

Nexus between Organizational Culture and Perceived Firm Effectiveness in a Manufacturing Firm in Nigeria

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Abstract

This study investigated the influence of organizational culture on firm's perceived effectiveness in the manufacturing industry with a particular focus on Nigerian Breweries Plc Ibadan. The objectives of this study were to examine whether adaptability, mission, involvement and consistency jointly and independently predicted organizational effectiveness and also to determine the link or association between mission, involvement and consistency and firm effectiveness. The study employed survey research. Primary data was used for the study with questionnaire as research instrument. The subjects were two hundred employees of Nigerian Breweries Plc, Ibadan. The five hypotheses formulated for the study were tested using Pearson correlation and regression with the aid of Statistical Package for Social Science (SPSS). The findings of the study revealed that the independent variables (involvement, consistency, adaptability and mission) jointly and independently predicted perceived firm effectiveness. The research work also indicated a relationship between the independent variables and perceived firm effectiveness. Based on the findings from the study, it is recommended that managers must actively work to keep the existing organization culture relevant to the present and future while maintaining some sense of continuity with the past.

Keywords: organizational culture, perceived firm effectiveness, mission, involvement, adaptability

1.0 INTRODUCTION

Organizational culture – the “personality” of an organization that guides how employees think and act on the job – is central to the values, beliefs, inter-personal behaviours, and attitudes to stakeholders that determine how the organization does its job. Culture is a key factor not only in achieving organizational goals, but in attracting and keeping desirable employees, creating a positive public image, and building respectful relationships with stakeholders (Desson and Clouthier, 2010).

Barney (1986) viewed organizational culture as a complex set of values, beliefs, assumptions and symbols that define the way a firm conducts its business. Chow (2001) stated that organizational culture influences a range of organizationally and individually desired outcomes such as commitment, loyalty, turnover intent and satisfaction leading to firm's effectiveness. Organizational culture can be referred to as a set of values, beliefs, and behavior patterns that form the key identity of organizations and that help in determining their employees' manners (Pool, 2000; Schein, 1992). Organizational culture can also be defined “as a pattern of basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration” (Schein, 1992).

Organization culture has been argued as management philosophy and a way of managing organizations to improve their overall effectiveness and performance (Kotter and Heskett, 1992). Basically, organizational culture is not just any thoughts, values, and actions, but rather the unifying patterns that are shared, learned, aggregated at the group level, and internalized only by organizational members.

The effectiveness of a firm is the measure of how successfully firms achieve their missions through their core strategies. Organizational effectiveness studies are concerned with the unique capabilities that organizations develop to assure that success. Organization culture is able to influence the thoughts, feelings, interactions, and organizational effectiveness. This study therefore examines the influence organizational culture on perceived firm effectiveness in a manufacturing firm in Nigeria.

2.0 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Organizational culture is a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behaviors for various situations. Sadri and Lees (2001) posits that “Organizational culture is an intangible concept; it clearly plays a meaningful role in corporations, affecting employees and organizational operations throughout a firm.” Organizational culture has been and always will be needed to allow a business to reach its full potential. Hence, organizational culture can be looked at as a system. Inputs include feedback from, e.g., society, professions, laws, stories, heroes, values on competition or service, etc. The process is based on our assumptions, values and norms, e.g., our values on money, time, facilitates, space on people. Outputs or effects of our culture are, e.g., organizational behaviors, technologies, strategies, image, products, services, appearance, etc. Schein (1990) considers culture to be what a group learns over time as this group solves its own problems of survival in an external environment, as well as its problems of internal

integration. Pettigrew (1979) takes the concepts of purpose, commitment, and order and looks at how these are generated in an organization through the feelings and actions of the founder, as well as through a mix of beliefs, ideology, language, rituals and myths. A strong culture can provide an organization with a competitive edge, giving it an advantage over its competitors. Culture is critical in developing and maintaining the level of dedication among employees, which often characterizes successful firms.

Early research suggested that strong cultures or those with widely accepted beliefs within the organization performed better than those with a lack of shared values (Peters and Waterman, 1982; Deal and Kennedy, 1982). However, when culture is too strong it can lead to stagnation and a reduced ability to adapt to changes in the environment (Cloke and Goldsmith, 2002).

