internal communication practices. The higher standard deviations for these items imply greater variability in employee perceptions, possibly due to inconsistent implementation of policies across departments (Robbins, S.P. and Judge, T.A., 2019)

The composite score for "Involvement" (Mean = 3.5, SD = 1.00) suggests a moderately positive perception of employee engagement in decision-making. However, the relatively large standard deviation highlights disparities in how employees experience workplace involvement, which could stem from differences in leadership styles or departmental cultures (Yukl, 2013).

4.4.2 Effect of Organizational Culture Consistency on Performance

The consistency aspect of corporate culture as seen by Zemen Bank workers is examined in this section. Three main sub-dimensions—core values, agreement and coordination, and integration are the emphasis of the evaluation, and each is assessed using three distinct questions. Table 4.4 following provides a summary of the analysis's conclusions. With an overall consistency score of 3.36 (SD = 0.99), Zemen Bank's descriptive statistics for the Consistency Cultural Dimension show a modest degree of agreement between company ideals and practices. The high mean score for "There is an ethical code that guides employees' behavior and tells differentiating right from wrong" (Mean = 3.59, SD = 1.014) indicates that employees believe that ethical principles are most closely followed. Similarly, the statement "There is a clear agreement regarding the right way and the wrong way to do things" (Mean = 3.58, SD = 0.962) suggests that organizational norms are well-defined. However, the lower score for "Leaders 'practice what they preach'" (Mean = 3.18,

SD = 0.923) indicates a potential gap between leadership rhetoric and actions, which could undermine trust and consistency.

Table 4.4 The Consistency Cultural Dimension at Zemen Bank

Descriptive Statistics	Mean	Std. Dev
Leaders "practice what they preach".	3.18	.923
There is a clear and consistent set of values that govern the way Zemen Bank does business.	3.48	.987
There is an ethical code that guides employees' behavior and tells differentiating right from wrong.	3.59	1.014
When disagreements occur, employee effort is to achieve a "win-win" solution.	3.28	.961
There is a clear agreement regarding the right way and the wrong way to do things.	3.58	.962
It is easy to reach consensus; even conflicting issues occurs.	3.37	.946
Employees from different parts of the organization share a common perspective.	3.49	1.105
It is easy to coordinate projects across different parts of the organization.	3.02	1.015
The approach doing business is very consistent and predictable.	3.26	.998
Consistency	3.36	0.99

Source: Researcher's survey output, 2025

Cross-functional coordination appears to be a challenge, with "It is easy to coordinate projects across different parts of the organization" receiving the lowest score (Mean = 3.02, SD = 1.015). There is potential for improvement in promoting cohesive approaches to conflict resolution and collaboration, as evidenced by the modest scores for "Employees from different parts of the organization share a common perspective" (Mean = 3.49, SD = 1.105) and "When disagreements occur, employee effort is to achieve a 'win-win' solution" (Mean = 3.28, SD = 0.961). The standard deviations, which show the range in replies, suggest that employee experiences vary, maybe as a result of different departments applying values or procedures inconsistently. Overall, Zemen Bank exhibits a fundamental degree of ethics and norm consistency; nevertheless, this cultural

dimension might be further strengthened by improving interdepartmental coordination and leadership alignment.

4.4.3 Effect of Organizational Culture Adaptability on Performance

This section examines the adaptability dimension of Zemen Bank’s organizational culture, based on Denison’s model. The assessment evaluates three sub-dimensions creating change, customer focus, and organizational learning each measured using three specific questions. The results of the analysis are presented in Table 4.5 below.

Table 4.5 The Adaptability Cultural Dimension at Zemen Bank

Descriptive Statistics	Mean	Std. Dev
Better ways to do work are continually adopted.	3.46	.997
All parts of the organization cooperate to create change.	3.18	1.152
Zemen Bank responds well to the competitors’ actions and other changes in the business environment.	3.39	1.012
Customers’ feedback often leads to changes.	3.65	1.026
Employees understand customer’s wants and needs.	3.90	.914
Customer input directly influences decision at different level.	3.71	.812
Innovation is encouraged and rewarded.	3.15	1.039
Learning is an important objective for employees’ day-to-day work.	3.86	.718
Zemen Bank views failures as an opportunity for learning and improvement.	3.02	1.035
Adaptability	3.48	0.97

Source: Researcher’s survey output, 2025

The descriptive statistics reveal insights into Zemen Bank's organizational adaptability, measured across multiple dimensions. The mean scores, ranging from 3.02 to 3.90, indicate generally positive perceptions, though with notable variability as reflected in standard deviations (ranging from 0.718 to 1.152). The overall adaptability score (mean = 3.48, Std. Dev. = 0.97) suggests a moderate to high level of adaptability, albeit with room for refinement.

Customer-Centricity and Learning Culture stand out as strengths, evidenced by the high scores for "Employees understand customer's wants and needs" (3.90) and "Learning is an important objective for employees’ day-to-day work" (3.86). These results highlight the bank’s congruence

with customer requirements and its focus on ongoing learning. In the same vein, "Customer input directly influences decisions" (3.71) and "Customers' feedback often leads to changes" (3.65) underscore responsiveness to external stakeholders.

Nonetheless, it seems that Innovation and Risk Tolerance are not as well-developed, as indicated by the lower scores for "Innovation is encouraged and rewarded" (3.15) and "Zemen Bank views failures as an opportunity for learning and improvement" (3.02). This indicates a careful stance towards experimentation and the possibility of a shortfall in nurturing a culture that supports calculated risks. Furthermore, the statement "All parts of the organization cooperate to create change" (3.18) suggests a lack of strong cross-functional collaboration, which could impede cohesive adaptability efforts.

The bank's competitive responsiveness, measured by "Zemen Bank responds well to competitors' actions" (3.39), reflects adequate but not exceptional agility in the business environment. The variability in responses (e.g., Std. Dev. >1 for most items) further points to divergent employee perceptions, signaling inconsistencies in how these practices are experienced or implemented across the organization.

