

**THE IMPACT OF ORGANIZATIONAL CULTURE  
ON ORGANIZATIONAL PERFORMANCE OF  
BANKING SECTOR IN TIRANA**

**by**

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## Approval Page

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## **Abstract**

The consolidation of Albanian market brought upon awareness for managers to hire qualified and productive workforce by focusing more on employees rather than costumers. Employees play a critical role in the organizations and should be seen as assets, not expenses. High competition and the desire to improve business profits, led business organizations to study thoroughly and carefully the culture and behavior of leaders and their subordinates, in order to increase organizational performance. The relationship between organizational culture and performance has shown the interest of researchers for many years. The great number of existing studies that examine organizational culture and performance have concentrated on developed countries and just few of them are directed for developing countries, such as Albania.

This thesis assesses the impact of organizational culture on organizational performance using a Denison Organizational Culture model. This model contain four main cultural dimensions such as: involvement, consistency, adaptability and mission, used as a independent variables. This dissertation is motivated by some research questions concerning the influence of organizational culture on bank performance and how does each of 4 cultural dimensions affect performance of banking sector in Tirana being as a dependent variable.

To illustrate these ideas, a sample of three banks in Tirana were taken: Raiffesein bank, National Commercial bank (BKT) and Alfa bank using a quantitative methodology following with statistical analyzes appropriate for this study.

The conclusions and recommendations of this study based on the results of empirical evidence and theoretical analysis tend to contribute in the increase of banking system performance.

**Keywords: organizational culture, organizational performance, banking sector, Albania**

## **Abstrakt**

Konsolidimi i tregut shqipëtarë solli vemendjen tek menaxherët për zgjedhjen e fuqisë punëtore të kualifikuar dhe produktive, duke u përqëndruar te punonjësit më shumë sesa te konsumatorët. Punonjësit luajnë një rol kritik në organizatë, duke u konsideruar si pasuri dhe jo shpenzim. Konkurrenca e lartë dhe dëshira për të përmirësuar fitimet e biznesit, janë udhëheqesit kryesorë për studimin me kujdes të kulturës, sjelljen e liderëve dhe vartësve të tyre, me qëllim rritjen e performancës. Mardhëniet në mes kulturës organizative dhe performancës, kanë treguar interesin e studiusve për shumë vite. Një numër i madh i studimeve ekzistuese që shqyrtojnë kulturën organizative në lidhje me performancën, janë përqëndruar më shumë në vendet e zhvilluara dhe vetëm pak prej tyre janë drejtuar vendeve në zhvillim e sipër, siç është rasti i Shqipërisë.

Kjo tezë vlerëson ndikimin e kulturës organizative në performancën organizative, duke përdorur modelin Denison të kulturës organizative. Ky model përmban katër dimensione kryesore, siç vijojnë: përfshirja, qëndrueshmëria, përshtatja dhe misioni që paraqesin variablat e pavarur. Në këtë studim shtrohen disa pyetje kërkimore në lidhje me ndikimin e kulturës organizative në performancën e organizatës, ku kjo e fundit paraqet variablin e varur.

Për të dhënë ilustrimin e duhur, në studim janë marrë tre banka në Tiranë, që janë: Raiffeisen, Banka Kombëtare Tregtare (BKT) dhe Alfa bank me metodologji kuantitative dhe analiza statistikore të përshtatëshme për këtë studim.

Konkluzionet dhe rekomandimet e këtij studimi në bazë të rezultateve të provave empirike dhe analizave teorike, tentojnë në kontribimin e rritjes së performancës të sistemit bankar.

**Fjalët kyçe: kultura organizative, performanca organizative, sektori bankar, Shqipëria**

## **Dedication**

To my family

## Acknowledgements

It seems hard to believe that two years of coursework and independent research are about to end with this thesis. It was not an easy journey, but I enjoyed every second of it, for I was blessed with people who deserve to be acknowledged.

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Ten years ago, my life path has intersected with the path of a scientist who taught me nothing about economy, business and administration, but taught me everything about dedication, independence, love, care, and sacrifice.

Finally, the greatest acknowledgment of all is for the Almighty, for endowing me with all the people above, and for blessing me with my two daughters who taught me many things even when they were not able to speak a word.

## **Declaration**

1. The material included in this thesis has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.
2. The program of advanced study of which this thesis is part has consisted of:
  - i) Research Methods course during the undergraduate study
  - ii) Examination of several thesis guides of particular universities both in Albania and abroad as well as a professional book on this subject.

Arta Çapuni

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## **List of Abbreviations**

EU: European Union

MA: Master of Arts

MSc: Master of Science

## **CHAPTER ONE**

### **Introduction**

#### **1.1 Introduction**

Banks have fairly complicated role to play in the real economic market. Not only that it acts as an operating system for trading – by providing the peers with payment functions, it also acts as a lender and takes an active role in money making. Such a multifaceted subject usually practices very high standards of internal operations and enforces them strictly. For this, studying organizational culture of a country could be best studied in well organized institutions such as banks.

The Albanian society in transition from centralized economy to market economy was accompanied with a lot of challenges and barriers. The desire to increase the value of capital and the value of companies in the same time had faced a lot of challenges due to lack of experiences to cope with market economy. Over the years, the market began to consolidate while fiscal and legislation policies were not left behind. During the transition, the financial institutions were affected as well, but in a contrary from other industries, this sector of economy was not privatized immediately in the beginning of democracy. Government treated carefully this industry to prevent the depreciation of their assets, as often happened with assets of other industries. Maintaining and increasing the value of this sector made financial institutions to play an active role during these long years of transition. Certainly, the banking system in Albania has a long experience. The beginning of XX century marks the beginning of banking operations in Albania with the opening of branches of the Agrarian Bank (Agricultural) and the Turkish National Bank (Imperial) Ottoman. Undoubtedly, Proclamation of Independence, increased interest not only for Albanians, but also foreigners for raising and investing in banking institutions. First Bank of Albania was opened as a result of serious effort and great commitment made by the government of Ismail Qemali in 1913.

Nowadays, the existence of considerable number of banks have given a strong boost to local economy and provide a high flexibility of the financial market. But which elements or variables make some organizations to be more successful than others? Numerous researchers

during the second half of twentieth century, were given priority to the study of the phenomenon of organizational culture which is the main factor for the survival of business organizations. Organizational culture is a concept that significantly affect the performance and results of the company. This concept undoubtedly has a strong influence on perceptions of end users and can even be seen as a competitive advantage for companies.

In economic and social-cultural aspect, Albania is still a society in transition, thus it is hard to identify what is the particular key success model for organizations and businesses in Albania. The transition process has brought significant changes for Albania that made it necessary to adapt new trends and needs for a sustainable economic development able to operate according to the rules of the European Common Market. Certainly, in economic and social conditions of Albania, bank play the crucial role. Since 1912, Albanians progressed together with its leadership, mostly on a top-down fashion. For this, the impact of the leaderships strongly influenced the mentality of society, or the organizational culture as a whole. However, the switch to the open market with the fall of the Communist regime in Albania introduced new challenges for the banks needed to adopt new rules of the market, and consequently hire people with proper education, skills, and attitudes. This for sure was not something that could be done in a year or two, but rather on a long stretch of time in which, even educational institutions needed to adopt new rules and teach them properly.

Organizational culture is one of the key aspects with purpose to determine the performance of organizations. A number of scholars agree with the aim that organizational culture is not simply the main factor for the success of one organization but also a fundamental driver of greater business performance. A clear understanding of organizational culture is essential for all leaders because it influences the manner that their organizations respond to the changing demands of the business environment. The culture of an organization is impacted by the past successes at any given time in order to survive. As the business environment changes, leaders must regularly look forward to the necessary changes and actively monitor the relationship between the demands of the environment and the capabilities of the organization. These changes are often helpful, but most successful organizational changes also require changes in the mindset, values and behavior of the organization's members. (Denison & Neale n.d)

A lot of studies have been conducted in order to see the relationship of organizational culture and performance. This study seeks not only to contribute to this ongoing debate by undertaking a study from a less developed country but more importantly within the banking sector where there are dearth studies.

The main purpose of this study is to examine the effect of organizational culture (independent variable) on organizational performance (dependent variable) in the banking sector in Tirana.

Related to the purpose of this study the objectives of this research are:

- To determine the point to which organizational culture influences performance of banking sector in Tirana.
- If the workforce is fulfilled and committed, the output and growth of an organization is highly achieved.
- To establish in what extent involvement, consistency, adaptability and mission are important for the banks in Tirana.



