Organisational Culture and Performance: Empirical Investigation of Nigerian Insurance Companies

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Abstract: *This research work examines the impact of organizational culture on performance using Nigerian insurance companies as case study. The study investigates the importance of the relationship between organizational culture and performance and stresses the necessity of a strong employee-responsive culture. Data were collected through the use of questionnaires, and the chi-square method was used to test our research hypotheses. It was discovered that there was indeed a relationship between organization culture and performance and also a strong employee-responsive culture can lead to effective performance. While carrying out the study it was also discovered that the values and beliefs of the companies were not compatible with that of few employees. It was therefore recommended that to solve this problem appropriate machinery should be put in place to drive compatibility, thereby ensuring unity of purpose.*

Keywords: Organisational Culture, Performance, Industrial Organisation, Management, Employee Participation.

Introduction

The study of culture, whether organizational, national, or regional continues to receive attention from scholars and management practitioners alike. The continuous growth in the global nature of business serves as one of the main catalysts for the renewed interest in the study of organization - al culture which has now been realized that culture affects the behaviour and success of individuals, teams and organizations (Shani and Lau, 2005)

According to Plakhotnik and Tonette (2005), in the 1970s, Japan's outstanding business success and the decrease in production in the United States of America (USA) prompted researchers to review their understanding of organizational management.

Pioneer researchers in the study of organizational culture Ouchi (1981), Peters and Waterman (1982), and Deal and Kennedy (1982) explored how culture contributes to business success. Quoting Plakhotnik and Tonette (2005), on the increase in the interest they stated that *"as their works turned into bestsellers, organizational culture became a frequent headline in popular business literature and a tool for businesses to increase their competitiveness in the global market"*.

Organizational culture is one factor that has received much attention in organizational behavior literatures because of the key function it plays in determining levels of employees and general organizational performance. In an effort to understand the effects of organizational culture on performance, researchers have explored how organization socialized (Harrison and Carroll, 1991).

What motivated this research work is that there appears to be a substantial body of theory and research internationally that has emphasized the importance of organisational culture and employee performance in organisations without scientific evidence of the relationship between these phenomena. This research study endeavours to determine the relationship between these two concepts.

Statement of Research Problem

In the past twenty five years, the concept of corporate culture has gained wide acceptance a way to understand human systems. From an open system perspective, each aspect of corporate culture can be seen as an important environmental condition affecting the system and subsystem of the organization. Increased competition, globalization, alliances and major work force department

have created a greater need for organizational culture. Thus, it has become an important factor for a company's development.

Managing corporate culture is emerging as one of the key managerial challenges of the twenty first century. Most studies in corporate culture and employee performance have tended to focus on distinct elements of culture while ignoring its multi dimensions and that it is concepts that consist of several interconnected variables (Schein, 1992). Culture is the common bond that generates a sense of belongingness among the actors in an organization. Organizational culture offers a shared system of meaning which is the basis for communications and mutual understanding and if there functions are not fulfilled satisfactorily way culture may significantly reduce effectiveness of employees in organizations

The main rational for this research study is therefore to contribute to the broader research community by enhancing existing knowledge and generating new knowledge within the field of Industrial and Organisational Psychology. Furthermore, this study addresses this topic from Nigerian work context and viewpoint by focusing on employees in the insurance industry.

Significance of the Study

People come with various views to the organization. These differences tend to direct behaviour in divergent directions; an understanding of cultural integration is important in managing employee behaviour and improving employee performance.

A review of academic literature on the subject of organizational culture and employee performance reveals that there is a

dearth of literature on it in developing countries including Nigeria. Thus, it is hoped that this study will fill the existing gaps in the literature especially in the less developed countries in general and Nigeria in particular.