In summary, while Zemen Bank demonstrates robust customer focus and learning orientation, opportunities exist to strengthen innovation incentives, failure tolerance, and internal collaboration to enhance overall adaptability. The analysis aligns with the Zaidation and Bagheri framework, focusing on descriptive patterns without prescriptive recommendations.

4.4.4 Effect of Organizational Culture Mission on Performance

This section uses Denison's model to analyze Zemen Bank's organizational culture's mission dimension. The analysis focuses on three crucial sub-dimensions—organizational vision, goals and objectives, and strategic direction and intent—that influence the bank's strategic orientation. Three specific survey questions intended to gauge workers' perceptions and alignment with the bank's mission were used to evaluate each of these elements. The results of this comprehensive evaluation are presented in Table 4.6 below. The findings provide valuable insights into how clearly the bank's mission is understood across different levels of the organization, the degree to which employees feel connected to strategic goals, and how effectively the vision motivates and guides daily operations.

Table 4.6 The Mission Cultural Dimension at Zemen Bank

Descriptive Statistics	Mean	Std. Dev
There is a clear mission that gives meaning and direction to my work	3.99	.806
Zemen Bank strategic direction is clear.	3.40	1.128
The bank has long-term purpose and direction.	3.67	1.082
Leaders set goals that are ambitious, but realistic.	3.13	.881
Zemen Bank continuously tracks its progress against the stated goals.	3.41	1.003
There is widespread agreement about the goals of the company.	3.53	.955
Employees of ZB have a shared vision of what the organization will be like in the future.	3.69	.842
Leaders have a long-term viewpoint.	3.54	.887
Zemen Bank vision creates excitement and motivation for its employees.	3.76	.931
Mission	3.57	0.95

Source: Researcher’s survey output, 2025

Zemen Bank's organizational mission and strategic clarity are underscored by the descriptive statistics, which show mean scores between 3.13 and 3.99 on a Likert scale. The overall mission score (mean = 3.57, Std. Dev. = 0.95) reflects a generally clear and purposeful direction, but the variability in responses indicates some inconsistencies in employee perceptions. It is worth mentioning that the item "There is a clear mission that gives meaning and direction to my work" achieved the highest score (3.99), indicating a robust alignment between the bank's mission and the daily tasks of its employees. Analogously, the statements “Zemen Bank vision creates excitement and motivation for its employees” (3.76) and “Employees have a shared vision of the organization's future” (3.69) illustrate the successful conveyance of long-term objectives.

However, the lower score for "Leaders set goals that are ambitious, but realistic" (3.13) suggests potential gaps in goal-setting practices, which may impact employee confidence in leadership's strategic planning. The strategic direction of the bank shows moderate clarity, as evidenced by "Zemen Bank strategic direction is clear" (3.40) and "The bank has long-term purpose and direction" (3.67). Although these ratings are favorable, the greater standard deviations (for instance, 1.128 for strategic direction clarity) suggest that employees hold differing opinions. Progress tracking regarding goals is sufficiently handled (3.41), and there is a fair consensus on

company goals (3.53). The long-term perspective of leaders (3.54) is viewed positively, but the variability in responses (Std. Dev. near 1) suggests that alignment across the organization is inconsistent. The findings indicate that although Zemen Bank's mission and vision are mostly communicated effectively, there are opportunities to improve consistency in strategic implementation and goal-setting to further align employee understanding and engagement.

4.5. Descriptive Analysis of Organizational Performance (Dependent Variable)

This section evaluates Zemen Bank's organizational performance using non-financial indicators that are based on the Balanced Scorecard (BSC) framework developed by Norton and Kaplan (1992). The assessment examines three key dimensions: customer perspective, internal process perspective, and innovation & learning perspective, with each dimension measured through three specific survey questions. Employees rated these dimensions using a five-point Likert scale, and the results of this analysis are presented in Table 4.7 below.

Table 4.7 The organizational performance of Zemen Bank

Descriptive Statistics	Mean	Std. Dev
Customers are satisfied with the Banks' product/ service quality.	3.72	.883
The bank has a good relationship with customers relative to other competitor banks.	4.02	1.103
The bank has recognizable image and favorable reputation by its customers.	4.46	.706
Customers are served with in the standard delivery time (SDT) set by the bank.	4.03	.792
Zemen Bank has satisfactory products/services variety for its customers.	3.76	.690
Customers are happy by the bank's „after-sales“ service.	4.21	.613
Zemen Bank employees are operationally efficient/competent.	4.02	.673
I believe that my service to the company and the contributions that I have made are appreciated.	3.78	1.011
The people with whom I work have the appropriate skill set to contribute to the Bank's success.	3.95	.817
Organizational Performance	3.99	0.81

Source: Researcher's survey output, 2025

Zemen Bank shows a robust organizational performance (mean = 3.99, Std. Dev. = 0.81), with exceptional ratings in customer relationship management and reputation, as illustrated by "The bank has a recognizable image and favorable reputation" (4.46) and "The bank has a good relationship with customers relative to competitors" (4.02). Another area of strength is operational efficiency, as employees are rated as competent (4.02) and customers' express satisfaction with the timeliness of service delivery (4.03) and after-sales service (4.21). Although the variety of products/services has a moderate score (3.76), the bank enjoys strong customer satisfaction (3.72) and positive employee perceptions regarding appreciation (3.78) and colleague competency (3.95). Although there is a slight variation in employee appreciation (Std. Dev. = 1.011) and customer relationship strength (Std. Dev. = 1.103), the low standard deviations (primarily below 1) indicate that positive perceptions are consistent across these performance metrics. All in all, the data indicates a high-performing organization with strong customer-focused practices and effective operations.

Table 4.8 Descriptive Summary of All Variables (Grand Means) and Interpretation

Variable (Dimension)	Mean	Std. Dev	Interpretation (Based on Krosnick & Berent, 1993 scale)
Involvement	3.50	1.00	Moderate agreement – Indicates reasonably good employee engagement.
Consistency	3.36	0.99	Low agreement – Suggests foundational consistency but gaps in practice.
Adaptability	3.48	0.97	Moderate agreement – Reflects adaptability with need for better innovation.
Mission	3.57	0.95	Moderate agreement – Strategic direction is understood but inconsistently.
Organizational Performance	3.99	0.81	High agreement – Strong perception of non-financial performance.