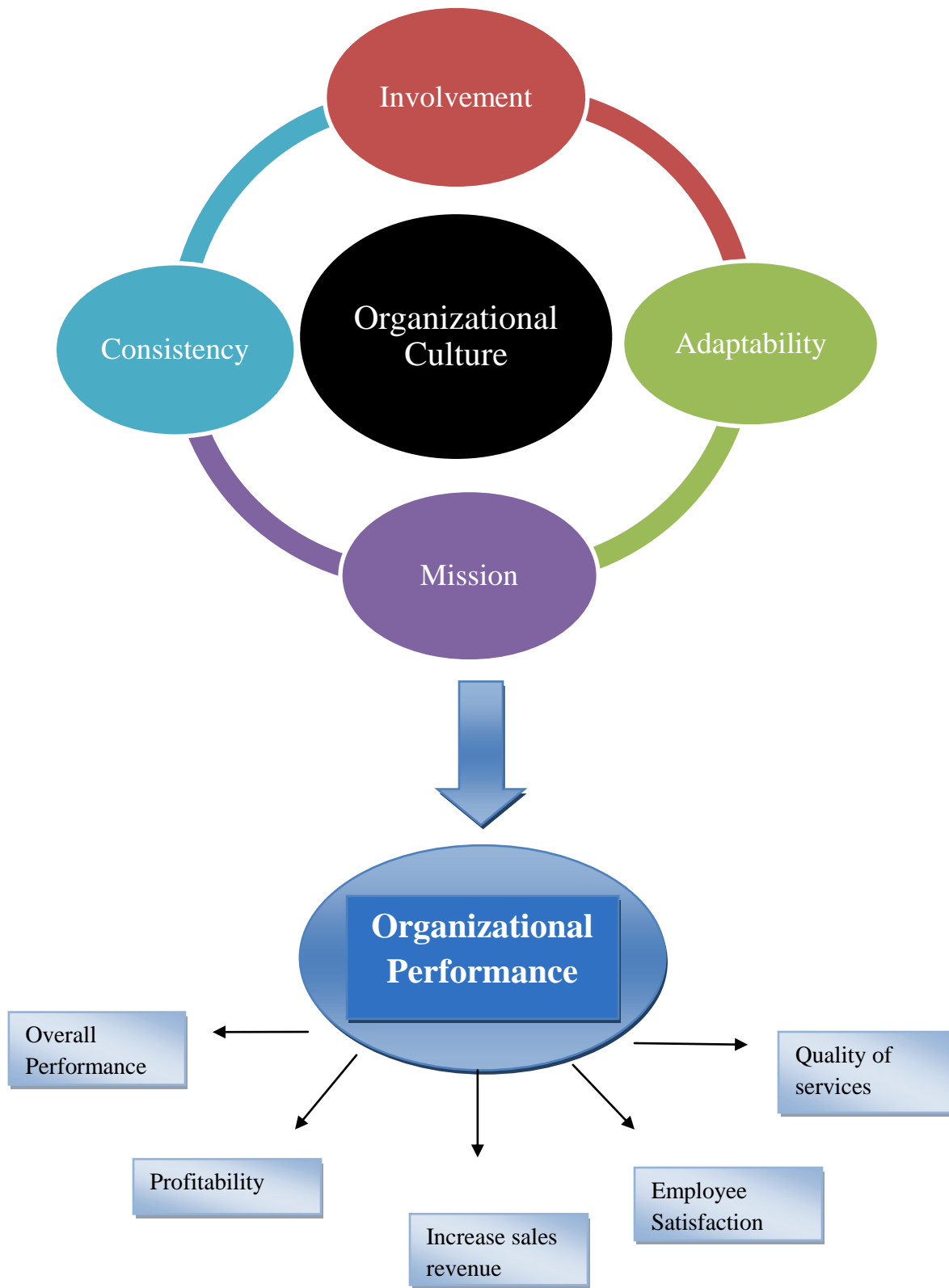


Figure 1 Conceptual Framework

## **CHAPTER TWO**

### **Literature Review**

#### **2.1 Definitions of organizational culture**

Any human organization from a family, village and nation develops its own culture overtime. From the smallest family business corner, to global multinational companies operating in many countries and time zones, overtime, each organization develops its own unique identity. There are many different definitions of organizational culture. According to Kennedy & Deal (1992), Culture is "the way we do things around here". That means that culture it is hard to explain to outsiders, you have to be in one organizations for a long time to know how things work inside of it. It is a unique characteristic of any organization that is hard to imitate. It develops overtime and it is created a unique identity for the organization. Another definition derived from Hofstede as cited in Denison, Hooijberg, Lane, & Lief (2012), "Culture is the code, the core logic, the software of the mind that organizes the behavior of people". By this definitions it is understood that it is all about the mindset. Until one have the mindset, we can't take, the innovative, new actions, structures and plans that we need to put our strategy into action. So, first comes the mindset and then comes the behavior and structure. Together with those we create a system that guides our organization. "Culture reflects the lessons learned that were important enough to pass on the next generation"- is another definition as stated by Denison, Hooijberg, Lane, & Lief, (2012), explaining that lessons are learned through hard work overtime and it is all about the decisions and wisdom that we pass on for the next generations within the organization. Herb Kelleher, the former CEO of Southwest Airlines as stated by Hanselmen (2013), came across with the definition that is the following: "Culture is what we do when we think no one is looking". In line with this definition one can say that in our heart and minds we have some priorities, we have some principles ourselves that determines how people will behave when no one is looking. If in the organization it is not created that type of mindset and behavior, obviously it will be a huge disadvantage.

**Table 1 Earlier definitions of Organizational Culture**

<b>Author/s</b>	<b>Definitions</b>
Kroeber & Kluckhohn (1952)	"Transmitted patterns of values, ideas, and other symbolic systems that shape behavior of an organization"
Swartz & Jordon (1980)	"Patterns of beliefs and expectations shared by members that produce norms shaping behavior"
Ouchi (1981)	"Set of symbols, ceremonies and myths that communicate the underlying values and beliefs of the organization to its employees"
Martin & Siehl (1983)	"Glue that holds together an organization through shared patterns of meaning. Three component systems: context or core values, forms (process of communication, e.g., jargon), strategies to reinforce content (e.g., rewards, training programs)"
Uttal (1983)	"Shared values (what is important) and beliefs (how things work) that interact with an organization's structures and control systems to produce behavioral norms (the way we do things around here)"
Adler (1986)	"-Refers to something that shared by all or almost all members of some social groups - something that the older members of the group try to pass on to the younger members and - something that shapes behavior or structures of the organization"
Denison (1990)	"Refers to the underlying values, beliefs and principles that serve as a foundation for an organization's management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles"
Trompenaars (1993)	"Is the way in which people solved problems. It is a shared system of meanings. It dictates what we pay attention to, how we act and what we value."
Cameron & Quinn (1999)	"What is valued, the dominant leadership styles, the language success that make an organization unique"
Wood (2001)	"The systems of shared beliefs and values that develops within an

	organization or within its sub-units and that guides the behavior of its members"
Wood (2001)	"The systems of shared beliefs and values that develops within an organization or within its sub-units and that guides the behavior of its members"
Thomas & Tung (2003)	"Refers to evolving set shared beliefs, values, attitudes and logical processes which provides cognitive maps for people within a given societal group to perceive, think, reason, act, react and interact"
Taylor (2004)	"Refers to what is created from the messages that are received about how people are expected to behave in the organization"
Wagner (2005)	"An informal, shared way of perceiving life and membership in the organization that binds members together and influences what they think about themselves and their work"
Edgar H.Schein (2010)	" A pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration"
Hofstede and Minka (2010)	"The collective programming of the mind which distinguishes the members of one group or category of people from another."

**Source:Adapted from Abu-Jarad, Yusof, & Nikbin (2010)**

From the definitions we can conclude that successful organizations are created by having a strong culture with certain values and beliefs. However, organizational culture can have positive and negative impact as well. Otherwise, it may be a "secret formula of success" or either a "silent killer" (Gorsht, 2014). It all depends if the culture is appropriate and fit for certain organization. The impact of culture on business enterprises is far from being fully explored.

