

# The Influence of Organizational Culture on Firm Performance: Lessons from the Retail Sector in Zimbabwe.

<sup>1</sup>Dr Martin Dandira, <sup>2</sup>Lovemore Chikazhe, <sup>3</sup>Tendai Silvaziso Mandere, <sup>4</sup> King Christopher Muchenje, <sup>5</sup>Dr Obert Sifile

<sup>1</sup>Senior Lecturer, Department of Business Management and Entrepreneurship

Chinhoyi University of Technology, Chinhoyi, Zimbabwe, Private Bag 7724, Chinhoyi, Zimbabwe

<sup>2</sup>Lecturer, Department of Marketing, Chinhoyi University of Technology, Chinhoyi, Zimbabwe

Private Bag 7724, Chinhoyi, Zimbabwe

<sup>3,4</sup>Business Department, Ba Isago University, Botswana

<sup>5</sup>Finance Director, Chinhoyi University of Technology, Private Bag 7724, Chinhoyi, Zimbabwe

**ABSTRACT:** The importance of organizational culture in organizations need not to be overlooked, it can be viewed as a tangible resource which organizations can utilize to gain competitive advantage over other organisations. Studies focusing on the influence of organizational culture on firm performance in the retail sector are scarce in developing countries like Zimbabwe. Therefore, the study was conducted to narrow this gap. The study conducted a cross-sectional survey of 140 retail management employees in Chinhoyi, Zimbabwe. The study employed the structural equation modelling to test the hypotheses. Results indicated that leadership, communication employee involvement and external stakeholders' involvement positively influence firm performance.

**Key words:** Firm performance, organizational culture, retail sector, Zimbabwe

## I. INTRODUCTION

The culture of the organization is significant as it plays a significant role on how firm perform (Emmanuel, 2017). It further determines the relationship between the organization and its employees. Wierenga and Kamsteeg (2018) describe culture as an established set of behaviours, values and beliefs of a given society. Culture is acquired through various ways such as communication of knowledge, beliefs, values and explanations by management and others people who live in a given society at a particular time. Culture must be learned and shared by the employees of the organisation. Yilmaz and Ergun (2008) claim that business culture comprise leadership, communication, employee involvement and external stakeholders among others. Management has a responsibility to introduce culture in their organisations so as to improve performance (Denison & Mishra, 1998; Rachman, Mees & Fry, 2016). Human resources are the most important asset in an organization, they are responsible for shaping the organisational culture. As a result, organizations should make efforts to maintain a culture that promotes business growth. The article is aimed at examining the influence of organizational culture on firm performance. The major objective of the study is to examine cultural factors influencing firm performance within the retail sector.

## **II. THEORETICAL FRAMEWORK**

### **2.1 Leadership**

Culture integration ought to be driven by the chief executive officer, as it starts with the vision of the future. Making the new culture obliges leaders to meet early in the process to recognize desired results of the merger and the proper level of integration (Addison & Belfield, 2001). Accommodating contrasts in administration style and business procedures proceeds with the way of life improvement. In the event that cultural discrepancies go unaddressed, the outcomes may include defections and loss of credibility and confidence (Amjad, 2008).

As administration keeps on making and conveying the new culture, it must be predictable and take after a well thoroughly considered plan (Addison, 2005). Fruitful performance of organization obliges leaders to offer the vision of the new organization to the individuals in charge of doing it and they must listen to concerns, dispel rumors, set expectations and come clean. In addition, administration will not be seen as being serious about the culture integration and will lose the dedication of the workforce (Armstrong & Baron, 1998). By seeing familiar and trusted leaders empowering positive appreciation moments all through the merged organization, employees will start to see and recognize the important endeavors and commitments from their partners (Ayca et al., 1999). Strong leadership enhances performance while feeble leadership decreases it (Al-Matari et al., 2012). Leadership is associated with Geert Hofstede dimension level of power distance. In an organization that has low power distance, leaders and administration have assigned power to their representatives hence made a situation of trust where workers can approach administration and have talks on issues identified with the organization. This is likely to increase the performance of the association (Denison, 1990; Hofstede, 2010).

