

**CORPORATE CULTURE AND PERCEIVED ORGANIZATION
PERFORMANCE IN NEPALESE COMMERCIAL BANKS**

A Thesis Proposal

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Submitted in Partial Fulfillment of the Requirement of Degree of

Masters of Business Studies (MBS)

In the

Faculty of Management

Tribhuvan University

Kathmandu, Nepal

March, 2020

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1.1 General background of study

Organizations in many industries, such as energy, banking and electronics, have faced increasingly complex and changing environments brought about by deregulation, technological revolution, foreign competition and unpredictable markets. Key to the success of these organizations is the development of a particular culture for the organization (Philip & McKeown, 2004). Culture can be defined as a combination of values, sets, beliefs, communications and simplification of behavior which gives direction to peoples (Shafiq, 2014). Organizational culture is defined as the set of shared, taken for granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments (Zang & Li, 2013). The concept of corporate culture started to become popular in the 1980s. Corporate culture has received much attention in the last two decades due to its effects and potential impact on organizational success. Deal and Kennedy (1982) explained how cultural values and philosophy guide the employees' behavior in the organization towards greater success.

Corporate culture has received much attention in organizational behavior. Cultural factors play a key role in determining levels of organizational outcomes and effectively promote or inhibit cooperation, exchange of knowledge, experience and ideas (Schein, 1986). Organizational performance is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose. Performance is the execution or accomplishment of work, tasks or goals to a certain level of desired satisfaction. Organizational performance is the ability of an organization to satisfy the desired expectations of three main stakeholders comprising of owners, employees and customers (Aluko, 2003). Organizational performance does not only mean to define problem but it also for solution of problem (Heffernan & Flood, 2000). Ricardo and Wade (2001) argued that achieving firm's goals and objectives is known as firm performance and firm's success shows high return on equity and this become possible due to establishment of good employees performance management system.

Culture is said to have pervasive effects on a firm because a firm's culture defines about its relevant employees, customers, suppliers, and competitors, and how a firm will interact with these key actors (Barney, 1986). Dennison (1984) argued that if an

organization possesses strong culture by exhibiting a well-integrated and effective set of specific values, beliefs, and behavior patterns, then it will perform at a higher level of productivity. Baker (1980) found that cultural values will create excitement, high morale, and intense commitment to a company and its objectives; clarify the behaviors expected of employees; galvanize their potential productivity and through these activities, ultimately improve the financial effectiveness of the organization.

Corporate culture can be a valuable resource for companies, especially for service industries (Chan et al. 2004). Corporate culture has been assumed to have important implications, not only for the individual's affective reactions to organizational life, but also for organizational effectiveness (Denison & Fey, 2003). A well-conceived and well-managed culture closely linked to organization success can also mean the difference between success and failure in the present demanding environment.

Corporate culture has far reaching implications on organizations performance. A foundational part of the substance of the corporate culture is its values, which are unique to the organization. The culture prevailing in an organization has a serious bearing on its performance. Organizations having a strong or weak culture might affect their ability to perform strategically, not only the way managers behave within an organization but also the decisions they make about the organization's relationships with its environment and its strategy .Pettigrew (1979) argued that bright image rendered by the good culture accelerates its pace to success. Likewise, a healthy corporate culture in the business world guarantees vibrant and robust business activities contributing to national or global economy. Organizational performance is widely influenced by organizational culture. Organizational culture helps to build shared values and unified efforts among employees, hence contributing to achieving the organization's objectives. Employees would know the objectives of the organization, how to reach them, what tasks and responsibilities and how they should be executed and they behave accordingly. Hence, the organization would achieve performance targets (Yildiz, 2014).

Organizational commitment and Employee Satisfaction is one of the most fashionable variables which has been studied for the last three or four decades. It is quite difficult to provide universally accepted definition for Organizational commitment like every other psychological construct (Suma & Lesha, 2013). The definition of organizational

commitment includes the degree to which the employee feels devoted to their organization (Akintayo, 2010). Organizational commitment and Satisfaction has been defined as the relative degree of recognition with the organization and involvement in it. Organizational commitment includes emotional commitment, continuum commitment, and normative commitment (Meyer & Hersovitc, 2001).

