Effect of Organization Culture on Employee Performance: Case of Kenya Women Microfinance Bank

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Abstract: A strong culture of a great company unifies and educates people, and it may have an enduring and lifetime impact on its employees. The company culture and values at KWFT are lifelines that tremendously contributed to the company’s success beyond its corporate strategy and leadership. However, it is noted that values and mission should come before a corporate strategy can be formulated. As a conglomerate with 10 diversified business units, “today’ KWFT is not built by stitching pieces together, but by missions and values.” Lack of effective organizational culture and poor cultural integration in the corporate group affect organizational performance and decrease shareholders return. The purpose of this exploratory case study was to explore successful strategies that one corporate group used to establish an effective organizational culture to improve performance. KWFT organizational culture model served as the conceptual framework for the study. A purposive sample of 20 senior managers from KWFT participated in face-to-face interviews. The selected participant met the criteria of a minimum 5 years of experience with successful strategies in establishing an effective organizational culture in the corporate group. The interview data were transcribed, categorized, and coded; they were subsequently member checked and triangulated to increase the trustworthiness of interpretations. The findings included a well-defined mission that attributed to developing shared understanding between employees and managers. Core corporate value findings included the well-being of the society through self-regulated corporate social responsibility. The findings identified in this study could have potential for economic growth in the local economy and may contribute to social change with strategies business managers may use to sustain their business and improve the life standards of employees and the local community.

Keywords: Organization Culture, Beliefs, Values, Communication, Employee Performance

I. INTRODUCTION

According to the Consultative Group to Assist the Poor (CGAP, 2006), microfinance is the provision of basic financial services to impoverished clients who otherwise lack access to financial institutions. The main activity of microfinance is microcredit, which refers to the extension of very small, uncollateralized loans; usually of less than $100 (Micro Banking Bulletin, 2006).

Organizational culture is a human resource management concept which is used to improve the general culture within a company and organization. The culture creates good working relationships and promotes ethical communication between employees. It also helps employees in making decisions in the situations where there are no formal rules or policies, situations that haven’t been experienced yet. Brice (2009) also stated that an organization’s cultural norms strongly affect all who are involved in the organization. Organizational culture includes an organization’s expectations, experiences, philosophy, values that hold it together and is expressed in its self-image, inner workings, interactions with the outside world as well as future expectations. It is moral and ethical norms that have been developed in an organization and are considered valid. For example how power and information flow in organization and how committed employees are towards collective objective. It affects the organization’s productivity, performance and provides guidelines on customer care and service, product quality and safety. Such norms shape how members behave and adapt to get results in the organization. Organizational culture is how the members of an organization interact with each other and other stakeholders (Simoneaux & Stroud, 2014).

Scott (2006) claimed that in a healthcare organization, shared beliefs and attitudes about quality, risk and the role of patients in decision-making may be expected to influence service delivery. Thus the credence attached to notions of improving the organizational culture as a means of enhancing organizational performance in current parlance. Alvesson and Willmott (2012) suggest that the causal relationships between organizational culture and organizational performance are far from simple, with one organizational culture item determining the performance of the organization. Cameron and Quinn (2005) posited that there is a positive relationship between decentralization and return on investment. However, they also suggest that organizational culture based upon participative decision-making correlates with below-average long-term performance. This might suggest that there is no simple causal link between the organizational culture and resulting organizational performance. Cameron and Quinn (2005) asserted that “organizational culture has been recognized as an essential influential
factor in analyzing organizations in various contexts.” As a result, a great deal of literature has been generated about these two concepts. However, little agreement and understanding exists over the precise definition of the two concepts and the extent to which they are related.

According to Kandula (2006) the key to good performance is a strong culture. He further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement. Further, Richard (2009) noted that 1 performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment. Performance is also important for the individual. Accomplishing tasks and performing at a high level can be a source of satisfaction, with feelings of mastery and pride. Low performance and not achieving the goals might be experienced as dissatisfying or even as a personal failure.