This study will also provide a fresh framework for understanding the relationship between organisational culture and employee performance. In addition, the study will be of immense benefit to a number of people. These include academics who are interested in furthering their knowledge of organizational culture and employee performance as the results to be obtain are capable of adding new insight to the present state of knowledge in the field and may therefore be found useful for teaching and for developing a body of management theory. Equally important is the fact that this study will also be of great benefit to practicing managers in the field of insurance who might be willing to consider the usefulness of the study in managing and strengthening their organizations.

Objectives of Study

The general objective of this study is to determine the impact of organizational culture on employee performance. To achieve this lofty objective, this research will focus and examine the following specific objectives.

1) To define organizational culture and its dimensions.
2) To examine the types, elements, and functions of organizational culture.
3) To determine the empirical relationship between organizational culture and employee performance; and
4) To formulate recommendations regarding organizational culture and performance.

Conceptual Framework of Organisational Culture

The culture of an organization is brought about as a result of different factors some of which include the influences of national culture, previous events in the organization, the different personalities and the socialization individual members experienced as a result of past educational and work settings (Mahler, 1997). A company's culture which is a subset of a country's national culture also consists of subcultures and countercultures. The subcultures in organization consist of the beliefs and values of certain groups that are in support of the overarching corporate culture while the countercultures consist of beliefs and value systems of groups in the organization that represent a deviation from the general beliefs of the organization and posses a threat to it.

There are many definitions of organizational culture. Authors and scholars alike have given definitions based on their experiences and studies, some of which are analyzed below

Hofstede (2001) sees organizational culture as the "shared pattern of beliefs, assumptions and expectation of the organization's members" and "the collective programming of the mind which distinguishes one group or category of people from another."

Geert Hofstede sees organizational culture as the way of life of members of an organization and as the way of thinking common or exclusive to a particular group of people. He takes a "communal" stance on organizational culture in the sense that organizational culture results when individuals with a common purpose continually associating with one another over a period there by developing

specific ways of doing things which are peculiar to the group.

According to McShane and Von (2005) organizational culture is defined as the basic pattern of shared assumptions, values and beliefs governing the way employees within an organization think about or act on problems and opportunity.

They see organizational culture as defining what is significant and insignificant in the company and also as a code of direction as to what employees are to do concerning situations.

Seeing organizational culture as a body of principles which are relatively stable over time, adhered to by members of a particular company, learnt by new members and passed to future generations.

Buchanan and Huczynski (2004) define it as "the collection of relatively uniform and enduring values, beliefs, customs, traditions and practices that are shared by an organization's members, learned by new recruits, transmitted from one generation of employee to the next".

Organizational culture as seen simply by some notable authors is organization's operating philosophy (Ouchi, 1981), an organization's values (Deal & Kennedy, 1982) and an organization's generally accepted system of meaning (Pettiger, 2000).

In all the definitions given above, all the authors made mention of certain elements (beliefs, assumptions, values, norms etc). They constitute the 'spine' of any company's culture.

Types of Organizational Culture

Scholars of organizational culture based on their researches have come up with their own different views on the types of culture, but this study will focus on the types of organizational culture given by Cook and Rousseau (1988). They affirmed that there are four types of organizational culture: the passive, cooperative, competitive and aggressive types of culture. They are discussed below:

Competitive Culture: This type of culture encourages employees to attain new heights of achievement, quickens competition among fellow employees and also encourages employee 'being in charge'. A company with this kind of culture rewards employees who attain or beat certain predetermined standards, encourages employee decisiveness and creates environment for high expectations. But when the drive of competitiveness in employees is in excess in the organization it leads to the incidence of 'cut throat competition which will be to the company's detriment.

Cooperative Culture: Organizations with this culture promote employee independence in terms of setting goals and the use of their initiatives. This type of culture values employees and distributes authority as well as power based on trust. Cooperative norms encourage behaviors such as maintaining one's personal integrity and standards, goal realization and enjoying one's work. It encourages team work.