According to Ahmadi, Salamzadeh, Darei, & Akbari, (2012):

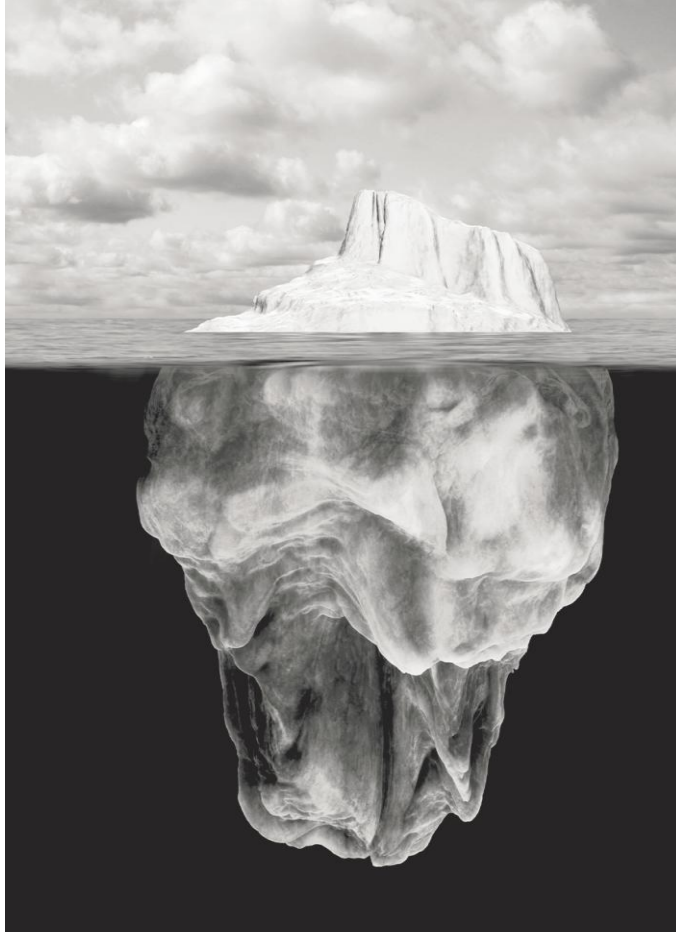
*-organizational culture is very important factor in making strategic decisions-* all decisions in organization, weather being strategic or not are under the influence of assumptions and beliefs of decision-makers. Defining the business area, setting goals and strategies, or making other

important strategic decisions, are usually done by top management, that always, even unconsciously depend from some assumptions or values. In like manner, assumptions and beliefs are reflected in their decisions that as matter of fact, are imposed from organizational culture. Hence, as stronger and homogenous organizational culture, the more impact it has in strategic decisions.

*-Organizational culture is important as a determinant to adapt environment changes-* it is obvious that companies are more successful due to the fact of being flexible. Successful companies have such a system of values and beliefs, which emphasizes the need for constant adaptation to changes in the environment. Conversely, organizational culture can act negatively as well on the ability of companies to adapt. If the culture is very strong, it can block the changes. Therefore, relying on the outdated cultural assumptions and beliefs, managers of companies can miss important changes in technology, consumer preferences or competitive moves. Ahmadi, Salabmzadeh, Darei, & Akbari (2012) stated that flexibility plays the key role in organization's achievement. However, results imply that stability still remains noteworthy.

It was noted that a strong and unique organizational culture significantly simplifies and accelerates the process of coordination of employees. The unique and strong culture means that there is a consistent, stable and homogeneous system and the belief of assumptions, which in everyday work and behavior in the company adheres to most employees. When you start from the same assumption and values, people in the organization are easier to understand and have more efficient coordination.

Schein's traditional approach divides culture into three levels, as stated at Denison, Hooijberg, Lane, & Lief (2012). He argues that essential core assumptions lie at the root of culture and are "unconscious, taken-for-granted beliefs, perceptions, thoughts, and feelings." Espoused values are derived from the basic underlying assumptions and are the "espoused justifications of strategies, goals and philosophies." Finally, at the top level are "artifacts," defined as the "visible, yet hard to decipher organizational structures and processes.



Artifacts, behaviors, and norms are visible and tangible

Personal values and attitudes are less visible, but can be talked about

Underlying beliefs and assumptions are subconscious, invisible, and rarely questioned

**Figure 2** Iceberg Model

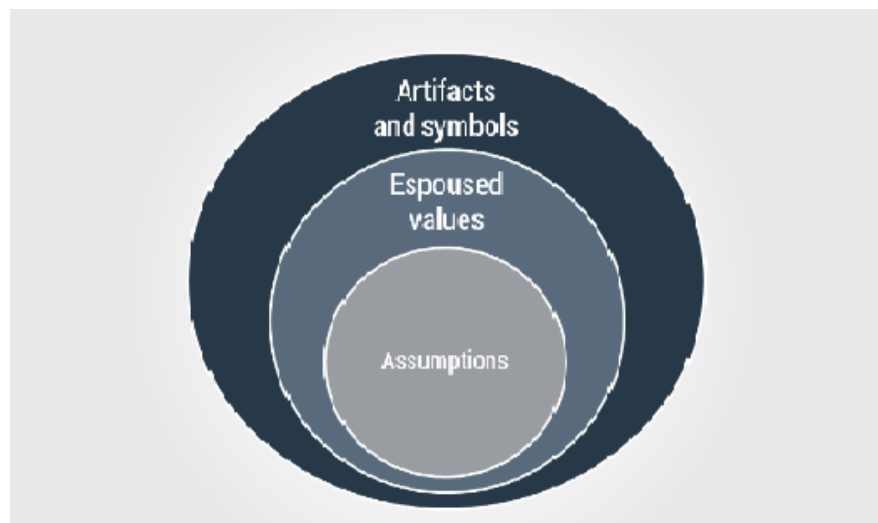
*Source: (Cultural Kintetics:Culture-an iceberg analogy)*

As it can be seen in the figure, only about 10% above the water is visible and 90% of the iceberg is below the water that we don't see it until it is too late. When you hit the iceberg, the part that sinks the ship is the part below the water that we don't see. Therefore, a leader needs to understand and manage what we see above the water that is reflected in the values, beliefs and assumptions, built up overtime and that are not visible to us at the first time that we look. These values and culture are built up overtime and they represent the lessons that we have learned and think that are important to pass on to the next generation. A leader should try to understand how the values were created in the past and be experts at projecting those values into the future to meet the challenges that organizations face.

## 2.2 Models of organizational culture

There are a different models of organizational culture that have been studied in order to get a clear explanation of what organizational culture is all about.

Viewing from a different perspective, according to Schein (as stated at Vliet, 2014), concluded that organizational culture exist simultaneously in three inclusive levels as depicted below.



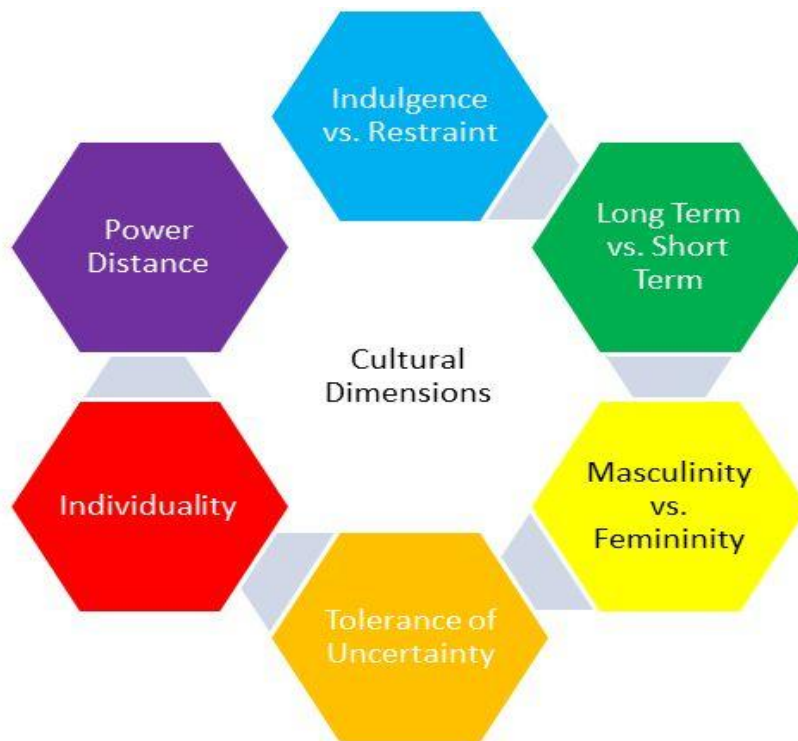
**Figure 3** Organizational culture model by Edgar Schein

*Source: Adapted from Vliet,(2014)*

**Artifacts and Symbols-** represent visible elements in the organization such as logos, architecture, structure etc. These elements are visible for external parties as well. (Vliet, 2014)

**Espoused Values-** concerns standards, values and rules of conduct. (Vliet, 2014)

**Basic underlying assumptions-** The fundamental primary assumptions are profoundly rooted in the organizational culture.