Source: Researcher's survey output, 2025

The grand mean scores suggest that Zemen Bank exhibits generally healthy organizational culture traits, with strong non-financial performance outcomes.

4.6 Relationship between Organizational Culture and Non-Financial Performance

This research investigates how non-financial performance relates to organizational culture practices at Zemen Bank, employing the Pearson Product-Moment Correlation Coefficient (PPMCC) to measure this relationship. In accordance with the methodological framework set forth by (Saunders, M., Lewis, P. and Thornhill, A., 2007), the correlation analysis assesses the strength and direction of the linear relationship between these organizational variables. The correlation coefficient (r) can take on values between -1 and +1. A value of +1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 signifies the absence of a linear relationship. With this analytical approach, the researchers can systematically assess the effect of Zemen Bank's cultural dimensions on its performance metrics derived from the Balanced Scorecard across customer, internal process, and innovation/learning perspectives. The correlation matrix presented in this section provides empirical evidence of these organizational dynamics, offering valuable insights for both academic understanding and practical management applications within the banking sector.

4.6.1 Pearson Correlation Analysis

Correlation analysis is used in this study to investigate how strong and what kind of relationships exist among the variables under examination. To evaluate convergent validity, the Pearson correlation method was employed to measure both the direction (positive or negative) and strength (-1.0 to +1.0) of relationships between dimensions of organizational culture and non-financial performance metrics at Zemen Bank. Correlation analysis is a basic but potent statistical tool for assessing the interdependencies between variables, as pointed out by (Marczyk, G., DeMatteo, D. and Festinger, D., 2005). A Pearson correlation coefficient of +1 denotes a flawless positive linear connection, whereas -1 indicates a perfect negative linear connection. Values that fall between these extremes indicate different levels of association, with 0 implying no linear dependence. Table 4.8 presents the results of this analysis, showcasing the correlation matrix that details these relationships.

Table 4.9 Correlation Analysis Matrix

Correlation matrix		Organizational Performance
Organizational Performance	Pearson Correlation	1
	Sig. (2-tailed)	.000
	N	98
Involvement	Pearson Correlation	.496**
	Sig. (2-tailed)	.000
	N	98
Consistency	Pearson Correlation	.437**
	Sig. (2-tailed)	.000
	N	98
Adaptability	Pearson Correlation	.552**
	Sig. (2-tailed)	.000
	N	98
Mission	Pearson Correlation	.310**
	Sig. (2-tailed)	.000
	N	98
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: Researcher's survey output, 2025

The Pearson Correlation matrix provides valuable insights into the factors influencing organizational performance at Zemen Bank, with clear implications for strategic management. Among the examined variables Involvement, Consistency, Adaptability, and Mission—all show statistically significant positive correlations with performance ($p < 0.01$), confirming their relevance in the banking context.

Adaptability shows the strongest correlation ($r = 0.552$), highlighting its essential role in the success of Zemen Bank. In the fast-paced banking sector, being able to adapt to regulatory updates, tech innovations, and evolving customer demands is probably a major factor influencing performance. With a correlation of 0.496, involvement is closely linked to these outcomes, indicating that participatory decision-making and employee engagement play a significant role in the bank's results. With a correlation of $r = 0.437$, consistency indicates the significance of

dependable processes and operational stability for upholding customer trust and adhering to regulations. Although Mission has the lowest correlation ($r = 0.310$), it still suggests that a clear and well-communicated organizational purpose is associated with better performance.

These results can be applied to other financial institutions, underscoring the importance of maintaining a balanced emphasis on adaptability, employee involvement, operational consistency, and mission clarity for long-term success. Zemen Bank could bolster its competitive standing in the banking industry by focusing on these areas, especially adaptability and employee engagement. With a sample size of 98, these conclusions can be considered credible and thus actionable for leadership and in the context of strategic planning.

4.7. Testing the Assumptions of Regression

When conducting the linear regression analysis, the researcher carefully evaluated the classical linear regression model assumptions to ensure their validity. Among these assumptions, the normality of residuals was rigorously tested. The results confirmed that all assumptions were fully satisfied, with no violations detected. This indicates that the regression model is appropriate for the data, and the findings derived from it can be considered reliable and statistically sound. The adherence to these assumptions strengthens the validity of the analysis and supports the robustness of the conclusions drawn from the study.

4.7.1. Normality Assumption

The assumption underlying regression analysis is that the data follows a normal distribution, which also applies to the model's error terms (residuals). To confirm this assumption, researchers utilize diagnostic instruments like histograms and normal probability plots (Q-Q plots) of the standardized residuals. These graphical techniques assist in evaluating if the residuals follow a normal distribution, thereby confirming the validity of the regression results. (Hair, 2013) pointed out that these methods are crucial for verifying that the model satisfies the required statistical assumptions, thus bolstering the findings' reliability. This phase is crucial for sustaining the sturdiness and precision of the regression analysis.

4.7.1.1. Histogram

The histogram is one of the most direct and effective visual means of evaluating normality. This graphical tool enables researchers to juxtapose the observed data distribution with the anticipated

pattern of a normal distribution. When data is normally distributed, the histogram usually shows a symmetrical bell-shaped curve, with the left and right sides closely resembling each other. This symmetry, as highlighted by (Thode, 2017), is a crucial sign of normality; deviations from this pattern, like skewness or irregular peaks, may indicate that the data does not conform to the normality assumption. By providing a clear and intuitive representation of the data's distribution, histograms serve as a valuable diagnostic tool in statistical analysis, helping researchers verify critical assumptions before proceeding with further tests or modeling.