### **2.2 Communication**

According to Schein (1992) there should be continuous communications to manage expectations and shape behaviors in the organizations. Companies that communicate most effectively use a combination of methods to reach employees, including messages specifically from the chief executive officer, from the integration team and from human resources, email updates, press releases, one on one meetings and employee surveys (Denison, 2000; Schein, 1990). According to Levine and Fiore (2014) there must be avenues for two-way communication, for sharing and understanding values and promoting openness and transparency. Employees need a safe means to ask questions, offer concerns and show support.

Conducting survey employees on current job satisfaction, engagement level in their current roles, level of concern with the mergers relative to job retention, potential culture change and leadership, understanding of the values of the merged entity; and how those values translate to daily behaviors periodically to measure improvements. Progressive companies are beginning to use shared delivery platforms (e.g. an employee website that provides for transaction/integration updates) as an effective means of introducing significant changes directly to each employee within hours or days. The platform can include an outlet for employees to share feedback as well (Schneider et al., 2012). An organization that adopts an open system culture whereby every employee feels part of the organization and fits in because of free flow of information is likely to have increased performance. According to Wang (2017), correspondence both vertical and horizontal is considered as one of key success factors. Boosting correspondence ought to be a hierarchical technique and transparent two-way correspondence is an imperative. There ought to be an open system culture whereby there is free flow of data to make communication effective.

### **2.3 Employee involvement**

According to Stafford and Miles (2013), the merged organizations should continually include employees and specifically address culture during planning by assigning dedicated resources to engage people and start to map cultural differences as they progress. Doing so ensures that employee input is considered and participants become change leaders. They will proceed effectively without alienating staff members that might otherwise feel their contributions are not valued (Levine & Fiore, 2014). In an organization that has low power distance, leaders and management have delegated power to their employees thus created an environment where employees can participate in decision making and contribute to major decisions the company has to make regarding its performance and how high performance can be achieved (Mbuvi, 2010).

## **2.4 External stakeholders' involvement**

According to Levine and Fiore (2014), firms often have vastly different approaches towards engagement of external stakeholder groups. It is important to proactively identify such differences to allow the stakeholder group to be made aware of any changes that may result from after a merger. Alienating or surprising stakeholder groups should always be avoided at all costs (Denison & Mishr, 1995; Levine and Fiore, 2014). By adopting an internally driven culture, the organization is more involved with the customer by meeting their needs and giving them the best service. Such an organization will likely have improved performance (Hofstede, 2010).

### **III. DEVELOPMENT OF RESEARCH HYPOTHESES AND RESEARCH MODEL**

Literature is awash with studies focussing on the relationship between organisational culture and firm performance (Emmanuel, 2017; Rachman et al., 2016; Wierenga & Kamsteeg, 2018; Yilmaz & Ergun, 2008). Wang et al. (2017) conducted a study linking ethical leadership with firm performance. Similarly, Lee (2007) carried a study to establish strategic alliances that influence small and medium firm performance. Likewise, Shin et al. (2015) examined the mediating role of ethical and procedural justice climate on the effect of top management ethical leadership and firm performance. none of these studies focused on the relationship between leadership and firm performance. thus, it is hypothesised,

*H<sub>1</sub>: Leadership has a positive influence on firm performance*

In Malaysia, Beh and Loo (2013) conducted a similar study to examine the association between human resource practices and firm performance. The results of the study show that performance internal, SHRM alignment in the organization, communication, appraisal and career planning were the human resource management best practices that influence performance. Similarly, Zur and Walega (2015) studied the association between communication practices and company entrepreneurship. The study confirms a positive relationship between regular communication practices and company entrepreneurship. Welch and Jackson (2007) conducted an almost similar study to examine the effectiveness of internal communication on achievement of the firms' objectives. Findings proposed that internal communication could be the ideal strategy to supplement internal situation analysis. Also, in their study to investigate the effect of information and communication technology on company progress, Amalia et al. (2019) concluded that information and communication technology is considered capable of producing the best performance. Therefore, it is hypothesised that,