Aggressive Culture: This culture is more of autocratic. Employees at the lower levels of such organizations are rarely given opportunity to make decisions based on their discretions instead they have to wait for directives from the top. This norm promotes procrastination and cause service quality to become confused with winning power and pointing out the flaws of others.

Passive Culture: This type of culture is more of a utopia compared to the other

types. Organizations with this type of culture are usually traditionally run (they make their decisions based on past or similar passed actions), they might be plagued with too many formalities, and members of the organizations prefer the status quo and are extremely cautious. Organizational effectiveness is abated and most especially, the event of innovation and creativity is repressed.

Elements of Organizational Culture

Edgar Schein's model of culture is among the most widely discussed; he conceptualized it as having three levels. According to Buchanan and Huczynski (2004) he distinguished each of them by its visibility to and accessibility by individuals. The three levels are artifacts, values and basic assumptions.

The **artifacts** consist mainly of the visible and conscious organizational structures they include the physical environment, language, rites and ceremonies, stories, myths and slogans.

The **espoused values** represent the things below the surface they are found in company strategies, objectives and goals.

They consist of what the members of an organization hold in high esteem. According to Sweeny and McFarlin (2002) values are 'what should be' and 'what shouldn't be'.

The **basic assumptions** are the taken for granted beliefs, thoughts and assumptions which are usually unconscious and strongly held by organizational members. They are also very hard to uncover by outsiders even the members.

Hammal (2006) in his research criticized Schein's model as being too static because the processes in the model of moving up and down was not discussed, he further stated that the description of this process will help to see how the unconscious basic assumptions are formed, how they translate into the conscious and visible artifacts and the role played by the espoused values.

Hatch (1993) while considering the short comings of the Schein Model and complementing it, proposed the addition of symbols as an element and making the elements of culture less central so that the emphasis is laid on the relationship connecting them. The model was referred to as the model of cultural dynamics. It is represented diagrammatically below

Figure 1: *Model of Cultural Dynamics*
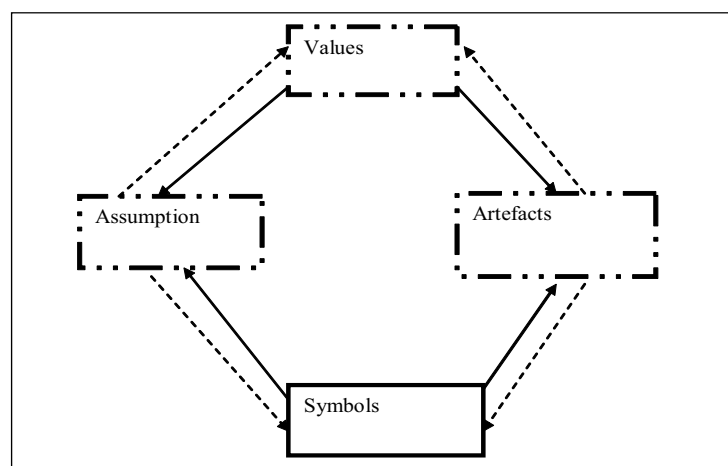
Source: Hatch (1993) The Dynamics of Organisational Culture

Gordon (2002) describes the processes of manifestation, realization, symbolization and interpretation in the following ways:

Manifestation refers to the process whereby employee perceptions, cognition and emotions culminate into cultural assumptions.

Realisation refers to the how perceptions, cognitions and emotions of employees are transformed into the visible and audible artefacts.

Symbolisation refers to what each specific artefact represents.

Interpretation refers to the process whereby members of the organization and the public determine the meaning of various symbols.

Culture according to Trice and Beyer (1993) is considered as consisting of two el - ements the overt signifiers and the meaning these signifiers have to members. The overt signifiers which include ceremonies, company structures and icons etc are referred to as the company's artefacts. The further interpre tations of the artefacts reveal content of the culture which are the beliefs, basic assumptions, values and philosophy etc.

