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Corporate Culture and Organizational Performance in the Banking Industry of Nepal

Binod Ghimire
Tribhuvan University,
Faculty of Management,
Nepal Commerce Campus,
Kathmandu, Nepal
Email: bin.ghimire@ncc.edu.np

Bharat Rai
Tribhuvan University,
Faculty of Management,
Nepal Commerce Campus,
Kathmandu, Nepal
Email: bharat@ncc.edu.np
(corresponding)

Rewan Kumar Dahal
Tribhuvan University,
Faculty of Management,
Nepal Commerce Campus,
Kathmandu, Nepal
Email: rewan.dahal@ncc.edu.np

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ABSTRACT

Determining the strength of corporate culture and its impact on commercial bank performance has long been a priority for Nepalese banks. This study identified corporate culture drivers and their effects on a Nepalese commercial bank's performance. This study aimed to examine the impact of Nepalese commercial banks' participation, consistency, and adaptability cultures on organizational performance from the perspective of the employees of Nepalese commercial banks. A descriptive research design was used to discover facts and information on cultural elements affecting shareholder value. This study was based on a questionnaire survey. This study utilized the 5- point Likert scale to study a statistical measurement of corporate culture and organizational performance in Nepalese Commercial Banks. Using a survey of 394 employees in the Nepalese commercial banks, this study took into account participatory, consistency, and adaptability to assess the corporate culture of the banks. Adaptability was found to be the strongest predictor of organizational performance, while consistency was found to be a poor predictor, with the highest and lowest beta values, respectively. These findings suggested that adaptability and consistency characteristics were useful in measuring organizational performance. Adaptability cultures, it is concluded, have a significant impact on how well a business performs its activities. It broadens the awareness of the cultural impact on organizational performance that banks, particularly in Nepal, typically overlook. Commercial banks should prioritize strengthening their competitive cultures by emphasizing more adaptive human values aligned with their goals.

1. INTRODUCTION

Organizational culture refers to a set of values, beliefs, and behavioral patterns that distinguish one organization from another (Ortega-Parra & Sastre-Castillo, 2013). The norms that individuals within an organization encounter and characterize as their working environment are included in the organizational culture (Schneider et al., 2013). Numerous disciplines, including strategic management, organizational behavior, and industrial and organizational psychology, have conducted a considerable study on the connection between organizational culture and company success (George, 1990).

Most Nepalese company houses are family-owned, so corporate culture is still in its infancy. Corporate culture only grows in organizations managed by professionals. When multinational corporations and bank employees leave their positions and join another business, they bring the acquired cultural qualities (Sorensen, 2002). In the past few years, Nepal's banking industry has changed from one that was slow and dominated by the government to one that is much more active, competitive, and profitable. Different foreign banks have started up recently, which has made commercial banks compete with each other even more. To stay ahead of the competition and bring in more customers, banks focus on giving their customers better service. The banking industry has changed significantly over the past ten years because of the government's deregulation policy, technological advances, and more competition. This has led to new customer behaviors and new challenges for bank operators. At the same time, many financial institutions, both banking and non-banking, have sprung up. Above all, it has taken a long time for this status to change and become a profitable business. Also, the competition between banks is a big reason customers' needs and habits are constantly evolving. While numerous cultural researchers have written extensively on the nature and definitions of culture, relatively few have contributed to the study of culture and performance. This study's primary purpose is to examine the relationship between organizational culture and business performance within the context of the Nepalese banking industry. It attempts to examine the impact of corporate culture on employee performance.

2. REVIEW OF LITERATURE AND CONCEPTUAL FRAMEWORK

A society's entire manner of life is referred to as its culture. A group's culture can be defined as a pattern of common beliefs that the group learned as it solved its issues of external adaptation and internal integration, which has worked well enough to be considered valid and, thus, to be communicated to new members as the right way to perceive, think, and feel regarding such problems (Schein, 1990). Business managers use a company's organizational culture to set it apart from other businesses (Weber & Tarba, 2012). Several authors suggest that a strong corporate culture is advantageous for companies because it performs three crucial roles. First, corporate culture is an ingrained system of social control that influences employee behavior and decision-making. Corporate culture unites employees and provides them with a sense of belonging to the business. This social bond is becoming increasingly important as a tool to recruit and retain high talent. Corporate culture assists employees in perceiving organizational events and enables them to interact more efficiently and effectively, resulting in increased levels of cooperation due to their shared mental models of the world (McShane & Glinow, 2005).