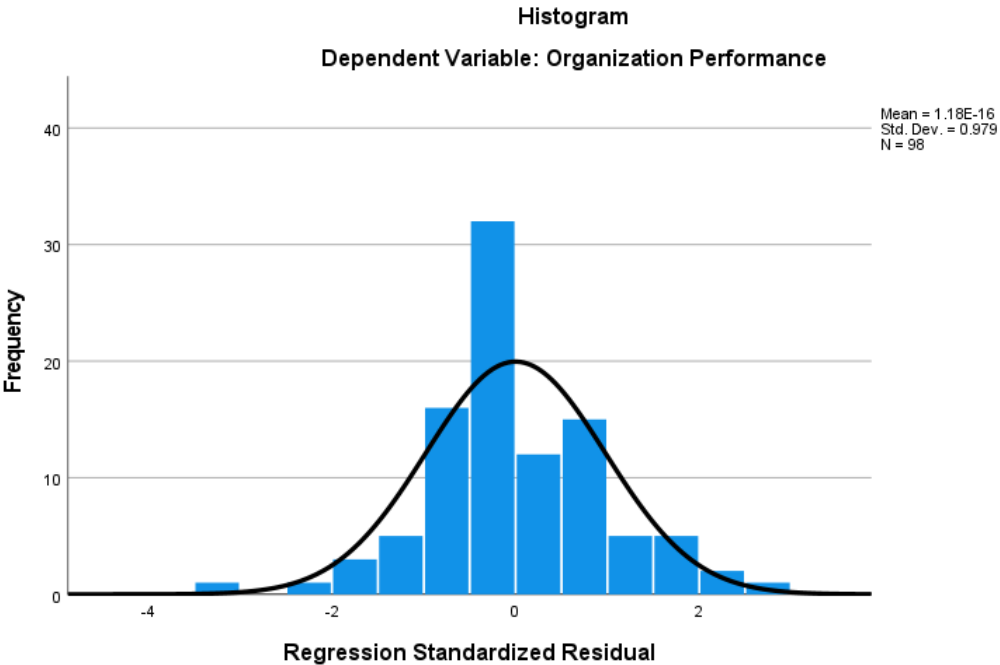


Figure 4.1: Histogram of Regression Standardized Residual

4.7.1.2. The Normal probability plots

One of the most reliable methods for evaluating the normality assumption is a normal probability plot. According to (Mishra, 2020), when data is normally distributed, the plotted points should roughly coincide with the diagonal reference line. In the same way, (Hair, 2013) indicate that residuals are normally distributed if the points on their normal probability plot closely follow the diagonal line with minimal deviations. The normality assumption is satisfied as the residuals closely follow this diagonal trend in the given figure.

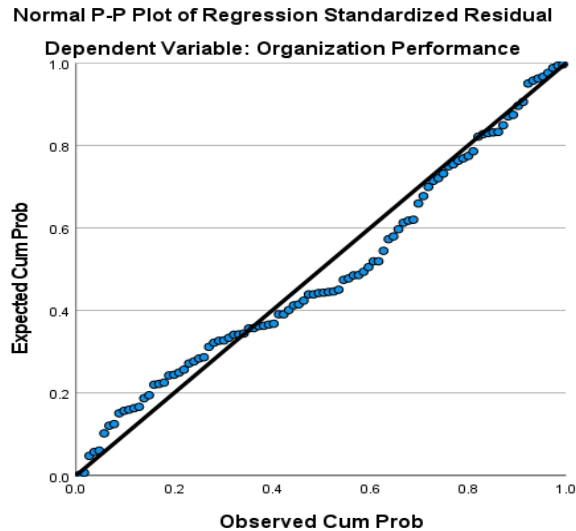


Figure 4.2: Normal Probability Plot of Standardized Residuals

4.7.1.3. Independent Errors (Autocorrelation)

As stated by (Field, 2005) in a regression model, the residuals (errors) between any two observations should be independent or uncorrelated. This situation is referred to as the absence of autocorrelation. Should autocorrelation be present, it compromises the validity of confidence intervals and significance tests. The independence of errors can be evaluated using the Durbin-Watson test, which examines residuals for serial correlation. The test yields a statistic between 0 and 4, with a value of 2 indicating no autocorrelation. Values above 2 suggest negative autocorrelation, whereas values below 2 indicate positive autocorrelation. When the test statistic is below 1 or above 3, autocorrelation is a major issue.

The Durbin-Watson test result of 1.854, as indicated in the table, is sufficiently close to the ideal value of 2, which suggests the absence of significant autocorrelation. Therefore, the researcher can reasonably conclude that the assumption of independent errors (no autocorrelation) has not been violated in the regression model.

Moreover, the Durbin-Watson result of 1.854 not only supports the assumption of independence but also enhances the credibility of the regression model's findings. This suggests that the residuals are randomly distributed and not influenced by patterns or trends over time, which is particularly important in behavioral or organizational studies where responses may be influenced by sequential factors or temporal proximity. By confirming that autocorrelation is not a concern, the regression outputs—such as coefficient estimates, standard errors, and significance levels—can be interpreted

with greater confidence, thereby strengthening the validity of the overall model and its implications for organizational culture and performance analysis.

Table 4.10: Autocorrelation

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.679 ^a	.461	.438	2.52081	1.854
a. Predictors: (Constant), Adaptability, Mission, Consistency, Involvement					
b. Dependent Variable: Organizational Performance					

Source: Researcher’s survey output, 2025

4.7.1.4. Linearity

A scatter plot is a graphical representation that displays the relationship between two quantitative variables by plotting individual data points along an x-axis (independent variable) and y-axis (dependent variable). This visualization helps identify trends, correlations, or potential outliers in the data (Field, 2013). For instance, if points cluster around an upward-sloping line, it suggests a positive correlation, whereas a random dispersion indicates no apparent relationship. Scatter plots are widely used in regression analysis to visually assess assumptions such as linearity and homoscedasticity before model fitting.