*H<sub>2</sub>: Communication positively influences firm performance*

Kim and Sung-Choon (2013) conducted a study to find the how human resource management contributes to the improvement of firm performance. The study results indicate that employee involvement fosters strategic human resource management function. In a related study, Jones and Kato (2003) conducted a study to establish the effects of employee involvement on firm performance. It was found out that membership in offline teams initially enhances individual productivity. Similarly, Addison and Belfield (2000) studied the relationship between workplace performance and various indicators of employee involvement. The study findings underscored the difficulty of specifying the association between firm performance and employee involvement. Thus, it is hypothesised that,

*H<sub>3</sub>: Employee involvement has a positive influence on firm performance*

Harrison and Wicks (2013) carried out a study to establish the importance of stakeholders to a firm. The findings of their study indicate that stakeholders are closely associated with building mor value for the organisation. Likewise, De Luque et al. (2008) examined the effects of executive stakeholder and economic values on firm performance. The results of the study confirm that decision making by executive stakeholders may yield favourable outcomes for the firm. Also, Klijn and Braun (2012) studied on how stakeholder involvement could enhance the success of governance processes. It was concluded that involving stakeholders does make any difference and has positive effects on the clarity of the brand concept. Hence, it is hypothesised that,

*H<sub>4</sub>: External stakeholder involvement positively influences firm performance*

Considering the preceding discussion, the following research model is proposed;

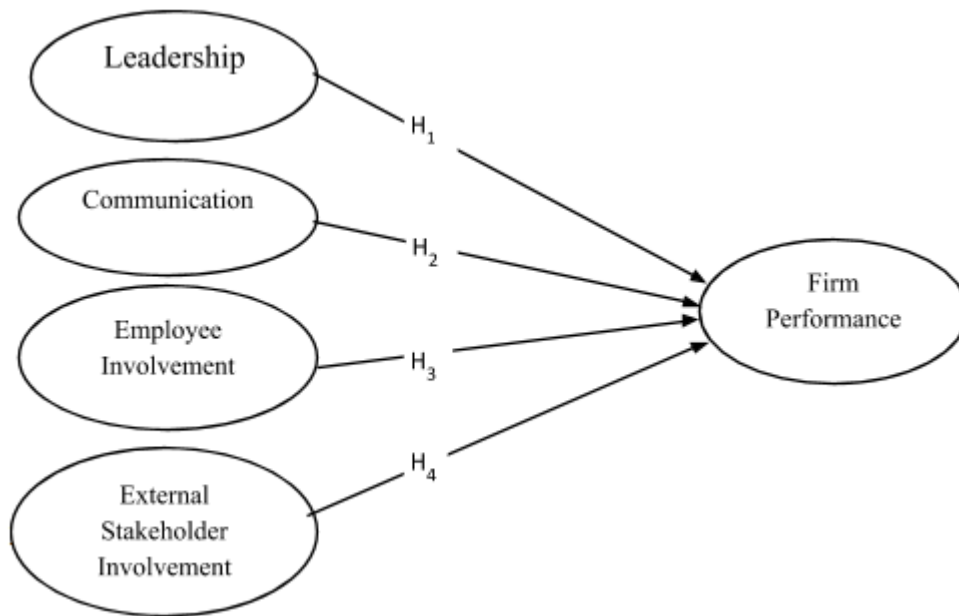


Figure 1: Research model

#### IV. RESEARCH METHODOLOGY

##### 4.1 Questionnaire design and measures

Data was gathered using a structured questionnaire with Likert type questions. The Likert scale that ranged from 1 (Strongly disagree) to 5 (Strongly agree) was used to measure items under each construct. The questionnaire was developed from borrowed statements from related studies and modified to suit the requirements of the current study. The questionnaire had five sections with questions that covered firm performance (FP), leadership (LD), communication (COM), employee involvement (EI) and external stakeholder involvement (ESI).

##### 4.2 Sampling and data collection

Data was collected from retail business employees in Chinhoyi, Zimbabwe in February 2020. Chinhoyi was chosen because of many retail shops within Zimbabwe. Out of a total of 160 questionnaires distributed, 140 (87.5%) were returned and usable. The demographic data is presented in Table 1 below:

Table 1: The study demography

Characteristic		Frequency	Percent (%)
Age	Less than 30	15	10
	30-39	78	56
	40-49	33	24
	50-59	10	7
	60+	4	3
Gender	Male	115	82
	Female	25	18
Length of business employment	0 - 5	75	29
	6 - 10	40	54
	Above 10 years	25	17

The majority of retail employees were aged between 30-49 years (80%). Among the respondents, 82% were males and 54% had stayed with their firms for a period between 6-10 years.