**Figure 4 Hofstede cultural model**

*Source: Adapted from Hofstede (2010)*

According to Hofstede (2010), cultural model is divided in 5 dimensions illustrated in the figure. These are five dimensions that distinguish one culture from another. The first dimension is **power distance** that describes how a culture responds to people with power and how it treats those who don't have it.

**Individualism**-refers to the strength of the ties people have with others in their community. People in countries with low individualism score will likely take more interest in other, while people with high score of individualism value privacy.

**Masculinity**- refers to how a culture views the traditional roles of men and woman, whether being equal or different.

**Uncertainty Avoidance**- defines how well people cope with the situations where the outcome is uncertain.

**Long term orientation**- this looks that how a culture values long standing traditions and values.



According to Cameron & Quinn (2006), organizational culture is classified in four types of culture as shown in the figure below:



**Figure 5** Cultural Model by Cameron and Quinn

*Source: Adapted from Cameron and Quinn (2011)*

To have a clear reflet on their approach, they made a graphical representation where cultural dimensions in the vertical axis reflect the degree of flexibility in the upper side and control down. In the meanwhile, horizontal axis would serve for reflection of focus where on the left side is internal focus and in the right side is external focus.

According to this figure, they stressed out the importance of adaptation between organizational culture and companies, the progress of high flexibility and external focus in order to further develop the organization. These types of culture have a tremendous effect on organizational effectiveness. Adhocracy culture is focused to create, like flexibility, and have an external focus. Clan culture is tends to collaborate, have a flexibility approach and internally focused. Hierarchy culture like stability and control. Market culture have an external focus and their core verb is to compete. (Cameron & Quinn, 2006)

## **2.3 Denison model of organizational culture**

Another model of organizational culture is Denison Model, which this study is going to focus more. The Denison organizational culture is a model that emphasize some traits that are closely related to business performance. High performing organizations tend to do four things pretty well. They tend to be pretty clear on their mission, where is the organization going, is there a short term or long term and why they do exist. Organization tends to have some consistency inside so they can do things in a competitive way. Involvement is important trait in high performing organizations by getting employees involved at work in day-to-day basis. They are also highly adaptive organizations by listening to what is going on in the market place and reacting to those changes. The four traits of this model are explained in the following subsections.

### **2.3.1 Involvement**

Involvement is concerned about the engagement of the individuals and the degree to which they collaborate to complete organizational objectives. The involvement trait is based on three indices in an organization that include: empowerment, team orientation and capability development (Denison and Mishra, 1995; Halim et al, 2014; Imam et al, 2013).

Organizations that have an employee empowerment culture, generally rush forward to the fore of their competitors turning out to be the business leaders. Companies bring in the benefits of empowerment in discard of traditional top-down model by implementing the involvement model that give the opportunity to employees to give their best at work and increase productivity (N.Najab, 2011). Some other feature of involvement trait is team orientation. In team-oriented businesses, diversity is significant because leading different opinions in order to solve problems and create opportunities for new ideas. Employees learn to rely on each other in order to achieve a common objectives. (Eigen, 2014) Capability development is essential for improving business performance and achieving competitive advantage for organizations.

## 2.4.2 Consistency

As many have argued, organizations are more effective when they are consistent and well-integrated (Calori and Sarnin, 1991; Kotter and Heskett, 1992; Saffold, 1988). Consistency is based on three components such as core values, agreement and integration. When core values are effectively incorporated into an organization, they put the basis for their culture. Values define the climate of the workplace such as integration of employees, assessment of performance, improved innovation and so on and so forth. (Jeffrey, 2014). Consistency is required as you build and raise your business, and all business plans will be unsuccessful without consistency devotion.

According to (Schreiner, 2015), although some individuals don't mind regular changes, a large number of employees choose consistency. When your practices and actions are consistent, your organization will probably seem not as much confused and more under control. By creating a consistent surrounding, you can help both your workers and your customers feel satisfied in the organization.

As for Coolidge (2007), corporate consistency often exists among the self-respect and admiration afforded to internal staff and costumers. Organizations that cultivate a culture of respect and gratitude for the employees usually enjoy the same behavior for clients. Employees adapt the culture and environment of the business and exceed it on to customers in the course of their own actions and communications. In addition, Tarricone & Luca (2002) agreed that an environment of teamwork, admiration, passion, and support, are expected to share this feeling and knowledge in their interactions with clients. It is essential to share respect and collaboration internally, as the attitude will be consistent with the external part of the organization. If an employee is treated as an irrelevant and simply replaced easily in the company, then the interactions with internal and external customers will appeared as insignificant. Therefore, consistency among people in the organization is crucial for attaining a stable working environment and high performance.

### 2.4.3 Adaptability

There is nothing more important than being flexible when changing conditions occur. Denison et al (2006) (as stated at (Everline, 2015), argue that some organization may become the least adaptable to changes in the business environment, despite having a stable and integrated internal system. According to Cullen, D. Edwards, Casper, & R. Gue, (2013), individual differences in adaptability predict the extent to which employees perceive organizational support for at least two reasons. Adaptable people adjust in the right way different circumstances that may face at work, whether learning a new technology in order to operate the equipment efficiently. In line with Christy, (2011), every organization looks for employees who fits inside the existing work environment and is capable to predict, react to and manage change on a day-to-day basis.

Every company has its own culture that is significant for the company success. When hiring, companies think about not only a peoples experience and skills, but also the readiness of potential employee to engage and adapt with companies values. Therefore, if a candidates capabilities will not count if they show lack of willingness to get out of their comfort zone. Employees can be trained to get new skills and knowledge but adaptability is something that they cannot learn.

As reported by Denison and Mishra (1995), adaptability is also measured by three indices that include: creating change, customer focus and organizational learning. (Everline, 2015)

It's obvious that organizations are supposed to improve their focus on meeting consumers needs. They also must go further than simply recognizing the significance of customer focus and put strategy into action across many levels of their business. ("Costumer focused employees", 2010)

Organizational learning works with ideas. The rate at which organizations and individuals learn may become the only sustainable competitive advantage. Products can be copied, services can be copied and even processes can be copied, but if you are learning faster than the competition you can get ahead and stay ahead. Therefore, having a supportive learning environment and team that can easily adapt with new changes the success is guaranteed.

#### **2.4.4 Mission**

Denison, et al (2006), (as stated at (Everline, 2015) posits that organizations that have a clear picture of the future that they want to attain; through which means and by focusing specifically on what, as reflected through the vision, mission, goals and strategic objective tend to be more successful. Mission trait is measured by three indices that include: strategic direction, goals and objectives; and vision (Everline, 2015).

Strategic direction is critical for company success. It is important to know where is the company heading and the methods that will be used to reach the goals of organization. Organizational goals enlighten people where the company is heading and the procedure to get there. Mission is closely related to vision as well. While mission statement will keep the organization on track, vision provides guidance about what to preserve and what to change, as reported by (Collins & Porras, 1996). Core values and purpose are essential for keeping the organization together as it grows and changes. Therefore, this trait is important for identifying the impact of employees and other staff in the organization and their effort on achieving organizational mission and vision. In agreement with (Hofstrand, 2009), it is crucial to know how others see your company, their opinion of strength and weaknesses of the company and then decide for the mission statement in order to motivate those connected to the organization. Mission of an organization has to have a meaning of making a difference in the world. Therefore, employees will have a sense of meaning in their work as well. When people consider to find meaning in their work, they take the work more personally and feel a sense of ownership and commitment. Furthermore, mission should encourage people to get more engaged with their work and contribute to the lives of costumers, and not only to be focused on shareholder value or competitiveness in the market. (Amabile & Kramer, 2012)

All of this what was mentioned above the author was trying to explain in a figure illustrated below:

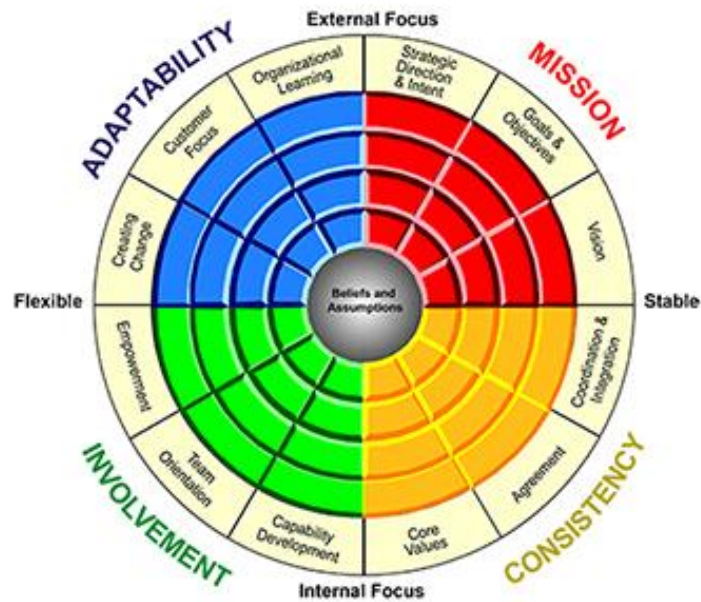


Figure 6 Denison cultural model

Source: Denison et al (2003)

This organizational cultural model provides a systematic approach of the impact on organizational performance (Abu-Jarad, Yusof, & Nikbin, 2012). Being the most complete and coherent this model would be fit for the analysis of this study and at the same time to meet the criteria of this dissertation. By this model it will be proved the link between the organizational culture and performance and not only.