Schlechter (2001) found that corporate culture impacts on organizations' long-term financial performance and will probably be an important factor in determining the success or failure of organizations'. Dangal (2005) argued that culture affects the performance of organizations and it is highly embedded in societal norms and value system. Learning culture is an appropriate tool to identify organizational problems. Moreover, it is important to understand the socio-cultural values of society while studying the culture of organizations.

The relationship between corporate culture and organizational performance has been the subject of abundant research in strategic management, organizational behavior, and industrial and organizational psychology (George, 1990). The importance of the corporate culture is recognized the world over. Importance of corporate culture has emerged in recent times in context of Nepal, which is a healthy sign for corporate dynamics. Though, Nepal's businesses largely revolve around its own indigenous corporate culture, characterized mainly by personal relations, attachments and friendships, 'corporate culture' is also gradually gaining ground in Nepal's business world.

Corporate culture is an important component in the field of organizational behavior, particularly in trying to better understand the context of organizations and the people managing the organization. This implies that corporate culture could affect the success of organizations in trying to achieve its goals and objectives. The commitment of the people in the organization is also essential to ensure the successful implementation of the organizational policies and plans (Adhikari & Gautam, 2011). Though, there are these finding in the context of different countries, no such finding using more recent data exist in context of Nepal. Hence, this study attempts to analyze the relationship between corporate culture and perceived organization performance in Nepalese commercial banks. More specifically, this study attempts to examine

whether the corporate culture has any effect on the bank's perceived organization performance in context of Nepalese commercial banks.

1.2 Statement of the problems

Banks and financial institutions are the main stay of economic progress of a country, because the economic development highly depends upon the corporate culture, extent of mobilization of resources and investment and on the operational efficiency of the various segments of the economy. Although, banking industry in Nepal is doing remarkable progress and growth, the corporate culture situation and organizational performance has been average and risks are rising (Shrestha, 2014). Organizational practitioners have to face a lot of management problems that have their roots in the culture of a society and those that impede progress toward achieving high performance (Zakaria, 1997).

Culture provides sustainable competitive advantage for the organizations. Barney (1991) introduced three conditions; first, the culture must be viable, second the culture must be rare and have attributes and third culture must be imperfectly imitable. These can provide assistance to superior organizational performance that can be temporary or continue for long term. Long term increase in organizational performance may cause to get the competitive advantage under long run. The link between organizational culture and firm performance lacks consistent and compelling support (Detert et al., 2000). The relationship between culture and organizational performance, Employees satisfaction and commitment is contingent on environmental conditions. Strong culture firms may gain advantages in stable environments but, because of the corresponding social control that promotes conformity among members, they may perform worse or less reliably in dynamic environments and during periods of change (Sorensen, 2002).

Culture affects the performance of organizations and it is highly embedded in societal norms and value system. Learning culture is an appropriate tool to identify organizational problems. Moreover, it is important to understand the socio-cultural values of society while studying the culture of organizations (Onken, 1999).

The concept of corporate culture has still not developed and been practiced in Nepalese organizations like in some developed countries. However, some

investigation and empirical studies have been conducted to analysis the impact of organizational culture on organizational performance in banking sector of Nepal (Adhikari, 2010). concept of organizational culture is comprehended properly, in addition to direct impact on organizational performance, it can indirectly influence the organizational performance through employee's Employees commitment and Satisfaction. To this end, the main purpose of this research is to investigate the mediating role of employee's organizational commitment on the relationship between organizational culture and organizational performance. Moreover, banks and financial institutions, entering the Nepalese market need to understand the impact of culture, environment, values and norms of Nepal on these important variables. The application of universal organizational culture practices to a different cultural context like Nepal is not simple, because it may result in different, undesirable outcomes. A study on corporate culture and firm performance in the context of Nepal revealed that, culture of bank has no impact on performance of commercial banks because there is no sufficient evidence to prove culture of bank does have impact on performance of commercial banks (Shrestha, 2014). However, there are above-mentioned evidences in the context of other countries and in Nepal, no such evidences using more recent data exist in the context of Nepal. This study therefore will deal with the following issues in the context of Nepalese banks:

- i. Is there any relationship between involvement culture and Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks?
- ii. How Team Work Culture affects Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks?
- iii. Can Communication Culture of banks affect Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks?
- iv. What is the relationship between Training Culture and Organization Performance Employee Satisfaction & Employees Commitment in Nepalese commercial banks?