V. ANALYSIS AND RESULTS

AMOS Version 20 was used to data. Before structural equation modelling was conducted, scale validation was conducted using exploratory factor analysis (EFA), discriminant validity, and convergent validity. Sample adequacy was tested using Kaiser-Meyer Olkin (KMO) measure and Bartlett’s Test of Sphericity. Minimum conditions sample adequacy test were satisfied (KMO = .330, Approx. Chi-Square = 12 114.219, Degrees of Freedom = 287, p < 0.001). Pallant (2005) recommended that KMO statistic should be at least 0.5 while the Bartlett’s Test of Sphericity should be significant at p < 0.05. factor analysis was conducted using Varimax Rotation and the rotation converged in 8 iterations. The total variance explained by data was 71.231%. All factor loadings were above 0.5 as recommended by Pallant (2005). Also, minimum conditions for convergent validity (measurement model fit indices, reliability, standardised factor loadings, critical ratios and average variance extracted) were satisfied. Results for measurement model fit indices are presented in Table 2 below:

Table 2: Table 2: Measurement model fit indices

Fit index	Measurement model	Recommended level	Sources
CMIN/DF ( $\chi^2/DF$ ),	2.114	<5	Fornell & Larcker (1981)
GFI	0.901	>0.900	
AGFI	0.933	>0.900	Pallant (2005)
NFI	0.941	>0.900	
TLI	0.903	>0.900	
CFI	0.922	>0.900	
RMSEA	0.069	<0.080	

Table 3 below shows that minimum conditions for reliability (>.06), standardised factor loadings (>.06), critical ratios and individual item reliabilities (>0.5) were satisfied (Pallant, 2005). Further more averages were compared with corresponding squared inter construct correlations to measure discriminant validity. All averages were found to be higher than their corresponding squared inter construct correlations confirming achievement of minimum conditions (Fornell and Larcker, 1981).

5.1 Testing research hypotheses

Hypotheses (H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub> and H<sub>4</sub>) were tested using Structural Equation Modelling in AMOS Version 20. Results of the hypotheses tests are shown in Table 6 below:

Table 6: Hypothesis test results

Hypot he sis	Hypothesised relationship	SRW	CR	Remark
H <sub>1</sub>	Leadership Firm performance	.328	8.546***	Supported
H <sub>2</sub>	Communication Firm performance	.279	10.321***	Supported
H <sub>3</sub>	Employee Involvement Firm performance	.598	13.248***	Supported
H <sub>4</sub>	External Stakeholder Involvement Firm performance	.662	15.874***	Supported

Notes: SRW standardised regression weight, CR critical ratio, \*\*\* significant at p < 0.001

## VI. DISCUSSION AND IMPLICATIONS

### 6.1 Theoretical implications

Studies focusing on the influence of organizational culture on firm performance in the retail sector are available in other sectors on developing economies and scarce in developing countries like Zimbabwe. Thus, this study was carried out to contribute to existing knowledge paying attention to a small and developing economy. Therefore, the study sought to contribute to the body of business management by examining cultural factors that influence firm performance within the retail sector.

The study concluded that leadership, communication, employee involvement and external stakeholder involvement positively influence firm performance. The findings imply that if the firm is influenced by a culture of employing good leadership. Firms that engage professional leaders are likely to enjoy competitive advantage. The culture of employing professional leadership is promoted by shunning nepotism and corruption when filling vacant positions within the organisation. The study also proved that communication is important within the organisation as it influences firm performance. Organisations with a culture of smooth flow communication and open-door policy perform better than competitors. Employee involvement was found to be a key driver of firm performance. Firms that involve all employees when making decisions are likely to be better performers. Employees become motivated if they are given the chance to make certain decisions. Motivated employees are more productive than demotivated ones. The study concluded that external stakeholder involvement has a positive impact on firm performance. The meaning to this is that organisations that have a culture of accommodating ideas and contributions from external stakeholders are likely to be good performers. External stakeholders are important as they broaden the pool of people who care about the well-being of your company. They further Provide the company with practical and financial support. The study findings validate existent literature that organisational culture influences from performance (Emmanuel, 2017; Rachman et al., 2016; Wierenga & Kamsteeg, 2018; Yilmaz & Ergun, 2008).