## 2.5 Organizational Performance

Organizational performance has been the main issue for all organizations be it profit or non-profit one. As for Gavrea, Iliesh, & Stegorean, (2011), organizational performance is one of the most important variables in the management research and perhaps the most significant indicator of the organizational performance.

It is essential for managers to know which factors control an organization's performance in regards for them to take right steps to initiate them. Yet, defining, conceptualizing, and measuring performance have not been an easy task. (Abu-Jarad, Yusof, & Nikbin, 2012) According to Barney, (1997), (as stated at (Abu-Jarad, Yusof, & Nikbin, 2012), researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers.

According to Georgopoulos & Tannenbaum, (1957), (as stated at (Gavrea, Iliesh, & Stegorean, 2011), in the '50s organizational performance was outlined as the degree to which organizations, viewed as a social system fulfilled their goals. Performance assessment throughout this time was focused on work, people and organizational structure.

Later in the 60s and 70s, organizations initiated new techniques to evaluate their performance so performance was defined as an organization's capability to utilize its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967: p. 379).

The years 80s and 90s were manifested by the awareness that the recognition of organizational objectives is more complex than primarily considered. Managers will do well if the organization achieve the objectives using a minimum of resources. Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970). In this context, profit became one of the many indicators of performance.

The authors Lebans & Euske (as stated at (Gavrea, Iliesh, & Stegorean, 2011), provide a set of definitions to illustrate the concept of organizational performance:

"- Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results

- Performance is dynamic, requiring judgment and interpretation.

- Performance may be illustrated by using a causal model that describes how current actions may affect future results.

- Performance can be understood in a different way depending on the person involved in the evaluation of the organizational performance (e.g. performance can be understood differently from a person within the organization compared to one from outside).

- To identify the concept of performance is required to know its basic characteristics to each area of responsibility

-To report an organization's performance level, it is necessary to be able to quantify the results".

Conforming to Bradley, (2014), the aim of every organization should be continual improvement. Whereas going from good to better or from better to best. Continual improvement involves change and change should be strategic. Strategic change is a key factor of achieving success. Other components that influence the organizational performance are purpose, as well as people and process. According to Thiel, (2009), every aspect of organization can be placed in one of these components. Purpose is very important issue in the organization because it delivers outcomes and drive performance. Highly successful organizations are purpose driven, their culture is considered, determined and focused.

According to Gal, (2014), people are the absolute gold in every level of organization, including personnel, staff, employees, human capital, workers etc. The difference of organizations success or failure can be as simple as understanding the difference between complex and compound. If management view their people as complex, they consider them being complicated and hard to deal with. On the other hand, if they see people being compound they consider to have positive interactions and cooperation (Gal, 2014). In addition, Shepherd, (2015) stated that everyone understands what's expected. The key is to identify performance visibly, establish how to measure it, and choose on rewards and consequences for particular levels of performance.



## **2.6 The link between organizational culture and performance**

According to many scholars, the most important factor that helps to achieve a good performance is by having a stable organizational culture. Furthermore, the culture yet can stand for an obstacle when trying to execute new strategies. Due to this fact, the similar strategy can give different results for two organizations that compete in the same business or area. Several studies related with the topic of the relationship between the culture and performance have been conducted, with the idea that some cultures might be more successful than others. The studies showed that a positive and strong culture help people act upon having a great behavior and achieve success, while weak and negative cultures may reduce their performance and yet decrease the motivation of employees (Ovidiu-Iliuta, 2014). As a result, organizational culture has a direct impact on performance management. According to Magee (2002), (as stated at (Ovidiu-Iliuta, 2014), organizational culture and performance management are mutually dependent. That is why managers are supposed to be aware of the impact of organizational culture in order to get the desired performance. Studies and examinations have shown that successful companies depend from the correlation between strong corporate culture and performance. Furthermore, Zhang, Li, & Wei (2008), argued that only having a strong organizational culture did not ensure better performance. Their empirical study indicated that organizations having equally strong culture and capacity to adjust with external environment, performed best. Some scholars argued that the dynamically interactive process between organizations and environment was significant considering of the connection between organizational culture and performance (Quinn and Cameron, 1988; Denison, 1990; Gordon and DiTomaso, 1992). In addition, they are also encouraging cooperation and the creation of teams. A strong culture is one in which people work together efficiently (Zhang, Li, & Wei, 2008)

According to Lunenburg, (2011), organizational culture becomes dissimilar with the changing expectations of internal and/or external stakeholders, the organization's performance can turn down, as seen in many organizations (Ernst, 2001)

As it can be seen from the above statement of different authors, we can conclude that organizational culture clearly relate with organizational performance, although the evidence of the relationship vary from the situation created in the organization.

## **2.7 Related studies on organizational culture and organizational performance**

A number of studies have been undertaken to establish the relationship between organizational culture and performance of organization related

According to Zakari, Poku, & Wilberforce (2013), analyzing the banking industry in Ghana, concluded that organizational culture was in general found to be positively linked to organizational performance, with the majority of the culture variables, performing strong to moderate positive relationship with the organizational performance items. They used data gathered from 296 questioners administered to the permanent staff in the selected banks using the Denison model of organizational culture. Mission is a culture trait that showed a very strong persistence in its capacity to impact on performance in this study.

In Pakistan, a study was analyzed with 60 employees, a mix of faculty members where Ahmad (2012) argued that organizational culture and performance are strongly connected with each other specifically adaptability and mission had a significant positive relationship in correlation with management practices. A study undertaken by Yilmaz & Ergun (2008) in Turkey, overall results are in line with the analysis that each of the cultural traits of involvement, consistency, adaptability, and mission impact firm effectiveness. However, the difference among the various cultural traits had both positive and negative impact on a variety of performance measurements.. Managers that intend to improve a wide range of effectiveness measures are supposed to focus on raising their organizations' scores on all trait measures and not just one or two.

The results shown in the study of organizational culture and financial performance in South African investment bank by Davidson, Coetzee, & Visser (2007), concluded that relationship of organizational culture dimensions and the financial measures were unsatisfactory. Few financial measures were strongly linked with the cultural traits such as consistency and

mission. Furthermore, interestingly enough was that the higher scores shown on the consistency trait, the higher the expenses relative to income, followed the lower profit in organization.

Getting the point of view from different authors around the world, is different depending on the strength of the relationship between culture and performance. Firstly, it is observed that relationship between these variables is linked to performance, but the papers examined showed a mix results. In most cases consistency and mission were positively linked to performance while other variables had no significant relationship.

Finally, as a result of above research analysis and a lot of research papers according to this issue, they found out an important and positive relationship of organizational culture and performance. There are four dimension that conceive the organizational culture that are found to be related with organizational culture, such as: involvement, consistency, adaptability and mission.