1.3 Purpose of the study

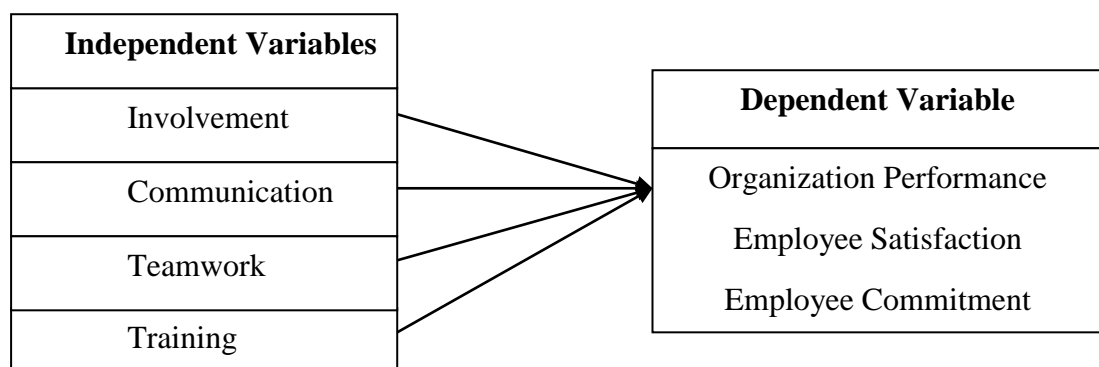
The main purpose of this study will examine the relation between corporate culture and organizational performance in commercial banks of Nepal whereas the specific purposes are as follows:

- i. To establish the effect of involvement culture on Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks
- ii. To assess the effect of Team work culture on Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks
- iii. To determine the effect of Communication Culture Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks
- iv. To examine the effect of Training Culture on Organization Performance, Employee Satisfaction & Employees Commitment in Nepalese commercial banks

1.4 Hypothesis development and Conceptual framework

Figure 1 illustrates the framework of this study. The framework shows that corporate culture could influence organizational Performance. This framework is based on Zain, Ishak and Ghani (2009). The four dimensions are teamwork, communication, training and Involvement. These four dimensions are selected because they have been selected as those likely to have the greatest effects on Organization Performance. It is expected that these dimensions of corporate culture influence the Organization Performance. Therefore, the four dimensions of corporate culture becomes the independent variable and organizational Performance is the dependent variable in this study.

Figure 1 : Conceptual Framework



Hypothesis Development

Hypothesis related with First dependent Variable

H₁1: There is significant relationship between Involvement Culture and Organization Performance

H₁2: There is significant relationship between Communication and organization performance

H₁3: There is significant relationship between Teamwork and organization performance

H₁4: There is significant relationship between Training culture and organization performance

Hypothesis related with second dependent variable

H₂1: There is significant relationship between Involvement culture and Employee Satisfaction

H₂2: There is significant relationship between communication and Employee Satisfaction

H₂3: There is significant relationship between Team Work and Employee Satisfaction

H₂4: There is significant relationship between Training and Employee Satisfaction

Hypothesis related with third independent variable

H₃1: There is significant relationship between Involvement and Employee Commitment

H₃2: There is significant relationship between Communication and Employee Commitment

H₃3: There is significant relationship between Teamwork and Employee Commitment

H₃4: There is significant relationship between Training and Employee Commitment

1.5 Rationale of the study

In Nepal, there are very little amount of researches and studies to go through regarding Commercial Banks Culture and its influence on perceived organization

performance. So this study will be significant useful for corporate investors, individual investors, policy makers and further researcher as follows:

- i. This study will be benefited to the managers in the private sector since they face a great challenge in improving organizational performance, Employees satisfaction and Commitment.
- ii. The study findings will assist business managers in corporations by contributing knowledge and experiences regarding the role of organizational culture in improving performance and productivity.
- iii. The research findings also will seek to extend knowledge in the world of academics in the same area of the study.
- iv. It will be useful as literature in the area of study. This will benefit other researchers and academicians who will borrow ideas from the study, which will serve as a basis for further research.