Despite the great relevance of individual performance and the widespread use of job performance as an outcome measure in empirical research, relatively little effort has been spent on clarifying the performance concept. Still, in 1990, Campbell described the literature on the structure and content of performance “a virtual desert”. However, during the past 10 to 15 years, one can witness an increasing interest in developing a definition of performance and specifying the performance concept (Campbell, 1990).

In 1981 a group of professional women from different professions namely lawyers, bankers, financial experts, entrepreneurs, managers and trainers, had a vision of establishing a Financial Institution committed to exclusively address the financial and non-financial needs of the women in Kenya. In addition the professionals had an objective of establishing a woman serving - women led bank. Therefore, Kenya Women Microfinance Bank (KWFT) endeavors to empower women since for a long time women have received limited services from the financial sector. Lack of hard collateral has been a great challenge to the women; hence KWFT encourages group lending, where women take up loans and co-guarantee each other, consequently giving the low income earners equal chances of accessing credit which will help them to improve their economic status. (Micro Banking Bulletin, 2006).

Statement of the Problem

Until recently, culture has been examined with performance and effectiveness. According to Reichers and Schneider (1990), while culture researchers have devoted numerous articles to the nature and definitions of culture, relatively fewer articles have been contributed towards culture and performance research. One reason for this was the difficulty in operationalizing the construction culture.  

Denison (1996) argued that many researchers were limited by the artificial paradigm separation between climate and culture research. For instance, he described that climate research was associated with surveys and statistical analysis while culture research was usually done through qualitative field studies. He argued persuasively that climate and culture research studies are frequent investigations of different manifestations of the same construct.

Given the focal position of organizational culture in this context and despite the claims for a link between organizational culture and corporate performance, few studies appear to have actually examined the impact of organizational culture as well as the nature of relationship between the two. Thus, this study aimed to investigate the impact organizational culture had on employees’ performance within Kenya Women Microfinance Bank (KWFT) by specifically looking at the cause-effect relationship between culture and performance.

Objectives of the Study

The general objective of the study was to examine the effect of organizational culture on employee performance of Kenya Women Microfinance Bank (KWFT), whereas its specific objectives were:

i) To examine the relationship of religion and beliefs and employees performance at Kenya Women Microfinance Bank (KWFT)
ii) To identify how rules, norms, values and ethical codes in an organization affect organizational performance at Kenya Women Microfinance Bank (KWFT)
iii) To identify how communication in the organization affect employee performance at Kenya Women Microfinance Bank (KWFT)

Significance of the Study

One of the significant aims of this study was to add value to the body of existing knowledge in organization theory and management, to come up with findings that can be used to tackle problems arising from work situations. To scholars, the research work will help in further study on how organizational culture can affect employee’s performance.

In addition the objective of this study was to review on how organizational culture can affect the performance of employees in the organization. After the finding in this research work, the result would be used to improve the current practice in organization in regards to how culture affects its employees’ performance. In particular, Kenya Women Microfinance Bank would be able to best to use its organizational culture to improve
performance. To the organizational employees this would help to create more awareness on how the organizations culture affects their performance thereby increasing productivity that ends up affecting the profit of the organization positively as this can increase benefits which the employee. The study’s finding can be used to enrich the thinking of top management on how to develop good image of the company through enriching the company’s culture and values among its employees. The study will also be a source of information for improvement effectiveness of the KWFT Management and employees in general.