A strong culture is internally consistent, is widely shared, and makes it clear what it expects and how it wishes people to behave and react. A positive organizational culture reinforces the core beliefs and behaviors that a leader desires while weakening the values and actions the leader rejects. Peters and Waterman (1982) indicates that 'a negative culture becomes toxic, poisoning the life of the organization and hindering any future potential for growth. Obviously, there is an inevitable bridge joining organizational culture and the level of success it enjoys. Strong culture is said to exist where staff respond to stimulus because of their alignment to organizational values.

Conversely, there is weak culture where there is little alignment with organizational values and control must be exercised through extensive procedures and bureaucracy. Kilmann, Saxton, and Serpa, (1986) defined strong cultures as 'those where organization members place pressure on other members to adhere to norms. Byrne, (2002) indicates that a strong organizational culture will exert more influence on employees than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behavior.

Although all organizations have cultures, some appear to have stronger, more deeply rooted cultures than others. Initially, a strong culture was conceptualized as a coherent set of beliefs, values, assumptions, and practices embraced by most members of the organization. Many early proponents of organizational culture tended to assume that a strong, pervasive culture was beneficial to all organizations because it fostered motivation, commitment, identity, solidarity, and sameness, which, in turn, facilitated internal integration, coordination and effectiveness. Strong culture may not always be desirable as a result of the internalized controls associated with it could cause individuals to place unconstrained demands on themselves, as well as acting as a barrier to adaptation and change. Perrow, 1979, posit strong culture as means of manipulation and co-optation. March and Simon (1958) state that it could contribute to a displacement of goals or sub goal formation, meaning that behavioral norms and ways of doing things become so important that they being to overshadow the original purpose of the organization. Various researchers have looked at different aspects of organizational culture (Denison 1984, 1990, 1996; Denison and Mishra 1995, 1998; Denison and Neale 1996; Denison et al. 2002). These dimensions are as follows:

Involvement: Effective organizations empower their people, build their organizations around teams, and develop human capability at all levels (Becker, 1964; Lawler, 1996; Likert, 1961). Executives, managers, and employees are committed to their work and feel that they own a piece of the organization. People at all levels feel that they have at least some input into decisions that will affect their work and that their work is directly connected to the goals of the organization (Katzenberg, 1993; Spreitzer, 1995).

Consistency: Organizations also tend to be effective because they have "strong" cultures that are highly consistent, well-coordinated, and well integrated (Davenport, 1993; Saffold, 1988). Behavior is rooted in a set of core values, and leaders and followers are skilled at reaching agreement even when there are diverse points of view (Block, 1991). This type of consistency is a powerful source of stability and internal integration that results from a common mindset and a high degree of conformity (Senge, 1990).

Adaptability: Ironically, organizations that are well integrated are often the most difficult ones to change (Kanter, 1983). Internal integration and external adaptation can often be at odds. Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experiences at creating change (Nadler, 1998; Senge, 1990). They are continuously changing the system so that they are improving the organizations' collective abilities to provide value for their customers (Stalk, 1988).

Mission: Successfully organizations have a clear sense of purpose and direction that defines organizational goals and strategic objectives and expresses a vision of how the organization will look in the future (Mintzberg, 1987; 1994; Ohmae, 1982; Hamel & Prahalad, 1994). When an organization's underlying mission changes, changes also occur in other aspects of the organization's culture.

Organizational cultures are typically quite unique to each firm and are thus difficult to measure and harder to generalize about. They are often best understood from a qualitative perspective. Nonetheless, they provide the foundation from which behavior and action spring (Schein, 1985).

A firm's effectiveness is the capacity of the organization to successfully cope with the resources for the accomplishment of the specified goals. Usually, organizations are characterized with multiple goals; some goals are necessary for the organizational survival while the others point to a long-term organizational health. Also,

Quinn (1999) viewed a firm's effectiveness as meeting organizational objectives and prevailing societal expectations in the near future, adapting and developing in the intermediate future, and serving in the distant future.