**Table 2 Literature Review Summary Table**

<b>Author</b>	<b>Topic/Focus Question</b>	<b>Model</b>	<b>Method/Data Analysis</b>	<b>Sample</b>	<b>Findings</b>
Anyango.E (2015)	Organizational Culture and Organizational Performance: Empirical Evidence from the Banking Industry in Ghana  The relationship between organizational culture and performance in Ghana, a developing country	Denison's organizational model	Descriptive Analysis, Factor Analysis, Reliability and Validity Tests and Pearson Correlation Coefficient, were carried out using SPSS	296 questionnaires were administered to the permanent staff across all departments in the selected banks.	The level of cultural traits differed significantly among the various banks. However, there were no significant differences in their performance
Shakil A.M (2013)	Impact of organizational culture on performance management practices in Pakistan  The relationship between organizational culture and the practices of performance management		Regression and Correlation analysis was used for statistical analysis.  The Pearson correlation was used to reflect the degree of linear relationship between two variables  One-Way ANOVA was employed to determine the significance of the relationship	60 employees, included a mix of faculty members, staff members, section heads, and heads of departments	Adaptability and mission has significant positive values in correlation for PMP

<p>Organizational culture and firm effectiveness: An examination of relative effects of culture traits and the balanced culture hypothesis in an emerging economy</p>	<p>Denison Organizational culture survey</p>	<p>Regression and correlation analysis</p>	<p>18 different industries. A managerial position (n = 364) answered the same set of items as the top-level executives (n = 100), and those at lower-level positions (n = 712) responded to a reduced form of the questionnaire that included items pertaining to the cultural factors only.</p>	<p>The mission trait has the highest correlations with the performance indicators whereas the consistency trait has the lowest ones. The performance indicator that seems to have (1) the lowest average level of correlations with the culture traits is financial performance</p>	
<p>Pavel H.&amp; Turakova, A.</p>	<p>The applying Denison model for the analysis of corporate culture</p>			<p>3 selected enterprises of chemical industry in Slovakia 558 employees</p>	<p>enterprises are customer oriented and flexible. It forces them to respond quickly to changes and new requirements.</p>

## 2.8 Research questions

Throughout this work, we will shed some light on the following issues.

- Does organizational culture influence performance of banks in Tirana?
- In what extent is *involvement* currently present in banking sector of Tirana?
- In what level is *consistency* involved?
- Is the banking sector in Tirana well *adapted*?
- How much is the *mission* of organization important for employees?
- What is the impact of organizational culture on performance of banking sector and which is the cultural dimension that has the most influence on performance of banks in Tirana?

## 2.9 On importance of the study

First of all this study is aiming to expand an investigation that address the impact of organizational culture on bank performance specifically in the perspective of developing countries such Albania.

Secondly, the result of this study may be used furthermore by managers of banking sector in Tirana, in adopting suitable organizational culture to improve their firm's performance given that a model that will be fit for banking sector in Tirana.

Taking into consideration the importance of financial institutions such as banks, to the economic development of a country, this research is critical to put in towards finding a solution for business endurance.

## CHAPTER THREE

### Methodology

#### 3.1 Introduction

The literature review associated to organizational culture and organizational performance has been reviewed in the previous chapter. This chapter will provide the reader a clear view of how this study was carried out. The idea, plans and the different instruments used for collecting data are described in following sections. In addition, the chosen sample size and population are explained in the following part of thesis. The survey that was used is Denison Organizational Culture Survey. The Denison Organizational Culture Survey is a tool which helps organizations, divisions and teams (and the individuals within each) attain:

- " A baseline assessment of current cultural strengths and weaknesses.
- A benchmark against which to target change efforts - relative to specific desired performance.
- A clear prioritization of short, mid and long-term change efforts - relative to the results sought for each of these time frames.
- An understanding of bottom-line related performance (*profitability, sales/revenue, growth, market share, quality, innovation and employee satisfaction*) with direct links to cultural elements which may be supporting or hindering these performance areas.
- A shared understanding, a shared language, and shared expectations concerning culture and its implications for both individual and group results.
- An understanding and utilization of culture as a business oriented, behavioral, tangible, and results-oriented mechanism as opposed to the intangible, cumbersome, and often difficult-to-implement notions of culture." (Denison & Neale)

This instrument has been used by a number of studies ( Yilzam and ergun, 2008; Denison et al, 2004; Denison and Fey, 2003; Davidson and Coetzee, 2007; Zakari et al, 2013; You and Coulthard, 2010, Everline, 2015, etc).

## **3.2 Research design**

To accomplish this study, the research design was based on quantitative studies, measuring attitudes and opinions of respondents. The study is focused on analyzing the factors of organizational culture and performance of three banks that operate and run their activities in Tirana.

As a measuring instrument was used the structured questionnaire that is divided in three main sections: demographic section, organizational culture section and organizational performance section. The questionnaire contained a total of 43 standardized questions aiming to test the position and statements of each respondents about organizational culture and performance. The data was collected in one month period from April until May of 2016. Amongst the respondents were employees that hold different positions in the organization such as managers, assistant manager and other employees. In two banks the questionnaire was paper based and the remaining bank filled out online version of questionnaire.

## **3.3 Questionnaire design and measures**

The questions are considered to be clear and easy to comprehend. The questionnaire begins with demographic section with question raised concerning demographic data such as: age, gender, education, job title and years of working in the relevant bank followed with response choices for different categories such as; level of education? *1. High school, 2. Bachelor degree, 3. Master degree, 4. Doctorate degree, 5. Other.* In the following sections respondents were asked to give their opinions regarding remaining sections of organizational culture and organizational performance. In both sections except the demographic section, were used measurement scales as likert and rankings with agreement of statements from; 1=No, 2=Little, 3=Somewhat, 4=Agree and 5= Totally agree. The organizational culture questionnaire was translated in Albanian from



the original Denison Organizational Culture survey with the minor modifications fit for Albanian culture. Some questions have been removed due to similarity between the questions when translated in Albanian. Organizational culture measurements are based on the dimensions set by Denison (1990) who divided the organizational culture in features such as:

*Involvement*, that emphasize the questions related with how involved employees feel in the organization. The importance of team orientation and the ability to work in group are some of the questions that represent this trait.

*Consistency*, addressed questions concerning ethical code and the consistency of rules and regulations in the organization and reaching agreement on key issues.

*Adaptability*, based on the expression of the word, this dimension is tested with questions regarding on how adopted are employees in different situations, such as changes in the business environment, understanding of costumers wants and needs, and so on and so forth.

*Mission*, consists question of how people understand what needs to be done to succeed in the long run and have a share vision for the future of organization.

## CHAPTER FOUR

### Findings and Analysis

#### 4.1 Sample population profile

The data was gathered separately in each bank hence the data will be clumped according to the given bank. In Raiffesen bank the total number of respondents was 36, in Banka Kombetare Tregtare (BKT) was 35 and in Alfa bank the total number of respondents was 31.

#### 4.2 National Commercial Bank (BKT)

The figure below illustrates the gender distribution of 43% male respondents and 57% female respondents. 60% were aged 21-30, that is a total of 21 people. 34% of respondents are aged 31-40 which counts 12 employees and the remaining 2 people are aged 41-50 with the percentage of 5%.