According to Saffold (1988), the influential and widespread role culture plays in creating organizational life lends validity to the idea that cultural factors such as involvement, consistency, and adaptation may be linked to extraordinary levels of organizational performance. Furthermore, Saffold (1988) established that effective cultures are the key to boosting performance and recognized that culture creates a nearly tangible social force field of energies that empowers people and assists the organization's success. A sense of ownership and responsibility was cited by Denison (1990) as a key element in motivating and motivating workers for improved performance. Nonetheless, the interpretation of this relationship differed somewhat between the correlation and regression results. The results also reflected that the unique contribution of coordination and consistencies were positively related to the performance of institutions. The powerful and widespread influence of culture on organizational life lends to the idea that cultural factors such as involvement, consistency, and adaptation may be associated with outstanding organizational performance (Catana & Catana, 2010). If an organization's culture is to contribute to or boost performance, it must be both "strong" and exhibit distinctive "traits": certain values, beliefs, and shared behavioral patterns, according to a frequently held hypothesis. In another study, Urinov (2020) concluded that a successful organization's vision and management mix should include all employees and managers as this combination ensures high organization-wide acceptability.

Research Gap

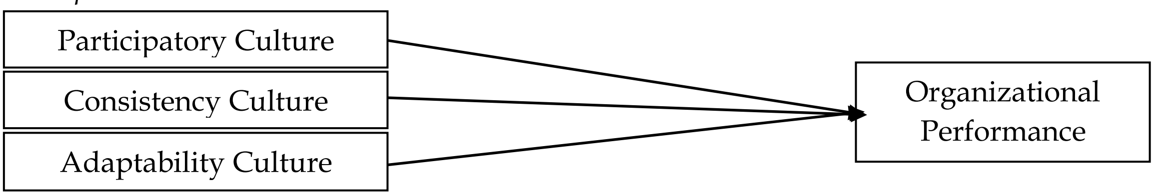
This study is based on analyzing the effect of organizational culture on Nepalese banks' shareholder value. A literature analysis shows how organizational culture and its effects on banks have changed over time. In one of the studies in the context of cultural integration in Nepal, Gautam (2022) identified that management does not pay sincere effort into formal socialization programs especially for cultural integration. It shows there is an immediate need to understand the importance of culture as an important variable for organizational performance. There are fewer pieces of research that examine the issues associated with culture and its outcomes in the context of Nepal. Therefore, the current study addresses issues associated with organizational culture and performance. Specifically, this study examines the impact of Nepalese commercial banks' participation, consistency, and adaptability cultures on organizational performance.

Conceptual framework

Denison's model (Denison, Hooijberg, Lane, & Lief, 2012) established a well-known and practically relevant model that explicitly demonstrates the relationship between organizational culture and efficiency. Denison described the mutual importance of the cultural aspects on the effectiveness of an organization: mission and consistency, adaptability, and participation. Based on it, this research paper developed the framework based on the three aspects of organizational culture while analyzing cultural issues in the Nepalese commercial banking sector.

Figure 1

Conceptual Framework



Participatory Culture: It is the management orientation about how it participates in people in the organization. Empowerment, teamwork, and capability development are components of participatory culture. Providing employees with the necessary skills, resources, authority, opportunity, and incentives, as well as holding them accountable for their actions, enhances their competence and satisfaction. It provides staff information, rewards, and power to solve problems and enhance service and performance. Teamwork is the act of cooperating with each other to accomplish a goal. It implies that despite interpersonal conflicts, people will try to work together by utilizing their unique strengths and offering helpful criticism. Training, coaching, and mentoring are components of developing capability, which enables a company to do so at its speed. The ability must be interwoven throughout the entire firm.

Consistency Culture: Consistency in high-quality experiences is crucial, and it depends on attitudes and awareness throughout the entire organization, not just the skills concentrated in a specialized team. It consists of values, agreement, coordination, and integration and has a significant effect on the bank's profitability. Value refers to permanent beliefs or views about what is right or wrong, desirable or unpleasant. Fairness, inventiveness, and community involvement affect a person's behavior and attitude and are typical bank performance benchmarks. Within a corporation, the agreement is a shared understanding that helps standardize performance. Finally, coordination, implicit and fundamental in all managerial functions, is the development of harmony between individual efforts toward attaining group goals.

Adaptability Culture: The capacity to adapt enhances a learner's competitive fitness and demonstrates their ability to learn from experience. Organizational learning and change orientation are included. Change is adjusting to the situation as it is. Organizational learning is a continuous process that increases a company's capacity to absorb, interpret, and respond to internal and external change. Employee knowledge is only one component of organizational learning. Change orientation refers to a set of steps made by a firm to support its sales, service, and employees while taking into account customer wants and satisfaction with their top priorities.