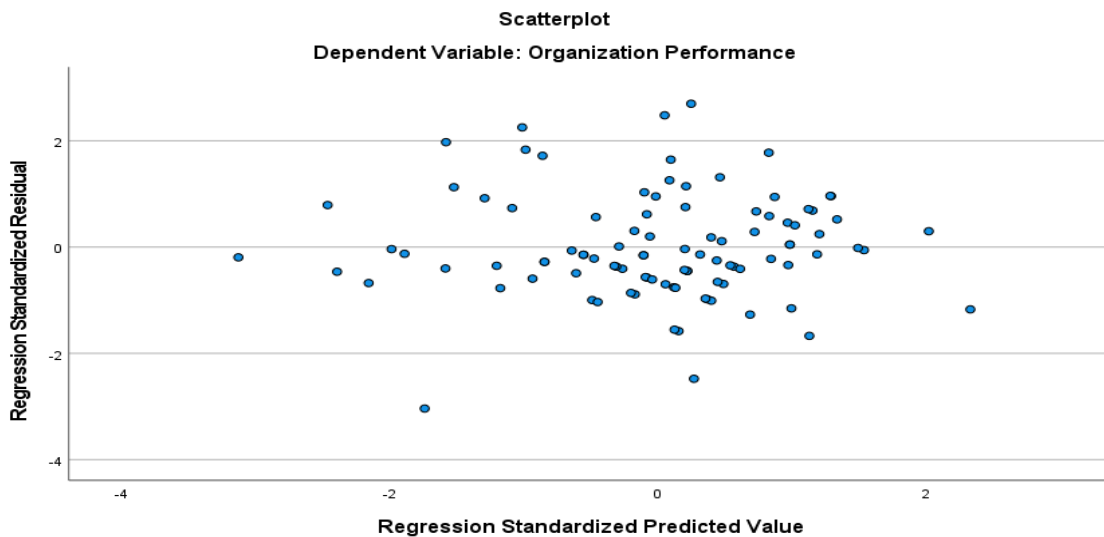


Figure 4.3: scatterplot Diagram

4.8. Multiple Regression Analysis

One of the most commonly used and adaptable methods for tackling research questions related to prediction or causal explanation is regression analysis (Field, 2005). According to (Gujarati, 2004), this method investigates the effect of one or more independent variables on a dependent variable, enabling researchers to calculate the dependent variable's expected value based on fixed or observed values of the predictors.

This study utilized multiple regression analysis to evaluate how the dimensions of organizational culture Mission, Consistency, Involvement, and Adaptability relate to organizational performance at Zemen Bank. The proportion of variance in the dependent variable (organizational performance) that the independent variables in the regression model account for is measured by the coefficient of determination (R^2).

The table below presents the results of the multiple regression analysis. The squared multiple correlation coefficient (R^2) indicates the extent to which the model explains variations in organizational performance, providing insights into the predictive power of the organizational culture variables.

Table 4.11: Model Summary of Regression Analysis

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.679 ^a	.461	.438	2.52081	1.854
a. Predictors: (Constant), Adaptability, Mission, Consistency, Involvement					
b. Dependent Variable: Organizational Performance					

Source: Researcher's survey output, 2025

The relationship between organizational culture (assessed through adaptability, mission, consistency, and involvement) and organizational performance is explored using multiple regression analysis. The findings demonstrate a correlation of moderate strength, as evidenced by

an R-value of 0.679. This suggests that there is a significant linear relationship between these cultural dimensions and performance outcomes.

With an R-squared value of 0.461, it can be seen that these four cultural factors account for 46.1% of the variation in organizational performance. Practically speaking, this implies that almost 50% of the variations in performance among organizations can be ascribed to factors such as their adaptability, mission clarity, operational consistency, and degree of employee engagement. Other factors not included in this model, like the quality of leadership, market conditions, or resource availability, affect the remaining 53.9% of performance variation.

The results underscore the importance of organizational culture as a performance driver, but leaders should take into account other factors as well when formulating strategies to improve organizational effectiveness. The model's explanatory power (Adjusted R-squared = 0.438) validates that the results are consistent even after considering the number of predictors used.

Table 4.12: ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	506.063	4	126.516	19.910	<.001 ^b
	Residual	590.968	93	6.354		
	Total	1097.031	97			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Adaptability, Mission, Consistency, Involvement						

Source: Researcher's survey output, 2025

The ANOVA analysis provides critical insight into whether the regression model significantly predicts organizational performance. As (Field, 2005) notes, this test determines if the model's predictive capability exceeds chance levels. The results reveal a highly significant model ($p=0.001$), which is well below the conventional 0.05 threshold. This indicates that organizational culture comprising adaptability, mission, consistency, and involvement exerts a statistically significant influence on organizational performance.

The very small p-value ($p < 0.001$) shows that the variance in performance being explained is not due to chance; it indicates true predictive relationships. The results corroborate the statistical validity of the regression model and the meaningful contribution of the identified cultural dimensions to performance outcomes. The importance of the model underscores the need for organizational leaders to take these cultural elements into account when formulating strategies aimed at improving performance, given that their effects have been empirically confirmed. This analysis instills confidence in the model's robustness, indicating that the relationships identified are genuine population effects rather than sampling artifacts. The results thus provide a dependable basis for organizational decisions concerning cultural development initiatives.

4.9. Coefficients

The unstandardized beta coefficient, which indicates the distinct contribution of each component to the model, is displayed based on table 4.11. A small p value (< 0.05) and a high beta value show that the predictor variable has statistically significantly contributed to the model. Conversely, a high p value ($p > 0.05$) and a small beta value suggest that the predictor variable contributes little to nothing to the model (George, 1996)

Table 4.13: Regression Coefficient Table

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B Beta	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.174	3.971		1.807	.074		
	Involvement	.260	.093	.265	2.797	.006	.644	1.552
	Consistency	.159	.083	.174	1.921	.058	.707	1.414
	Adaptability	.380	.071	.426	5.328	.000	.906	1.104
	Mission	.045	.065	.060	.702	.484	.801	1.249

Source: Researcher's survey output, 2025

Regression analysis sheds important light on the ways in which various aspects of organizational culture affect output. The results show that the most important element is flexibility, which has a substantial positive correlation with organizational effectiveness (Beta = 0.426, $p < 0.001$). This

suggests that companies that place a high value on adaptability and change-responsiveness are probably going to have noticeably improved performance results. Additionally, there is a significant positive correlation of employee involvement (Beta = 0.265, p = 0.006), indicating that encouraging staff participation and engagement leads to better organizational outcomes. Although mission alignment seems to be positively correlated, its effect is not as strong (Beta = 0.060, p = 0.484) and needs more research because different studies have different significance levels. It's interesting to note that, although crucial for operational stability, organizational process consistency does not show a statistically significant impact on performance (p = 0.058), suggesting that it might not directly improve overall performance measures.