### 6.2 Practical implications

It is critical for retail organisations to understand the effect of organisational culture on firm performance. Retail organisations must consider engaging professional leaders as this is one way to grow business. Professional leadership is visionary proactive and initiative which are some of the drivers of successful organisations within the retail sector. Communication among individuals and departments plays a pivotal role in influencing firm's performance. Management within the retail industry should ensure that communication channels are clear and affords every employee free communication. Involving employee and external stakeholders is encouraged as organisations benefit through a variety of skills and experience.

## VII. FURTHER RESEARCH IMPLICATIONS

The study was carried out in Chinhoyi using respondents from one sector. generalisations of results may be difficult. Future studies may improve the study results by extending other studies to other sectors in Zimbabwe and beyond.

## REFERENCES

- [1.] Addison, J. T. (2005). The determinants of firm performance: unions, works councils, and employee involvement/high-performance work practices. *Scottish Journal of Political Economy*, 52(3), 406-450.
- [2.] Addison, J. T., & Belfield, C. R. (2000). The impact of financial participation and employee involvement on financial performance: A re- estimation using the 1998 WERS. *Scottish Journal of Political Economy*, 47(5), 571-583.
- [3.] Addison, J. T., & Belfield, C. R. (2001). Updating the determinants of firm performance: estimation using the 1998 UK Workplace Employee Relations Survey. *British Journal of Industrial Relations*, 39(3), 341-366.
- [4.] Al-Matari, E.M., Al-Swidi, A.K., Fadzil, F.H. and Al-Matari, Y.A., (2012). The impact of board characteristics on firm performance: Evidence from nonfinancial listed companies in Kuwaiti Stock Exchange. *International Journal of Accounting and Financial Reporting*, 2(2), pp.310-332.
- [5.] Amalia, M. S. R., Arianis, C., & Tetty, H. (2019). The influence of information and communication technology on firm performance through competitive advantage: a case study in cosmetic industries of Indonesia. *Russian Journal of Agricultural and Socio-Economic Sciences*, 96(12).