1.6 Limitation of the study

Each study has some limitation. This research also is not free from the limitation. So such limitation is mentioned as following:

- i. This study will not include more than five commercial banks from the 27 commercial banks in Nepal
- ii. Larger sample will not be taken for the study. Therefore, finding of this study may not represent the whole population.
- iii. Data collected through questionnaire cannot determine the actual cultural impact on banks performance. To maximum extent, it will be determined by conducting interviews with employees. So, reliability in regard to data will be question mark.
- iv. Findings of the study will be vary over time because of change in cultural conditions of the employees. So, implications of this study will not hold true for long time.

Despite those above-mentioned limitations, this study will try to provide more valid and reliable result into the subject matter of the study.

1.7 Review of literature

In most cases researcher come up with mixed results, some revealed a positive relationship between the variable other revealed the negative relationship while some other shows the contradictory results between study variables. This type of result will

shows that the topic is still debatable hence, it is high time to measure such relationship in Nepalese Commercial Banks.

Gautam (2018) conducted the research on Training Culture and Employees Performance in Nepali Banking Industry. Performance of the employees can be sustained with training. This study aims to examine whether Nepali-banking sector has established training culture? If yes, whether training has significant influence in performance? This study follows descriptive and correlation research design. Structured questionnaire with 5-point Likert scale is used to collect the information. Mean, standard deviation, correlation and independent sample t-test are used to analyze the data. Result revealed that Nepali banks have established the training culture. Training environment, training methods, training-reward linkage are the major factors of training culture affecting training satisfaction and employee performance. Employees are satisfied through the skills acquired from training. Gender and the bank types have mediating role in training satisfaction and employee performance.

(Jepkorir, Lagat & Ngeno, 2017) examine the Effect of Organizational Culture on Job Performance in Commercial Banks In Kenya. The main objective of the study was to assess the effect of organizational culture on employee performance in selected commercial banks in Kenya. The specific objectives were; to determine the relationship between involvement culture trait, consistency culture, adaptability culture trait and the relationship between mission culture trait and job performance in commercial banks in Kenya. A descriptive survey research design was used targeting 257 employees from selected commercial banks operating in Eldoret town. Simple random sampling technique was also used to select 156 employees. Six management respondents were also purposively selected thus a sample size of 162 respondents. Data collected was summarized and presented using percentages, means and standard deviation. Analysis of Variance (ANOVA) was conducted using SPSS 13. Based on the findings, the study recommends that banks should empower employees and reinforce team orientations, embrace integration, co-ordination, Organizational learning, agreement and core values and they should create competence development to promote employee performance. The study also recommends that it is very crucial that the organization adapts consistency culture trait since this will help the organization to maintain valuable information thus optimizing job performance.

(Shahzad, Iqbal & Gulzar, 2013) conduct the research on Impact of Organizational Culture on Employees Job Performance: An Empirical Study of Software Houses in Pakistan. The study is to analyze the overall impact of organizational culture directly or indirectly on employee's job performance. To find the influence of organizational culture on employee performance within software houses working in Pakistan. This is a survey based research study. Primary and secondary data were used in this study. Primary data was gathered via questionnaire and formal & informal interview. Customer service, employee participation, reward system, innovation & risk-taking and communication system, are considered variables for this study. Sample size is (n=110) therefore, descriptive statics, correlation and regression analysis have been used. The overall results support that culture of organizations has the significant positive impact on employee's job performance at selected software houses in Pakistan. Employee's participation is a most important factor for achieving organizational goals. This study fulfils an acknowledged necessitate learning the impact of culture on the employee's job performance of the software industry in Pakistan.

(Majeed, Saleem et., 2012) examine the study the influence of four dimensions of corporate culture on employees organizational commitment in the banking sector of Pakistan. Correlation and Regression analysis are employed to test the research hypothesis. The results revealed that all of the four dimensions that are teamwork, communication, reward and recognition, and training and development have significant and positive impact on organizational commitment. The study shows that communication is professed as a dominant dimension of corporate culture that is highly correlated to employees' organizational commitment. This study contributes to a better understanding of the influence of corporate culture on organizational commitment among employees of banks.

Allard, (2010) also used a cross sectional survey method from 250 organizations in examining the relationship between organizational culture and performance. From his study organization culture was an independent variable with innovation, leadership, decision making and communication as its attributes. The study revealed that organization culture and employee performance, were positively related but weak with a correlation coefficient of 0.245 at a significant level 0.05 (1-tailed test).