**Conceptual Framework**

The study was guided by the following conceptual framework.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
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<tbody>
<tr>
<td>Religion &amp; beliefs</td>
<td>Employees Performance</td>
</tr>
<tr>
<td>Rules, norms, values &amp; ethical codes</td>
<td>Job satisfaction, employee’s motivation</td>
</tr>
<tr>
<td>Employee’s communication</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1: Conceptual Framework**

Source: Adopted from literature review

According to the figure above, it could be discerned that there was a relationship between organizational culture and the employees’ performance, as the two important factors that influence organizational performance, employee and customer’s attitude and behavior were impacted by organizational culture in some degree. The improvement of organizational culture identity could guarantee sufficient exertion of organization common employee's enthusiasm and knowledge system

Work ethic, a religious oriented concept, reflects a constellation of attitudes and beliefs pertaining to work behavior. Organizational scholar -Sikorska-Simmons (2005) both found that the Protestant Work Ethic (PWE), measured by the commitment to the values of hard work was positively correlated with organizational performance. Organizational performance reflects being cognitively and emotionally attached to one’s organization. An individual displaying a high work ethic would place great value on hard work, fairness, personal honesty, accountability, and intrinsic values of work. Contemporary theorists who have examined the PWE have concluded that the PWE is no longer a Protestant issue, as all religious groups espouse the importance of work and, hence, share to the same degree the attributes associated with the work ethic (Yousef 2001). For example, the views of Islam about the workplace are denoted under religion in the workplace can bring up some of the most difficult issues employers have to face. Resolving these issues requires understanding the law and balancing the business's needs with an employee's desire to practice his or her religion.

On the other hand, Communication in the workplace helps employees understand each other better and contributes to productivity and efficiency in an organization. Poor communication can affect work production because employees might not receive adequate information to complete a task. A coworker might forget to mention pertinent information, which can delay completion of a project or result in errors. In addition, poor communication at work might lead to unclear job descriptions and frustration among team members.

Employees are motivated to establish uniform goal, as same as the goal of organization, and keep pace with organization's goal while struggle individually, which will encourage the employee's working enthusiasm greatly, improve work efficiency, and reduce trade cost inside organization effectively; Besides, organizational culture promotes the will that the staff take action in organization's responsibility or broader field voluntarily, make them pursue the completion of service for others actively, and improve the satisfaction of external interests relatives; Organizational culture promotes the group to study, improves employee's work skills in order to increase work productivity, thus improve the relative value of products or service. Sikorska-Simmons (2005)

Employees are direct creators of organization's value, while creating value, on one hand the staff fasten their own intelligence, physical ability on the production of better products or service; On the other hand, through positive connection and cooperation with external environment, for instance, market investigation, questionnaire investigation,, they understand customer's demand and suggestion, improve or produce new products or service. Consequently, employee plays the most basic role to organizational performance.

Based on the above analysis, organizational culture was an effective factor that determined whether the organization can obtain outstanding performance or not, it was an effective factor that determined organization's response and attitude to particular incident and external change of environment too. Organizational culture could influence organizational performance through employees and customers.
II. LITERATURE REVIEW

Theoretical Framework

Hofstede’s Cultural Dimensions Theory

Geert Hofstede (1980) conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. He defines culture as “the collective programming of the mind distinguishing the members of one group or category of people from others”. Hofstede (1980) looked for global differences between over 100,000 of IBM’s employees in 50 different countries and three regions of the world, in an attempt to find aspects of culture that might influence business behavior. He suggested about cultural differences existing in regions and nations, and the importance of international awareness and multiculturalism for the own cultural introspection. Cultural differences reflect differences in thinking and social action, and even in “mental programs”, a term Hofstede uses for predictable behaviour. Hofstede relates culture to ethnic and regional groups, but also organizations, profession, family, to society and sub cultural groups, national political systems and legislation, etc.

Hofstede (1980) suggests of the need of changing "mental programs" with changing behaviour first which will lead to value change and he suggests that however certain groups like Jews, Gypsies and Basques have maintained their identity through centuries without changing. Hofstede (1980) demonstrated that there are national and regional cultural groupings that affect the behavior of organizations and identified four dimensions of culture in his study of national cultures:

- **Power distance** – According to Hofstede, (1980) “power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.” This dimension does not measure the level of power distribution in a given culture, but rather analyzes the way people feel about it. Low power-distance scores mean that a culture expects and accepts that power relations are democratic and members are viewed as equals. High power-distance scores mean that less powerful members of the society accept their place and realize the existence of formal hierarchical positions.