With tolerance levels over 0.6 and all variance inflation factors (VIF) below 2, the research demonstrates the stability of these findings using collinearity statistics, showing that multicollinearity does not skew the results. According to these findings, companies looking to boost performance should prioritize employee engagement and agility while keeping mission clarity as a pillar. The limited effect of consistency raises the possibility that businesses could gain by striking a balance between reliable procedures and the adaptability to change with the times.

These results are consistent with modern organizational theories that highlight human capital and agility as critical success factors in fast-paced corporate settings. To give corporate leaders more sophisticated advice, future studies might investigate these connections in various business situations or look at possible interaction effects between these cultural variables. A multiple linear regression analysis was used to assess how organizational culture affected non-financial performance. The approach looked at four important aspects of culture. The results of the investigation showed clear connections between these cultural elements and performance results. Zemen Bank's organizational performance can be used to build the model in the following ways, taking into account both important and minor cultural aspects.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots$$

$$\text{Non-financial Performance} = 7.174 + 0.260(\text{Involvement}) + 0.159(\text{Consistency}) + 0.380(\text{Adaptability}) + 0.045(\text{Mission}).$$

The regression analysis reveals that Adaptability Culture ($\beta = 0.426$, $p = 0.000$) has the strongest positive and statistically significant effect on organizational performance, followed

by Involvement Culture ($\beta = 0.265$, $p = 0.006$), which also shows a significant positive relationship. Consistency Culture ($\beta = 0.174$, $p = 0.058$) demonstrates a modest positive influence, though it is marginally outside conventional significance levels. In contrast, Mission Culture ($\beta = 0.060$, $p = 0.484$) does not exhibit a statistically significant impact. The findings suggest that fostering adaptability and employee involvement are critical for enhancing performance, while consistency plays a supportive role. The negligible effect of mission culture may indicate a need for clearer strategic alignment or communication within the organization. These insights underscore the importance of prioritizing adaptive and participatory cultural dimensions to drive performance improvements.

4.10. Hypotheses Testing

For this study, four hypotheses were formulated and tested. These were evaluated by analyzing the standardized regression coefficients (β) and their corresponding p-values derived from the multiple regression analysis.

H1: There is a positive relationship between Organizational culture ‘involvement’ and organizational performance.

The hypothesis posited a positive and statistically significant relationship between Involvement and non-financial organizational performance. The regression results support this claim, with a standardized coefficient ($\beta = 0.265$) that is statistically significant ($*p* = 0.006$). This indicates that higher levels of employee involvement are associated with improved non-financial outcomes, such as employee engagement, operational efficiency, or customer satisfaction. The finding aligns with organizational behavior theories suggesting that participatory decision-making fosters commitment and productivity. Organizations seeking to enhance non-financial performance should thus prioritize strategies that promote involvement, such as team-based initiatives or open communication channels.

H2: There is positive relationship between Organizational culture ‘consistency’ and organizational performance.

The hypothesis predicted a positive and significant relationship between Consistency and non-financial performance. While the regression coefficient ($\beta = 0.174$) shows a positive trend, the $*p*$ -value ($*p* = 0.058$) narrowly misses the conventional significance threshold ($*p* < 0.05$). This

suggests that Consistency may have a marginal influence but lacks robust statistical backing in this dataset. Potential reasons include measurement limitations or contextual factors that moderate its impact. Further research with larger samples or refined operationalization of "Consistency" (e.g., leadership stability, process standardization) could clarify its role. For now, practitioners should interpret this result cautiously, recognizing that Consistency alone may not drive measurable performance changes.

H3: Hypothesis four: There is a positive relationship between Organizational culture ‘adaptability’ and organizational performance.

This hypothesis asserted a positive and significant link between Adaptability and non-financial performance. The results strongly confirm this expectation, with the highest standardized coefficient ($\beta = 0.426$) and high significance ($*p* < 0.001$). Adaptability emerges as the most influential predictor, underscoring its critical role in dynamic environments. Organizations that embrace flexibility, innovation, and responsiveness are likely to see tangible benefits in areas like agility, stakeholder satisfaction, and resilience. This aligns with contemporary management literature emphasizing adaptive cultures for long-term success. Leaders should invest in training, decentralized decision-making, and iterative feedback mechanisms to capitalize on this finding.

H4: There is a positive relationship between Organizational culture ‘mission’ and organizational performance.

The hypothesis expected Mission to positively affect non-financial performance, but the data refutes this claim ($\beta = 0.060$, $*p* = 0.484$). The non-significant result implies that, in this study, clarity or alignment with organizational mission did not translate into measurable performance improvements. This contradicts common assumptions about mission-driven motivation but may reflect contextual factors—e.g., mission statements being aspirational rather than actionable, or employees perceiving them as disconnected from daily operations. Future studies could explore mediating variables (e.g., leadership authenticity, mission integration into workflows) to explain this discrepancy. For now, organizations should pair mission communication with concrete practices to ensure impact.

CHAPTER FIVE

SUMMARY OF MAJOR FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the key findings, conclusions, and recommendations from a study examining the impact of organizational culture on performance at Zemen Bank. The research specifically analyzed how four cultural dimensions - Involvement, Consistency, Adaptability, and Mission - influence the bank's non-financial performance metrics.

5.2. Summary of Major Findings

In order to examine the connection between organizational culture and performance at Zemen Bank, this study used a cross-sectional survey design and a quantitative methodology. A sample of 104 employees was chosen by stratified random sampling to guarantee broad representation across job levels and functions, and data was gathered using structured questionnaires based on the Balanced Scorecard framework and Denison's organizational culture model. According to the respondent profile, the majority of participants (82.7%) were between the ages of 21 and 40, and the distribution of participants by gender was almost equal (49% female, 51% male). The majority of the workforce (42.9%) had 6–10 years of work experience, while 58.2% had first degrees and 41.8% had postgraduate degrees. Customer service representatives made up 48% of the workforce, followed by branch managers/deputies (22.4%) and head office management personnel (11.2%).