Richard (2009) also stated that firm effectiveness captures organizational performance plus the myriad of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers or customer), such as corporate social responsibility. Hence, a firm's effectiveness is also dependent on its communicative competence and ethics relating simultaneous. Ethics is a foundation found within firm effectiveness. An organization must exemplify respect, honesty, integrity and equity to allow communicative competence with the participating members. Along with ethics and communicative competence, members in the organization can finally achieve the organization's stated goals.

3.0 METHODOLOGY

3.1 Research Design

This study was carried out using the survey design. The independent variables are the culture dimensions (adaptability, mission, involvement and consistency), and the dependent variable is perceived firm effectiveness.

3.2 Sample

The subjects of this study were two hundred employees of Nigerian Breweries Plc, Ibadan who were selected using stratified random sampling technique.

3.3 Instruments

The questionnaire was designed in three parts: Section A (Demographics) while Section B measured organizational culture, and C measured perceived firm effectiveness. Organizational culture was 36 item scale adapted from a scale based on prior work by Fey and Denison(2003) with a Likert scale scoring format ranging from strongly agree (5) to strongly disagree (1). Nine items measured involvement, nine items measured consistency, nine items measured adaptability while the remaining nine items measured mission. The Cronobach alpha value of the scale was greater than 0.70. Section C measured perceived firm effectiveness. The measure of firm effectiveness was adapted based on prior work by Fey and Denison(2003) which is a seven item questionnaire, using a 5-point Likert format ranging from excellent=5 to poor=1. Perceived firm effectiveness covers items in terms of overall performance, market share, sales growth, profitability, employee satisfaction, quality of products and services and product development. The Cronbach's alpha value of this scale was 0.84. The instruments were revalidated and Cronobach alpha reliability coefficients gave the following results: involvement = .73, consistency =.64, adaptability = .76, mission = .91 and perceived firm effectiveness = .89

3.4 Data analyses

The demographics were analysed using frequency counts and simple percentage. Hypothesis 1 was tested using multiple regression while hypotheses 2 to 4 were tested using Pearson Correlation.

4.0 DATA PRESENTATION AND ANALYSES

4.1 Descriptive Statistics of demographics

Table 4.1.1: Showing the descriptive statistics of demographics

Sex	Frequency	Percentage
Male	133	66.5
Female	67	33.5
Total	200	100.0

Marital Status	Frequency	Percentage
Single	41	20.5
Married	150	75.0
Divorced	6	3.0
Separated	3	1.5
Total	200	100.0

Age	Frequency	Percentage
18-25	25	12.5
26-35	86	43.0
36-45	81	40.5
46-55	8	4.0
Total	200	100.0

Educational Background	Frequency	Percentage
Post Graduate	67	33.5
B.Sc, HND\OND,NCE	64	32.0
SSCE	56	28.0
Primary School	9	4.5
Others	1	0.5
	3	1.5
Total	200	100.0

Cadre	Frequency	Percentage
Management Cadre	13	6.5
Senior Staff	110	55.0
Junior Staff	77	38.5
Total	200	100.0

Source: Field survey, 2011

Table 4.2 shows that there are 133(66.5%) males and 67(33.5%) female respondents. It is shown that 41(20.5%) of the respondents are single, 150(75.0%) of them are married, 6(3.0%) of them are divorced while 3(1.5%) are separated. The table also shows that 25(12.5%) of the respondents are aged 18-25 years, 86(43.0%) are aged 26-35 years, 81(40.5%) are aged 36-45 years while 8(4.0%) are of age range 46-55 years respectively. In addition, the table shows that 67(33.5%) of the respondents have the PGDE certificates, 64(32.0%) have B.Sc, HND certificates, 56(28.0%) have the OND,NCE certificates, 9(4.5%) have the SSCE certificates, 1(0.5%) has primary school certificates while 3(1.5%) have other certificates and 13(6.5%) of the respondents are in Management Cadre, 110(55.0%) are Senior Staff while 77(38.5%) are Junior Staff.

4.2 HYPOTHESES TESTING

Hypothesis 1

Adaptability, mission, involvement and consistency will jointly and independently predict perceived firm effectiveness.

H1: There will be significant *joint* effect of Involvement, Consistency, Adaptability and Mission on Perceived Firm Effectiveness.