- **Uncertainty avoidance** – Hofstede (1980) “A society’s tolerance for uncertainty and ambiguity.” This is a dimension that measures the way a society deals with unknown situations, unexpected events, and the stress of change. Cultures that score high on this index are less tolerant of change and tend to minimize the anxiety of the unknown by implementing rigid rules, regulations, and/or laws. Societies that score low on this index are more open to change and have fewer rules and laws and more loose guidelines.

- **Individualism vs. collectivism** – Hofstede (1980) “The degree to which individuals are integrated into groups.” This dimension has no political connotation and refers to the group rather than the individual. Cultures that are individualistic place importance on attaining personal goals. In collectivist societies, the goals of the group and its wellbeing are valued over those of the individual.

- **Masculinity vs. femininity** – Hofstede (1980) “The distribution of emotional roles between the genders.” This dimension measures the level of importance a culture places on stereotypically masculine values such as assertiveness, ambition, power, and materialism as well as stereotypically feminine values such as an emphasis on human relationships. Cultures that are high on the masculinity scale generally have more prominent differences between genders and tend to be more competitive and ambitious. Those that score low on this dimension have fewer differences between genders and place a higher value on relationship building.

- **Long-term Orientation vs. Short-term Orientation**: (Hofstede 1980) this dimension describes a society’s time horizon. Short-term oriented cultures value traditional methods, take a considerable amount of time to build relationships, and in general view time as circular. This means the past and the present are interconnected and that which cannot be done today can be done tomorrow. The opposite of this is long-term orientation, which sees time as linear and looks to the future rather than the present or the past. It is goal-oriented and values rewards.

- **Indulgence vs. Restraint**: Hofstede (1980) this dimension measures a culture’s ability to satisfy the immediate needs and personal desires of its members. Those that value restraint have strict social rules and norms under which satisfaction of drives is regulated and discouraged.

Hofstede (1980) stresses that the cultural dimensions are only a framework to help assess a given culture and thus better guide decision making. There are other factors to take into consideration such as personality, family history, and personal wealth. The proposed dimensions cannot predict individual behaviors and do not take into account individual personalities.

Empirical Studies

Studies indicated a relationship between organizational culture and employees’ performance. Magee (2002) argued that organizational culture is inherently connected to organizational practices which in turn influence employees’ performance. Hellriegel (2009) contend that organizational culture can enhance
employees’ performance if what sustains it can be understood. Thus, the culture of an organization acquaints employees with the firm’s history as well as current methods of operation that guide employees on expected and acceptable future organizational behaviors and norms. Some theoretical models assert that effective human resource system is based on supporting values, that create a positive impact on employees’ attitudes and behaviors which in turn influence their performance (Ferris 1998). From numerous “culture surveys” it has been claimed that employee performance can be improved by developing and creating certain kinds of organizational cultures.

According to Azhar (2003) corporate culture can determine the success of the organization, in other words, good companies are distinguished from bad ones based on their corporate cultures. The author further states that successfully managed companies usually have distinctive cultures based on which they are responsible for successful implementation of their strategies. Each organization has its unique culture that has powerful influence in the employees of the organization and the management team and therefore, it can be one of the most effective means of improving the overall performance of the organization. Magee (2002) in this very point argued that organizational culture is inherently connected to organizational practices; therefore organizational performance is conditional on organizational culture. Organizational culture can enhance performance in a large scale if it can be understood that what sustains a culture.

Research conducted by Renn and Vandenberd (1995) demonstrate a conceptual linkage between organizational culture and employee performance Most organizations assert its performance as a dependent variable which seeks to recognize other independent variables that produce variations in its performance the organizational culture is theoretically related to performance and do have positive influence on it. Explaining the variation in performance of effectiveness, in his relevant work highlighted that the role of culture is very vital in nurturing, sustaining and enhancing the performance of organizations.