- [6.] Amjad, S. (2008). Results-based Management Implementation for Outcomes: An Agenda for Action in Developing Countries. Paper presented at the National Health Policy Unit, Islamabad. [Online] Available: <http://copmfdrfrica.ning.com/forum/topics/resultbased-management-1> (June 9, 2014)
- [7.] Armstrong, M., & Baron, A. (1998). *Performance Management: The New Realities*. London:
- [8.] Aycan, Z., Kanungo, R.N., & Sinha, J.B.P. (1999). Organizational culture and human resource Management practices: the model of culture fit. *Journal of Cross-Cultural Psychology*, 30(4), 501-526.
- [9.] Beh, L. S., & Loo, L. H. (2013). Human resource management best practices and firm performance: A universalistic perspective approach. *Serbian Journal of Management*, 8(2), 155-167.
- [10.] Burke, W., & Litwin, G. (2007). *The Complete Guide to Mergers & Acquisitions*.
- [11.] De Luque, M. S., Washburn, N. T., Waldman, D. A., & House, R. J. (2008). Unrequited profit: How stakeholder and economic values relate to subordinates' perceptions of leadership and firm performance. *Administrative Science Quarterly*, 53(4), 626-654.
- [12.] Denison, D. R. (1990). *Corporate Culture and Organizational Effectiveness*. New York: John Wiley & Sons.
- [13.] Denison, D. R. (2000). Organizational culture: Can it be a key lever for driving organizational change. In S. Cartwright & C. Cooper (Eds.), *The handbook of organizational culture*. London: John Wiley & Sons.
- [14.] Denison, D.R. and Mishra, A.K. (1995), "Toward a theory of organizational culture and Effectiveness", *Organization Science*, 6(2), 204-223.
- [15.] Denison, D.R. and Mishra, A.K. (1998), Does organizational culture have an impact on quality? A study of culture and quality in ninety-two manufacturing organizations.
- [16.] Emmanuel, O., (2017). Understanding Organisational Culture and Organisational Performance: Are they two sides of the same coin. *Journal of Management Studies*, 9(1), pp.12-21.
- [17.] Fornell, C., & Larcker, D. F. 1981. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*. 18, 39-50.
- [18.] Harrison, J. S., & Wicks, A. C. (2013). Stakeholder theory, value, and firm performance. *Business ethics quarterly*, 23(1), 97-124.
- [19.] Hofstede G, Neuijen B, Ohayv D and Sanders G, (1990). Measuring organizational cultures: a qualitative and quantitative study across 20 cases. *Administrative Science Quarterly*, 35, PP. 286-316.
- [20.] Jones, D. C., & Kato, T. (2003). The effects of employee involvement on firm performance: evidence from an econometric case study.
- [21.] Kim, H., & Sung-Choon, K. (2013). Strategic HR functions and firm performance: The moderating effects of high-involvement work practices. *Asia Pacific Journal of Management*, 30(1), 91-113.
- [22.] Klijn, E. H., Eshuis, J., & Braun, E. (2012). The influence of stakeholder involvement on the effectiveness of place branding. *Public management review*, 14(4), 499-519.
- [23.] Lee, C.W., (2007). Strategic alliances influence on small and medium firm performance. *Journal of Business Research*, 60(7), pp.731-741.
- [24.] Levine, J., & Fiore, G. (2014). *Post-Merger Integration*.
- [25.] Mbuvi, M. T. E., Gichuki, J., & Musyoki, J. K. (2010). Socio-economic report for South Nandi forest Adjacent Communities. *Nature Kenya-Kenya Forestry Research Institute publication*.

- [26.] Pallant, J. (2005). *SPSS Survival Manual: A Step by Step Guide to Data Analysis Using SPSS for Windows (Version 12)*, Allen & Unwin, Crows Nest, NSW.
- [27.] Rachman, M., Mees, B. and Fry, S., (2016). The influence of Indonesian national and military organisational culture on safety management systems. *Journal of Safety Studies*, 2(2), pp.116-128.
- [28.] Schein, E. H. (1990). Organizational Culture, *American Psychologist*, 43 (2), pp.109-119.
- [29.] Schein, E. H. (1992). *Organizational Culture and Leadership (2nd Ed.)*. San Francisco: Jossey- Bass.
- [30.] Schneider, B., Ehrhart, M.G., & Macey, W.H., (2012). Organizational Climate and Culture. *Annual Review of Psychology*.
- [31.] Shin, Y., Sung, S. Y., Choi, J. N., & Kim, M. S. (2015). Top management ethical leadership and firm performance: Mediating role of ethical and procedural justice climate. *Journal of Business Ethics*, 129(1), 43-57.
- [32.] Wang, D., Feng, T., & Lawton, A. (2017). Linking ethical leadership with firm performance: A multi-dimensional perspective. *Journal of business ethics*, 145(1), 95-109.
- [33.] Wang, Y.C., Tsai, J.J. and Lin, H.W.W., (2013). The influence of board structure on firm performance. *Journal of Global Business Management*, 9(2), p.7.
- [34.] Welch, M., & Jackson, P. R. (2007). Rethinking internal communication: a stakeholder approach. *Corporate communications: An international journal*, 12(2), 177-198.
- [35.] Wierenga, S.J. and Kamsteeg, F.H., (2018). Towards a cognitive cultural approach to public management reform. *Journal of Public Administration and Governance*, 8(1), pp.1-25.
- [36.] Yilmaz, C. & Ergun, E. (2008). Organizational culture and firm effectiveness: An examination of relative effects of culture traits and the balanced culture hypothesis in an emerging economy. *Journal of World Business*, 43, 290-306.
- [37.] Zur, A., & Walega, A. (2015). Routines do matter: role of internal communication in firm-level entrepreneurship. *Baltic Journal of Management*.