Functions of Organizational Culture

Culture in organizations may not be visible or physical but its impact in the everyday running of a company cannot be overemphasized according to Greenberg and Baron (2003) the role of culture in the organization are discussed below.

Culture Defines Standards of Behaviour: Culture clarifies what ought to be and what ought not to be in the organization. It gives stability as regards what in - dividuals might do at different periods and what individuals might do at the same time. Culture also helps define the acceptable interrelationships in the company (Gordon, 2002) for example a company's culture can promote egalitarianism a situation where by all employees are seen and treated as equal.

Culture Provides a Sense of Identity for Members: The culture of an organization is like its personality the more members can identify with that personality (its embodiment of values and beliefs) the more strongly they associate themselves with the company goals, mission and objectives and feel a vital apart of it. This will to a large extent reduce the incidence of losing high performing employees to rival companies.

Culture Generates Employees' Commitment to a Company's Mission: Individuals are by nature selfish and already struggle to strive to ensure that their needs are met. The presence of a strong culture reduces this selfish nature and make individuals 'members' of the organization, making them feel that they are part of the well defined whole and are involved in the entire organization's work. It reminds people of what the organization is all about

Gordon (2002) noted that although cul - ture helps establish values that persuade employees to commit to the organization's goals the effect of a wrong culture can be disastrous in the sense that it can render a company's beliefs, goals and vision useless and meaningless.

The Concept of Performance

The term performance refers to how and the manner in which a particular task is carried out usually judged by its effectiveness. Performance should be associated with factors such as increasing profitability and obtaining the best results in all organizational

endeavours. Performance reflects the ex-tent of goal achievement by employee in an organization.

Aragon (1993) sees performance as comprising of efforts directed towards achieving the goals of the organization. **Performance** is a result of **ability** and **motivation.** He mathematically represented it as 'P = A*M'. The ability variables comprises of the factors that affect it which are experience and training while motivation refers to the willingness of employees to expend their efforts to accom-plish tasks. Motivation is a major factor; if it is not present performance will be adversely affected. In discussing the effect of culture on performance, effectiveness and efficiency are variables in performance.

Organizational Culture and Employee Performance

Corporate culture is seen as the organization's DNA, invisible to the naked eyes and still a powerful unstoppable force that shapes what happens in the workplace (Davenport, 1998).

The differences in employee performance among companies in the same industry is as a result of the differences in their organizational culture The influence of organizational culture on employee performance is critical and cannot be ignored. It is to this end that Trice and Beyer (1993) based on their research posited that most organizational scholars have recognized in their studies the very powerful and irrefutable effect an organization's culture has on employee performance and productivity. The culture of some organizations perpetuates high employee performance while the culture of the others perpetuates low employee performance

Trice and Beyer (1993) also noted that a company's culture in the next decade will be the determining factor of the failure and success of employees. This 'prophecy' is coming to pass today as high performing companies owe their success to a strong overarching 'Employee-Friendly' corporate culture.

Initiating a positive organizational culture have been linked to increased organizational effectiveness, increased employee productivity and advanced level of employee commitment (Barney, 1986)

Research Hypotheses

The accuracy of the research finding will be determined by testing the following hypothesis

H_0: There is no direct relationship between organizational culture and employee performance

H_1: There is a direct relationship between organizational culture and employee performance

H_0: A strong employee-friendly organizational culture cannot lead to effective employee performance

H_1: A strong employee-friendly organizational culture can lead to effective employee performance

Research Methods

We shall briefly describe the methods and procedures employed in carrying out this research work. The research design for this study was survey research design. The population of the work was made up of executives, directors, managers and staff of insurance companies in Nigeria. Although, the entire country was expected to be covered, but due to paucity of financial resources, the study was restricted to the Southwest Geo-

Political Zone. Because of the large number of the population elements, the whole elements of the population cannot be used for this study. Therefore, representative samples were randomly selected to represent the entire population. Stratified sampling method was used in samples selection. The reason for the choice of stratified sampling method is that we want our sampled elements to represent the various strata of the entire population. In all 90 persons were eventually selected. Data were collected through well-structured questionnaire. The response structure of the questionnaire was patterned after the summated rating scale developed by Rensis Likert. Each sampled element got a copy of the questionnaire which was completed by them. The return rate of completed questionnaire was 85.6 percent as we were able to get back 77 out of 90 questionnaires given to our respondents. Our data were collected, collated, analysed by using simple percentage while our hypotheses were tested with the use of chi-square.