Table 4.2.1: showing the joint effect of independent variables (Involvement, Consistency, Adaptability and Mission) on perceived firm effectiveness.

Variables	F-Ratio	Sig. of P	R	R ²	Adj. R ²	β	T	P
Involvement	53.152	.000	.722	.522	.512	-.080	-1.205	.230
Consistency						.242	3.223	.001
Adaptability						.410	5.057	.000
Mission						.216	3.046	.003

Table 4.2.1 shows that the *linear combination* effect of Involvement, Consistency, Adaptability and Mission on Perceived Firm Effectiveness was significant ($F(3,146) = 4.130$; $R = .280$, $R^2 = .078$, $Adj. R^2 = .059$; $P < .05$). The independent variables jointly accounted for a variation of about 9%.

The following shows the various *relative contributions* and levels of significance of the independent variables:

Involvement ($\beta = -.080$, $P > .05$), Consistency ($\beta = .242$, $P < .05$), Adaptability ($\beta = .410$, $P < .05$) and Mission ($\beta = .216$, $P < .05$) respectively.

Hypothesis 2

H2: There will be a significant relationship between and Organizational Involvement and Perceived Firm Effectiveness

Table 4.2.2: showing the significant relationship between and Organizational Involvement and Perceived Firm Effectiveness

Variable	Mean	Std. Dev.	N	R	P	Remark
Firm Effectiveness	28.6600	4.9748	200	.425**	.000	Sig.
Organizational Involvement	35.0550	4.1964				

Sig. at .01 level

Table 4.2.2 shows that there is a significant relationship between Organizational Involvement and Perceived Firm Effectiveness ($r = .425^{**}$, $N = 200$, $P < .01$). This means that if employees are highly involved in decision making and other organizational activities, there will be increased and better firm effectiveness. The hypothesis is therefore accepted.

Hypothesis 3

H3: There will be a significant relationship between Organizational Consistency and Perceived Firm Effectiveness.

Table 4.2.3: showing the significant relationship between and Organizational Consistency and Perceived Firm Effectiveness

Variable	Mean	Std. Dev.	N	R	P	Remark
Firm Effectiveness	28.6600	4.9748	200	.606**	.000	Sig.
Organizational Consistency	34.7250	3.3188				

Sig. at .01 level

Table 4.2.3 shows that there is a significant relationship between Firm Effectiveness and Organizational Consistency ($r = .606^{**}$, $N = 200$, $P < .01$). This shows a very strong association between consistency in policies and firm effectiveness. The more consistent an organization is, the greater the degree of firm effectiveness. The hypothesis is accepted.

Hypothesis 4

H4: There will be a significant relationship between Organizational Adaptability and Perceived Firm Effectiveness.

Table 4.2.4: showing the significant relationship between and Organizational Adaptability and Perceived Firm Effectiveness

Variable	Mean	Std. Dev.	N	R	P	Remark
Firm Effectiveness	28.6600	4.9748	200	.678**	.000	Sig.
Organizational Adaptability	34.1750	4.4917				

Sig. at .01 level

Table 4.2.4 shows that there is a significant relationship between Organizational Adaptability and Perceived Firm Effectiveness ($r = .678^{**}$, $N = 200$, $P < .01$). The greater the degree of adaptability, the better the level of firm effectiveness. The hypothesis is therefore accepted.

5.0 CONCLUDING REMARKS

This study focused on the association between organizational culture and firm effectiveness in a manufacturing company in Nigeria. The study revealed that all the elements of organizational culture considered jointly predicted firm effectiveness. Also, mission, adaptability, and consistency independently predicted organizational culture. However, involvement did not independently predict organizational culture.

This means that these factors are predictors of entrepreneurial innovativeness. These findings support previous studies by Fisher, 1997 and Fey and Dennison, 2003 who found that organizational culture elements significantly determined firm effectiveness and organizational performance. This research work also found a strong association between mission, adaptability, involvement, and consistency and perceived firm effectiveness. Based on the findings of this study, it is recommended among others that:

- Firms should emphasise their strong culture and improve on their weak culture.
- Employees should be orientated, educated and trained in the core values and culture of their organizations.
- Organizations should have very clear vision and mission so that employees can be motivated to pursue them and work towards firm effectiveness.

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