Organizational Performance: Performance has always influenced company actions. This influence increases the number and variety of instruments and methodologies for assessing performance, which has a substantial research impact on enterprises. According to Cherrington (1989), organizational performance is a measurement of how well an organization achieves its goals.

3. RESEARCH METHODS

It included the methods used to analyze the relationship between organizational culture and performance in Nepal, such as the justification for the research design, sampling strategy, and data collection.

Research Design

This study has employed descriptive statistics to deal with the fundamental issues associated with cultural factors influencing performance in Nepalese Commercial Banks. A descriptive research design was used to discover facts and information on cultural elements affecting shareholder value. This design assessed respondents' opinions, perceptions, and traits, such as managers, officers, assistants, and other employees of the bank, concerning banking culture preferences, including factors affecting shareholders' value. Further, this study conducted correlation research to determine the directions, magnitudes, and forms of the relationship between bank culture and bank performance.

Nature and Sources of Data

This study was based on a questionnaire survey. This study utilized the 5- point Likert scale to study a statistical measurement of corporate culture and organizational performance in Nepalese Commercial Banks. Such questionnaires were distributed to the respondents that had been approached in banks, their homes, and offices. Sampling employees included all the available branches of banks within the Kathmandu District. The impact of corporate culture on bank performance was measured using a questionnaire. Cultural aspects were used for questionnaire administration purposes, but caution was made that data gathering did not influence employees' evaluation. The questionnaires were divided into three sections. In the first section, respondents' demographic information, including gender, position, etc., was requested. The second section consisted of questions designed to assess the evolving bank cultural trends and banking practices of Nepalese commercial banks. The third section of the survey had questions about the effect of participatory culture, adaptability culture, and consistency culture on organizational performance. When answering a Likert questionnaire item, respondents indicated their level of agreement with the statement.

Specification of Model

The purpose of the regression analysis was to determine the variability and significance of the variables under investigation. Participatory culture, consistency culture, and adaptability culture were the independent factors, whereas organizational performance was the dependent variable. The relationship between the dependent and independent variables based on 394 data in the linear regression model's analysis is shown as:

$$\textit{Organizational Performance} = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\varepsilon$$

A summed rating scale was designed with the purpose of measuring how employees feel about a wide variety of cultural factors that have an impact on the performance of the business. The scale measured employees' awareness of the impact of organizational culture on performance.

Validity and Reliability Analysis

This analysis was performed to examine the reliability and validity of the collected data after the questionnaire was used to collect the information. The results of validity and reliability assessments for the measuring scales are displayed in Table 1.

Table 1

Reliability Statistics

Variables	Tolerance	VIF	Cronbach's alpha
Participatory Culture	0.410	2.12	0.755*
Consistency Culture	0.384	2.43	0.732**
Adaptability Culture	0.401	2.34	0.728**

Before testing the hypothesis, the reliability and validity of the associated variables must be examined so that there is no co-linearity problem. All components of the structure exceeded the reliability threshold of 0.70. In this study, the VIF values for the independent variables ranged from 2.12 to 2.43. There was no multi-collinearity among the independent variable dimensions since all VIF values were less than ten and all tolerance values were greater than 0.10.

4. RESULTS AND ANALYSIS

Analysis was conducted for the responses collected from the respondents. In order to analyze organizational culture and organizational performance, descriptive statistics and frequency analysis were utilized to derive conclusions. In addition, the Pearson correlation test was utilized to assess the significance of the link between corporate culture and organizational performance.

Descriptive Statistics and Correlation Analysis

This study was based on 394 respondents taken for the sample survey. Respondents were identified as employees working in commercial banks in Kathmandu. Table 2 shows the demographic characteristics of the respondents, including age, gender, years of experience, occupation and educational level, etc.

Table 2 displayed the gender distribution of respondents, which included males and females. The male respondents were 58.37%, and the female respondents were 41.62%, which indicated that most of the respondents who were involved in cultural practices were male. Most of the respondents were managers comprising 37.56% of the total respondents, while the officers were 92, who covered 23.35% in total. The level of experience ranged from less than a year to above 15 years. Nearly fifty percent of respondents had more than six years of experience.