### III. RESEARCH METHODOLOGY

The study adopted a descriptive survey design. This research design enabled the researcher to answer the research questions accurately and the information was collected using the questionnaires. Population for the study involved KWFT head office, and five Nairobi Branches namely, Embakasi Branch, River road Branch, Kariobangi Branch, Buruburu branch and Kayole Branch. The whole population consists of 406 employees.

Different sample selection methods were used to select respondents for the study. Purposive sampling was used for senior managers while stratified sampling was used for middle managers and simple random sampling was used for support staff. Among senior managers and directors, 10 respondents were selected by using purposive sampling, from principal officers, 20 respondents were selected by using stratified random sampling. Lastly, among senior and junior members of staff, 79 respondents were selected using simple random sampling. This brings the total to 109. This study utilized a using questionnaires and interview guides for primary data while secondary data was collected by using documentary reviews. With the permission from the departmental head of KWFT, the researcher distributed the questionnaire to the employees while interviews were scheduled with the senior managers and directors.

Data analysis involved the descriptive statistical tools such as Statistical Package for Social Sciences (SPSS) helped the researcher to describe the data and determine the extent used. The researcher used descriptive statistics to present the findings based on the variables.

### IV. RESULTS AND DISCUSSION OF FINDINGS

**Rate of effect of organizational culture on employee performance in KWFT**

The findings on the rate at which organization culture affected employee performance in KWFT are presented below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>High</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Medium</td>
<td>27</td>
<td>35</td>
</tr>
<tr>
<td>Low</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Very low</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field survey Nairobi Region (2019)

It could be seen clearly that 40% represents the rate of employee morale in KWFT was medium. 24% presented high, 9% very high, 15% low and 12% presenting very low rate of employee morale. Therefore this showed that the rate of employee morale in KWFT was medium, which needed to be addressed.
Does culture create opportunity to improve the performance of employees in KWFT

The research findings were presented in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>38</td>
<td>55%</td>
</tr>
<tr>
<td>No</td>
<td>30</td>
<td>45%</td>
</tr>
<tr>
<td>Totals</td>
<td>68</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: field study KWFT Nairobi Region (2019)

The above illustration shows that employees believed that culture created an opportunity to improve the employee performance. 55% of the respondents believed on the cultural ideas while 45% of the respondents did not agree.

Do you believe that a strong culture enables an organization to pull its employees together and maximize their potential?

The findings of the study were as follows.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>38</td>
<td>55%</td>
</tr>
<tr>
<td>NO</td>
<td>30</td>
<td>45%</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field survey Kwft Nairobi (2017)

As shown on the table above, 55% (38) of respondents believe that culture pulls employees together in an organization while 45% (30) respondents did not. This therefore indicated that the majority of employees in KWFT were brought together mainly because of culture.

Summary of Findings

Effect of Organization Culture on Employee Performance

Sixty four percent (64%) of the respondents were affected by job satisfaction because this was not carried out effectively. The researcher observed that this contributed to low employee morale and performance. Respondents indicated that if cultural programs were carried out well it would help in reducing inherent conflicts that may arise if an employee reports to several superiors.

V. CONCLUSION

The study concluded that strong culture in the organization is very helpful to enhance the performance of employees that leads to the goal achievement and increases the overall performance of the organization. Another conclusion was that an organizational culture where employees are considered an integral part of the growth process of the organization fosters employee commitment towards the organization. They align their goals and objectives with those of the organization and feel responsible for the overall well-being of the organization.

Recommendations

Organizational culture is the major key area that KWFT should embark on because ultimately a satisfied employee will lead to a satisfied customer. Organizational culture may lead to improved productivity, reduced turnover, improved attendance, reduced accidents and lower unionization.

VI. REFERENCES

[13] Igen & Schneider, 1991. Moreover, only actions which can be scaled, i.e., measured, are considered to constitute performance