(Zain, Ishak, Ghani, 2009) has suggested that understanding corporate culture, as a management philosophy is essential to managing an organization in improving its overall performance. Using questionnaire survey, this study examines the influence of corporate culture on organizational commitment. Specifically, this study examines four dimensions of corporate culture, namely teamwork, communication, rewards and recognition and training and development on employees' commitment towards the organization. One hundred and ninety respondents from a Malaysian listed company participated in the survey. The results show that all dimensions of corporate culture chosen in this study are important determinants in motivating the employees to be committed to their organization. The findings implicate that an organization needs to be aware of the importance of these dimensions in providing a favorable working environment to its employees in attaining their full commitment for organizational success.

1.8 Research methodology

This chapter will mainly deal with research design, population and sample, sources of data, data collection and processing procedure and data analysis tools and techniques.

1.8.1 Research design

The research designs will be set as per the purpose of the study. For the purposes of this study, descriptive research design and inferior research design will be used.

1.8.2 Population and sample

There are 27 commercial banks in Nepal, which will be the population of this study. Sample of 5 commercial banks are taken for the research purpose as per Convince sampling technique .The questionnaires will be distributed to 150 respondents of the selected banks.

1.8.3 Sources of data

Data used in the study will be primary and sourced through the five point Likert Scale questionnaire. The distribution of questionnaires will be approached by getting the permission from banks' authority. Then the questionnaires will be distributed to the respondents. They, if needed, will be assisted in the confusing part while filling up the questionnaires. The major factors of organization Performance and Organization Culture, the statements of questionnaire will focus on will be Team work,

Communication, Involvement and Training Culture. Similarly, the statements of questionnaire will focus Impact of Organization culture on its performance.

1.8.4 Data collection procedure

Five point Likert Scale questionnaire will be designed to secure the primary data related to Impact of Organization culture on its performance. In the questionnaire, there will be five options for the respondents among which respondents will have to select only one. In the scaling of each question, '1' will indicate strongly agree and '5' will indicate strongly disagree. The responses obtained from the respondents will be used to test the hypotheses.

1.8.5 Data analysis tools and techniques

The collected will be analyzed by using the statistical tools with the help of Statistical Package for Social Science (SPSS). Under the descriptive statistics; mean, maximum, minimum and standard deviation will be used. Mean will be used to describe whether the perception of respondents will seem to be agreed, disagreed or neutral in questioning certain statement. Minimum and maximum will be used to identify the lower and higher rating of respondents in asking certain statement related to Impact of Organization culture on its performance. Similarly, minimum and maximum will be used to identify the middle point to test the mean will be whether above, below or equal to the middle point. The middle point will be calculated by averaging of maximum and minimum. If the mean will be equal to the middle point the perception of respondents will seem to be neutral; below the middle point perception will seem to be disagreed and above the middle point perception will seem to be agreed. Standard deviation will be used to see the deviation of sample mean from its population mean. Under the correlation analysis, Pearson correlation coefficient and regression analysis will be used. Pearson's 'r' will be calculated to test the first hypothesis. Regression analysis will be used to examine the degree of relationship between Organization culture and Performance.

Under the inferential statistics, analysis of variance test and t-test will be adopted. These tests will be adopted to test the hypothesis. That is, to see the impact of Team work, Communication, Involvement and Training Culture on organization performance. Furthermore, analysis of variance test will be adopted to test the goodness of fit of regression.

Cronbach's Alpha will be calculated to test the consistency on items that will be used in developing questionnaire to measure Organization culture and its Performance.. That is, to see the reliability of data this Cronbach's Alpha will be calculated.

1.9 Chapter Plan

There were total five chapters in this study namely introduction, literature review, research methodology, results and conclusion. Each has been briefly explained as follows:

Chapter 1: Introduction

This chapter includes background of the study, statement of the problems, objectives of the study, significance of the study and limitation of the study.

Chapter 2: Review of literature

This chapter deals with review of various books, previous study; journal published and unpublished reports, articles and newspaper.

Chapter 3: Research methodology

This chapter deals with introduction research design nature and sources of data collection, data collection technique, data processing procedure and analyzing tools.

Chapter4: Results and discussion

The fourth chapter deals with presentation of related data collected from different sources then analysis them to reach closer to the actual result by using financial and statistical tools and techniques.

Chapter 5: Summary and Conclusion

Finally, in the fifth chapter whole study has summarized. Conclusion of the whole study and supply of valuable recommendation for the improvement has done.

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