The descriptive statistics from Zemen Bank's employee survey highlight key perceptions across five dimensions: Involvement, Adaptability, Mission, Organizational Performance, and Consistency. Employees reported strong teamwork (Mean: 3.74) and a focus on collaboration over hierarchy (Mean: 3.72), though delegation of authority could be improved (Mean: 3.26). The bank excels in employee development (Mean: 3.69), viewing it as a competitive advantage (Mean: 3.72). In terms of Adaptability, customer-centric practices stood out, with employees understanding customer needs (Mean: 3.90) and feedback driving changes (Mean: 3.65). However, tolerance for failure (Mean: 3.02) and cross-departmental cooperation for change (Mean: 3.18) need attention.

Although strategic clarity (Mean: 3.40) and objective ambition (Mean: 3.13) might be improved, the mission dimension showed high alignment with the bank's long-term vision (Mean: 3.69) and excitement about its future (Mean: 3.76). With strong customer satisfaction in service quality (Mean: 4.02), reputation (Mean: 4.46), and delivery efficiency (Mean: 4.03), organizational performance stood out. Additionally, workers thought their abilities contributed to success (Mean: 3.95) and gave their own competence a high rating (Mean: 4.02).

For Consistency, ethical guidelines were clear (Mean: 3.59), but leadership consistency ("practice what they preach") scored lower (Mean: 3.18). Conflict resolution leaned toward collaboration (Mean: 3.28), though cross-department coordination remained a challenge (Mean: 3.02). Overall, the findings underscore Zemen Bank's strengths in customer service, employee engagement, and mission alignment, while pointing to opportunities for improvement in delegation, innovation, interdepartmental collaboration, and leadership consistency.

All culture variables and performance were found to be significantly positively correlated by the correlation analysis; the largest link was found for adaptability ($r=0.552$), followed by involvement ($r=0.496$) and consistency ($r=0.437$). The results of regression analysis showed that involvement ($\beta=0.265$) and adaptability ($\beta=0.426$) were significant predictors of performance, accounting for 46.1% of the variance. The impact of involvement and adaptability, but not of consistency or mission, was highly validated by hypothesis testing. According to these results, Zemen Bank should put more effort into creating flexible, learning-oriented cultures and employee engagement programs. They should also look into ways to improve operational consistency and mission alignment in order to have a greater performance impact. The results provide valuable insights for organizational leaders seeking to leverage culture as a strategic performance driver in the banking sector.

5.3. Conclusions

The study highlights the crucial role that cultural factors play in influencing organizational results and offers insightful information about the connection between Zemen Bank's performance and organizational culture. According to the results, the two most important factors predicting non-financial performance are employee involvement and flexibility, with adaptability exhibiting the largest positive link. This emphasizes the value of developing an adaptable and responsive

corporate culture, especially in fast-paced sectors like banking where long-term success depends on the capacity to innovate and adjust to shifting conditions. The involvement dimension's emphasis on teamwork and capability development serves to further emphasize the importance of investing in employees' abilities and involving them in decision-making processes, both of which raise performance levels.

The study found areas that needed addressing even though it also validated the benefits of involvement and flexibility. Regression research revealed that mission and consistency, despite their moderate ratings, had no statistically significant effects on performance. This implies that even though Zemen Bank has strong ethical standards and core values, cross-functional cooperation and the effective incorporation of the organization's mission into day-to-day operations might require strengthening. Although the bank excels in customer-centric practices, as seen by the high-performance ratings in client interactions and operational efficiency, internal procedures should be improved and brought closer to the bank's long-term strategic goals.

with a large sample size were used in the research technique to guarantee diverse representation among the bank's employees. The study was made more rigorous by the inclusion of validated frameworks such as the Balanced Scorecard and Denison's organizational culture model, and the high response rate (94%) increased the validity of the results. Organizational leaders were given practical insights by the correlation and regression studies, which empirically demonstrated the connections between performance and cultural factors.

The study concludes by showing that organizational culture plays a significant role in Zemen Bank performance, with involvement and flexibility having the biggest effects. Initiatives that support flexibility, ongoing education, and staff involvement should be given top priority by the bank in order to improve performance even more. It should also fill up the gaps in cross-departmental cooperation and mission alignment. Zemen Bank will be able to sustain its competitive advantage and succeed in the banking industry over the long run thanks to these initiatives. Additionally, by offering a framework for comparable research in other financial organizations, the findings add to the body of knowledge on organizational culture. To better understand the cultural processes at work, future studies should examine more variables or qualitative approaches.

5.4. Recommendations

The study highlights that organizational culture and performance play a crucial role in determining an organization's success. A company's achievements are closely linked to its cultural values and workplace norms. To sustain high productivity, organizations must actively nurture and refine their cultural environment.

The research findings indicate that Zemen Bank has a well-established organizational culture, as perceived by employees and measured across four key cultural dimensions. These dimensions demonstrate a clear connection between the bank's culture and its overall performance. To ensure continued success and further cultural development, the study offers the following recommendations.

1. To enhance Zemen Bank's adaptability, management should prioritize fostering a culture of innovation and flexibility. The bank could implement structured programs that encourage employees at all levels to propose and test new ideas, with a dedicated innovation fund to support promising initiatives. Given the banking sector's dynamic nature, regular market trend analyses should be conducted, and findings should be rapidly incorporated into strategic planning. Customer feedback mechanisms should be strengthened through more frequent surveys and focus groups, ensuring the bank remains responsive to evolving client needs. Additionally, leadership should invest in continuous professional development programs, equipping staff with skills to navigate industry disruptions. Decision-making processes should be reviewed to reduce bureaucratic delays, empowering frontline managers to make time-sensitive operational adjustments while maintaining risk controls.
2. Zemen Bank should deepen employee engagement by systematically expanding staff participation in decision-making processes. This could involve creating cross-functional committees that include representatives from various levels to provide input on operational improvements and strategic initiatives. The bank should implement regular town hall meetings where leadership transparently shares organizational challenges and solicits employee solutions. To build stronger ownership, the performance management system could be revised to include metrics for collaborative contributions and innovative suggestions.