Table 2
Gender of Respondents

	Number	Percentage
Gender		
Male	230	58.38%
Female	164	41.62%
Occupation		
Assistant	80	20.30
Officer	92	23.35
Manager	148	37.56
Others	74	18.78
Experience		
Less than a year	30	7.61%
1-5 Years	88	22.33%
6-10 Years	150	38.07%
11-15 Years	56	14.21%
Above 15 Years	70	17.76%
Total	394	100%

Source: Field Survey, 2021

Table 3
Pearson Correlation Coefficients for Organizational Performance

Variables	Org Performance	Participatory	Consistency	Adaptability
Org Performance	1			
Participatory	.141*	1		
Consistency	.248**	.314**	1	
Adaptability	.214**	.254**	.288**	1

*** Correlation is significant at 0.01 levels (2-tailed)*

The result of Pearson's correlation coefficient between organizational performance and the independent variables studied is displayed in Table 3. All independent factors showed a positive and statistically significant connection with the dependent variable at the 1% level of significance. The highest correlation coefficient observed between organizational performance and a consistency variable is 0.248. The association was significant at the 1% level of significance, which indicated that an increase in consistency could lead to an increase in organizational performance. The correlation between organizational performance and adaptability was 0.214, indicating a favorable association between these two factors. The correlation coefficient between organizational performance and the variable of participation was 0.141, indicating that an increase in participation results in an improvement in organizational performance. At the 1% level of significance, there was a substantial link between organizational performance and participatory culture.

Table 4 illustrates the R Square value for this model, which was 0.410. This suggested that three independent factors could explain 41% of the variation in the dependent variable. The model's fitness was deemed substantial, with an F- score of 43,675. The substantial F – Statistics value represented the optimal model fit.

Table 4 also indicated that in the case of three variables remaining constant, the intercept (α) value of 1.16% reflected the value of organizational performance. The predictor with the highest beta value was adaptability (= 0.234), which means that for every unit increase in adaptability, organizational performance rises by 0.234 units. At 0.001, adaptability had a considerable effect on organizational performance. Similar to the last consistency variable, this one has a beta value of (= 0.129), which means that for every unit increase in consistency, organizational performance rises by 0.129 units. At 0.001, consistency had a considerable effect on organizational performance. Nevertheless, at 0.001, the effect of a participation component on organizational performance was negligible. This conclusion suggested that adaptability and consistency characteristics were used to measure organizational performance, with adaptability culture serving as the strongest predictor and consistency culture serving as a poor predictor, with the highest and lowest beta values, respectively

Table 4

Summary Statistics of the Estimated Model

	B	Std. Error	t	Sig.
Constant	1.169	0.196	6.067	0.000
Participatory	0.169	0.040	4.242	0.005
Consistency	0.129	0.045	2.878	0.000
Adaptability	0.234	0.048	4.856	0.000
R Square = 0.410		*Adj R Square = 0.391*	*F = 43.675*	

5. DISCUSSION AND CONCLUSION

According to the study, the culture that a manager or executive ensures was one of their most significant contributions. Internalized values drive behavior rather than outside authority. This relieved the managers of some obligations of ongoing administration and management of their businesses. As a result, the performance of the organization improved. This finding is similar to the prior study regarding monetary outcome, which revealed that a strong organizational consensus culture affects net income, and a strong adaptability culture affects revenue (Chatman et al., 2014).

Managing culture necessitates a broad range of abilities in involvement, adaptation, and consistency. A cohesive, congenial staff that fosters productivity and improves organizational performance is more likely to exist in banks with strong adaptive cultures where employees share a wider vision for their company. This finding is consistent with Brady et al.'s (2018) claim that a complete knowledge of human behavior requires an appreciation of the cultural impacts on individuals in a given environment. Since culture is a system of governance that is agreed upon by everyone and goes far beyond any bureaucratic or administrative control, managers should make culture an explicit function with a set of goals. Employees should be aware of the values of the bank because this could help them operate in the organization's best interests. Organizations should also change and incorporate the lesson they learn as they change into their culture.

Banks were emphasizing human resources development where top performers are retained, and new staff is attracted to banking sectors. Managers were paid adequate time to motivate the employees by providing them with training and induction programs. These diverse bank cultures demonstrated that Nepalese banks were aware of shifting cultural trends and banking practices and were realizing the importance of the link between organizational culture and organizational performance. As a part of management, a manager should create an environment of shared values. Shared values are the key to integrating, coordinating, and keeping things under control. Commercial banks should prioritize strengthening their competitive cultures by emphasizing more adaptive human values aligned with their goals.

6. LIMITATIONS

This research is not without limitations. In accordance with the data-gathering process, 394 respondents from the Kathmandu valley filled out the questionnaires, which do not represent all perspectives and practices of banks in Nepal. Another limitation is the selection of factors. The factors included in this study may not be the only ones that can affect organizational performance; additional factors may be the subject of future research. In addition to their perceptions, the number of variables used in this study could be expanded in the quantitative indicators.

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