Hypotheses Testing and Discussion of Result

Below are the data obtained through the questionnaire. They have been analysed and are to be used for testing our hypotheses. The chi-square formula is expressed below:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where:
χ^2 = Chi- square
O = Observed Frequency
E = Expected Frequency
Level of significance = 0.05%
Degree of Freedom = 4

Hypothesis One

H_0: There is no direct relationship between organizational culture and performance
H_1: There is a direct relationship between organizational culture and performance

Table 1: *Relationship Between Performance and Organizational Culture.*

	Observed N	Expected N	Residual
Strongly agree	33	19.3	13.8
Agree	35	19.3	15.8
Undecided	5	19.3	-14.3
Disagree	4	19.3	-15.3
Total	77		

Source: Survey Data, 2007

Table 2: *Test Statistics for Hypothesis One*

	There is a relationship between performance and organizational culture.
Chi-Square(a)	45.338
Df	4
Asymp. Sig.	.000

Calculated value = 45.338
Therefore, at 0.05% level of significance, the statistical value of $\chi^2 = 9.49$
Since the tabulated value is less than the calculated value, we reject the null hypothesis (H_0) and accept our alternative hypothesis (H_1) which says that there is a relationship between organizational culture and performance of insurance companies.

Hypothesis Two

H_0: A strong employee-friendly organizational culture cannot lead to effective employee performance.

H₁: A strong employee-friendly organizational culture can lead to effective employee performance.

Table 3: *The Relationship Between Employee-Friendly Culture and Performance*

	Observed N	Expected N	Residual
strongly agree	18	15.4	2.6
Agree	43	15.4	27.6
Undecided	7	15.4	-8.4
Disagree	7	15.4	-8.4
Strongly disagree	2	15.4	-13.4
Total	77		

Source: Survey Data, 2007

Table 4: *Test Statistics for Hypothesis Two*

	The organizational culture that is employee-friendly can lead to effective performance
Chi-Square(a)	70.727
Df	4
Asymp. Sig.	.000

The calculated value of $\chi^2 = 70.727$, while at 0.05% level of significance, the tabulated value of $\chi^2 = 9.49$

Since the tabulated value is less than the calculated value. The alternative hypothesis (H1) is accepted while the null hypothesis (H0) is rejected. It is therefore concluded that a strong employee-friendly organizational culture can lead to effective employee performance.

Conclusion

Based on the empirical findings culture and performance have mutually reciprocating relationship. That is, there is a positive relationship between organizational culture and employee performance. An organization with a culture that encourages employee participation, commitment, team work, and gives room for employee self development and improvement will attract, retain and motivate highly skillful individuals. No doubt, this will result in a high performing organization evident in its profitability and turnover rate. If strong culture helps building high performance company, the past performance and successes shape and influence people's behaviours which with time become part of the culture. A positive organizational culture that is employee-friendly is essential for an organization to be successful. It also provides personal work satisfaction in employees, support emotional and physical well-being and generates high moral as well as a positive perception by others. Machineries should also be put in place to ensure that employees are well educated on the company's values and beliefs, mission and vision and other things the organization stands for. Through this, few employees whose views are divergent from those of organization's can be aligned with the organization without much fiasco. The work environment and atmosphere should be modified in such a way that employee feel the urgent need to achieve, thereby channeling their efforts to the attainment of the organizational goals and objectives. The environment should be conducive to ensure their total allegiance and loyalty.

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