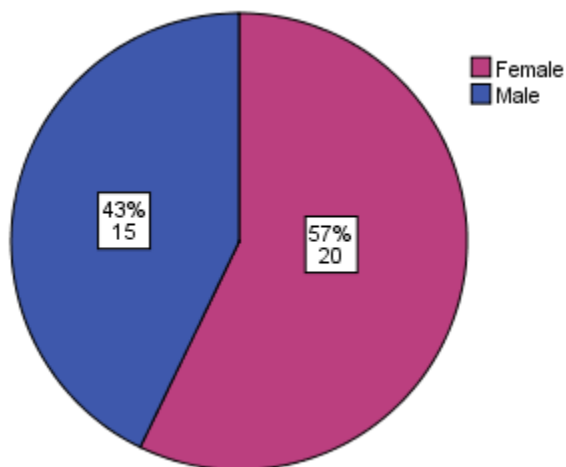


Figure 7 Gender sample

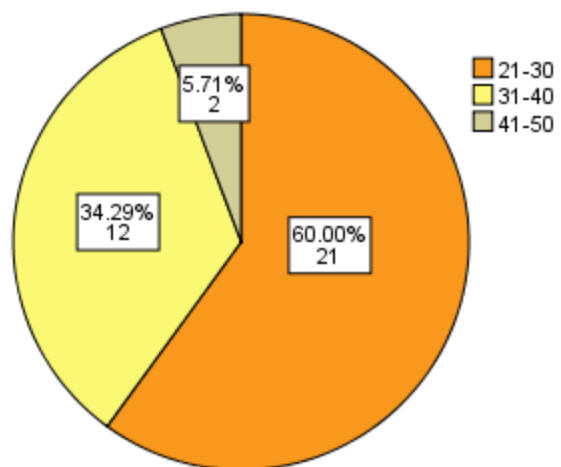
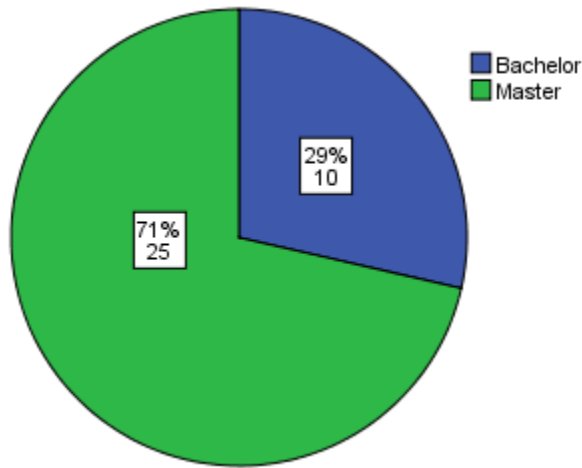
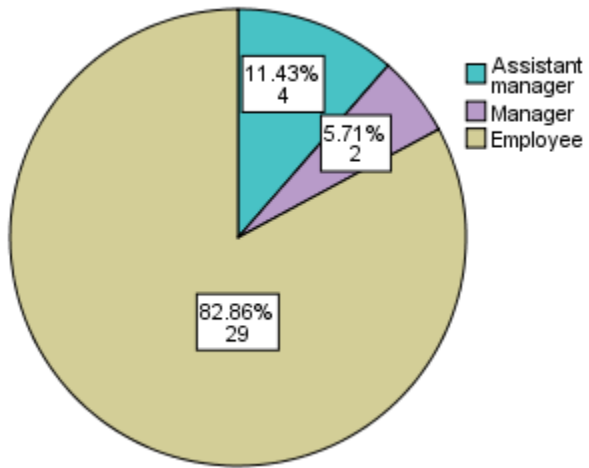


Figure 8 Age sample in %

According to level of education and position that they have in the organization, the largest group of respondents 83% are operational employees, a total of 29 people. Out of 35 people, 4 of them were assistant managers (11%) and 2 of the respondents were managers( 6%). The response rate for education level obviously none of the respondents resulted only with high school. All of them had university degree although the employees that owned a master degree was higher resulting 71% or a total of 25 people. 10 people had a university degree diploma (29%).



**Figure 9 Education level**



**Figure 10 Job position in organization**

As it can be seen in the figure below, the employees that are newly employed represent 17%, working less than three years in Raiffeisen bank. 29% of employees work from three to five years, 16 people that make 46% of employees are in the organization from 6-10 years and finally the total number of 3 people work 11-15 years which makes only 9% of employees.

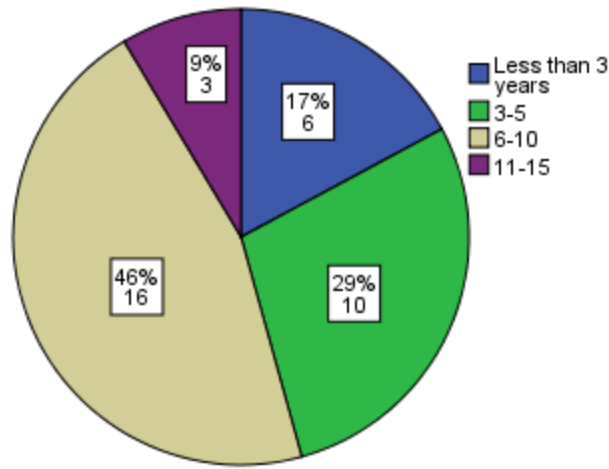


Figure 11 How long are you working in the current position?

## 4.2 Raiffesen Bank

When the data are separated by age, it can be seen the likelihood of employing younger generation rather than keeping the older one. Only 3% of employees were resulting aged 41-50. The remaining 31% are consider to be from 31-40 years old while the total number of 24 out of 35 respondents were aged from 21-30 (67%).

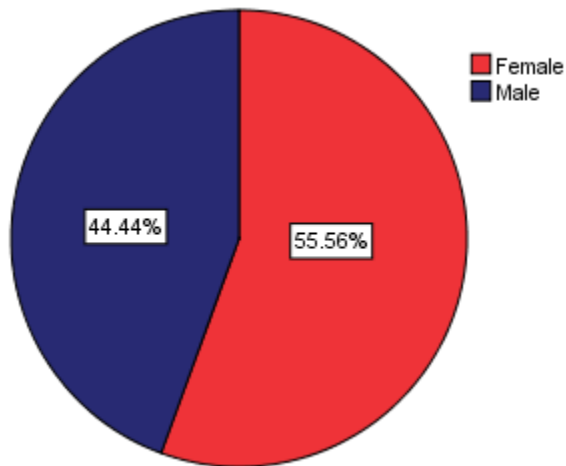


Figure 12 Sample of gender

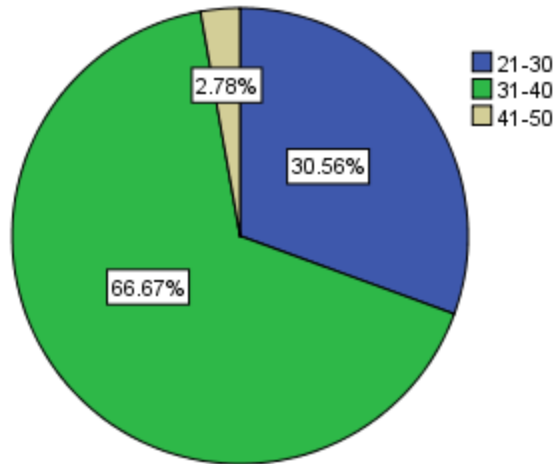
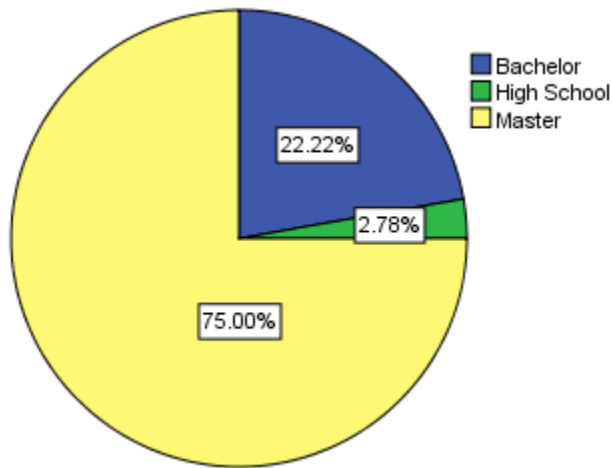


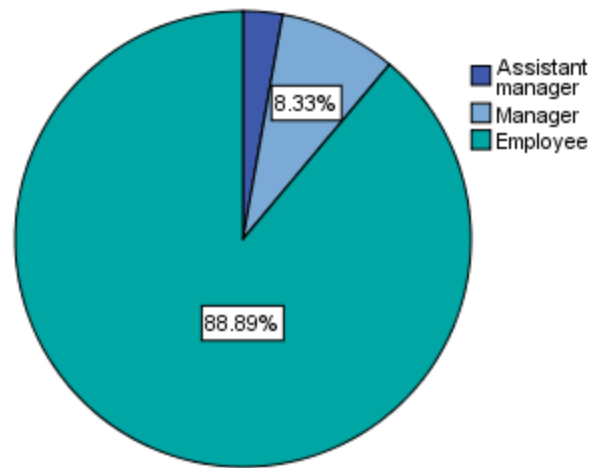
Figure 13 Sample of age

The majority of Raiffeisen employees earn a master degree resulting with 75% or 27 employees in total. It can be seen that the master degree is essential or even obligated for maintaining the desired level of job. 22% have a bachelor degree while only one of the respondents was with high school and none with PHD degree.

According to job level the response rate for being an assistant managers was only one following with the position of managers that were three of them or 8%. The majority of respondents was at operational level with the decent percentage of 89%, a total number of 32 people out of 35.



**Figure 14 Educational level sample**



**Figure 15 Job level sample**

Approximately 67% of Raiffeisen staff respondents indicated that the number of year they have worked was from 6 to 10 years of working experience in this bank. Out of 35 people, 5 of them worked in this bank for 11 to 15 years, while 4 of respondents answered to have a 0 to 3 years of working experience. The lowest percent was 8% or only 3 people were working in the time period from 3 to 5 years.