3. The bank needs to strengthen organizational consistency by developing clearer integration mechanisms across departments. This could involve establishing standardized operating procedures for interdepartmental collaboration, supported by regular joint planning sessions between functional units. The HR department should design targeted training programs that reinforce core values and ethical standards through case-based learning and role-playing exercises. Performance metrics should be aligned to reward behaviors that demonstrate cross-functional cooperation and adherence to organizational principles. To address coordination gaps, the bank could implement enterprise-wide project management software that enhances visibility of interdependent tasks.
4. Zemen Bank should undertake a comprehensive mission alignment initiative beginning with leadership workshops to clarify how strategic objectives translate into daily operations. Each department should then conduct sessions to map their specific activities to the organizational mission, creating visible "mission impact" dashboards for teams. The performance management system should incorporate mission-related competencies in evaluations, with recognition programs highlighting employees who exemplify mission-driven behaviors. Internal communications should regularly feature stories demonstrating how different roles contribute to fulfilling the bank's purpose. Senior leaders should schedule quarterly "mission reflection" sessions with randomly selected employees to assess alignment and identify disconnects between stated values and actual practices, using these insights for continuous improvement.
5. To capitalize on existing strengths in customer relationships and operational efficiency, Zemen Bank should implement a structured best practice sharing program across branches. High-performing units should be studied to identify replicable success factors, with these insights incorporated into standard training curricula. The bank could enhance its reputation management through strategic thought leadership initiatives, such as publishing industry insights and hosting financial literacy programs for communities. Customer service protocols should be regularly benchmarked against global standards, with mystery shopping programs to maintain service excellence. Technology investments should focus on further streamlining operational processes while maintaining the human touch that contributes to current performance strengths.

5.4.1 Future Research Direction

Building on the study's findings, a number of interesting directions for further investigation become apparent, which may help us better understand how organizational culture affects the banking industry. Although Zemen Bank was the exclusive focus of this analysis, future studies should broaden their reach to encompass other financial institutions within Ethiopia's banking sector. By taking into consideration differences in size, market focus, and operational tactics, such comparative research would produce more broadly applicable conclusions regarding how organizational culture functions within various banking environments.

Future researchers ought to think about looking at the connection between culture and performance in related financial industries such capital market enterprises, insurance companies, and microfinance organizations. Determining whether the current findings reflect phenomena exclusive to banks or more general tendencies in the financial sector would be made easier with this enlarged emphasis. Studies could also effectively examine development financial institutions and public sector banks to find any possible cultural differences with commercial banks.

Although Denison's organizational culture model was successfully used in this study, other theoretical frameworks, such as Hofstede's cultural dimensions or the Competing Values Framework, could be useful in future research. Multi-model techniques like these would offer a more thorough comprehension of cultural dynamics. Future research should also effectively distinguish between the influence of culture on non-financial indicators (employee happiness, customer loyalty, and innovation rates) and financial performance measurements (ROA, ROE, and efficiency ratios).

In terms of methodology, researchers want to think about mixed-methods designs that incorporate qualitative interviews, observational approaches, and quantitative surveys. Richer insights into how cultural influences appear in day-to-day banking operations would result from this method. To further understand causal links and the long-term effects of culture change projects, longitudinal studies that monitor changes in performance and culture over time would be very beneficial.

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Annex

Research questionnaire

Department of Business Leadership

Addis Ababa university school of commerce

Research –questionnaire on The Effect of Organizational Culture on Organizational Non-Financial Performance in the case of Zemen Bank s.c.

Dear Respondent,

I am an MBL postgraduate student at Addis Ababa University, School of Commerce. This questionnaire is designed to gather relevant information for my research on the topic “The Effect of Organizational Culture on Organizational Non-Financial Performance: The Case of Zemen Bank.” The study is conducted for academic purposes, as part of the requirements for the Master of Business Leadership (MBL) program. Your participation is highly valued, and I assure you that all responses will be treated with strict confidentiality.

The accuracy and validity of the research findings depend on your honest and thoughtful responses. Therefore, I kindly request you to complete the questionnaire carefully and return it at your earliest convenience.

Thank you for your time and contribution to this study.

PART I: Please put the tick “√” mark under the choice, write your opinion on the blank space

1. Age: 21-30 1-40 41-50 51 and Above
2. Gender: Female Male
3. Education Level: BA/BSC MA/MSC PHD
4. Year of Service at Zemen Bank: ≤ 5 years 6-10 years 11-15years
16years and Above
5. Your Job Category: Management staff at HO

- Branch Manager /Deputy
- Customer service officer
- Professional/ support staff

Part II: Organizational Culture of Zemen Bank

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 Zemen Bank 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/Undecided	Agree	Strongly Agree

Traits of Organizational Culture in case of Zemen Bank

I. Involvement					
Empowerment	1	2	3	4	5
1. In Zemen Bank decisions are made at the levels where the right information is available.					
2. Employees believe that they have a positive impact on ZB'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 Zemen Bank 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	1	2	3	4	5
19. Better ways to do work are continually adopted.					
20. All parts of the organization cooperate to create change.					
21. Zemen Bank 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-today work.					
27. Zemen Bank view failures as an opportunity for learning and improvement.					
IV. MISSION					
Strategic Direction and Intent	1	2	3	4	5
28. There is a clear mission that gives meaning and direction to my work.					
29. Zemen Bank 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. Zemen Bank continuously tracks its progress against the stated goals.					
33. There is widespread agreement about the goals of the company.					
Vision					
34. Employees of Zemen Bank have a shared vision of what the					

organization will be like in the future.					
35. Leaders have a long-term viewpoint.					
36. Zemen Bank vision creates excitement and motivation for its employees.					

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

please indicate 1 (to a very little extent) to 5 (to a very great extent) to what extent Zemen Bank 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 Zemen Bank 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. Zemen Bank has satisfactory products/services variety for its customers.					
6. Customers are happy by the bank's „after-sales“ service.					
Innovation & Learning Perspective					
7. Zemen Bank 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!!!