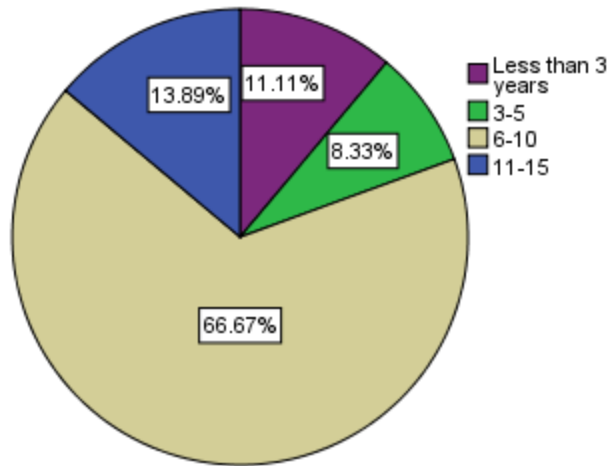


Figure 16 Number of working years

### 4.3 Alfa bank

As would one expect, Alfa bank showed the same result as two aforementioned banks resulting in having almost the same number of male and female respondents where 52% of them are male and 48% are female. Approximately 65% of people were aged 31 to 40 years old while 32% were resulting to be 21-30 years old and only 1 employee was shown to be 41 years old or older.

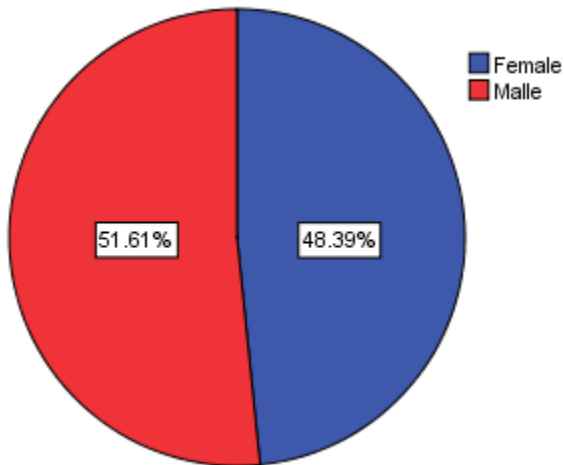


Figure 17 Gender sample

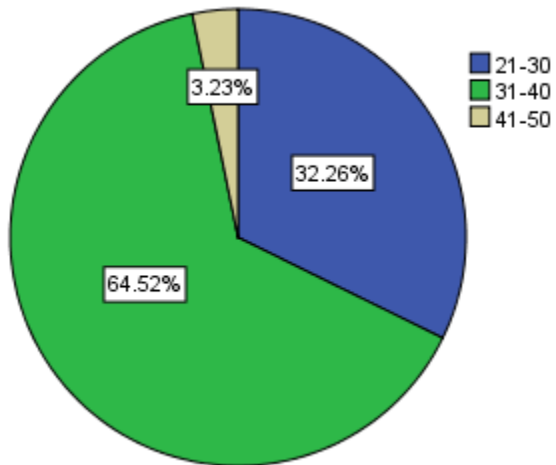


Figure 18 Age sample

According to educational level for the respondents that were part of this study, is dominating bachelor degree with 55%. On the other hand 42% of employees earned a master degree and only 3% were included with high school in this survey. None of the respondents had doctorate degree.

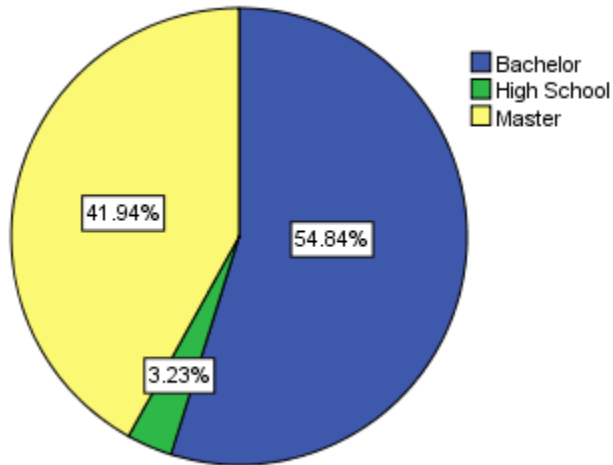


Figure 19 Educational level sample

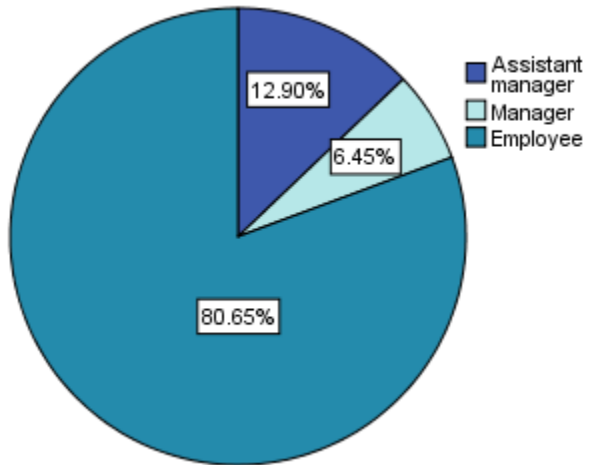


Figure 20 Job level sample

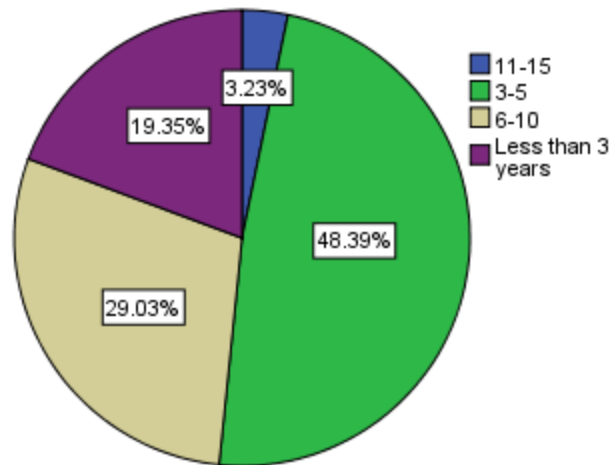


Figure 21 Number of working year

#### 4.4 Mean scores of four cultural traits

The mean score allocation of the four cultural traits are shown in Table 3. An assessment of the four cultural dimensions in each bank, reveals that Mission had the peak score in all banks that rank from 3.0 to 4.7 scores. The highest point had National Commercial Bank (BKT) following the Raiffeisen and Alfa bank. From this finding it can be seen that these two dimensions are essential for banking sector in Tirana.

**Table 3** Mean Score of Cultural Traits

Traits	Reifeisen	BKT	Alfa
Involvement	3.3	4.0	3.6
Consistency	3.0	4.3	3.4
Adaptability	3.9	4.3	3.8
Mission	4.2	4.7	3.8

Furthermore, this result confirms other findings in the literature reviewed that mission have a great influence on performance. Mission is related with meeting the objectives of a company and consist of vision and strategy as well. Accordingly, if a company cannot recognize what are the primary purposes and goals of organization they cannot track the progress toward stated goals. BKT bank ranked high in adaptability as well showing how well they respond to competitors and other changes in the business environment. Involvement resulted a mean score of 4.0 which again is the highest in comparison to other banks but the lowest score comparing other dimensions of the same bank. This indicates that perhaps the team work is not very encouraged but yet again very stable in contrary with other banks. Raiffesen bank ranked high in mission as other enterprises as well. This again relates with the literature of having a strong view in this statement. As for adaptability the results show almost close relation with BKT bank 3.9, while in consistency 3.0, they differ to some extent proving that employees see the departments as separate entities and not as a whole. Alfa bank differs among other banks specifically on mission resulting the same score as adaptability 3.8. This stands that employees of Alfa bank consider mission and adaptability of the same significance. They have the ability to adapt to



changes and are customer oriented, however they feel ambitious about the goals of organization as well.

#### 4.5 Mean score for organizational performance

**Table 4 Mean score results for organizational performance**

Banks	Raiffeisen	BKT	Alfa bank
1. Quality of products and services	2.4	2.7	1.97
2. Employee Satisfaction	2.1	2.4	2.1
3. Profitability	2.5	2.8	2.3
4. Dominating market position	2.8	2.7	2.1
5. Sales increase	2.5	2.7	1.9
6. Overall Organizational Performance	2.5	2.8	2.0

According to the table above, it can be seen that BKT is ranking higher than remaining banks, except for dominating market position that differ slightly from Raiffesen.(2.8/2,7). This leads to relationship of cultural dimensions having a positive impact on performance. Raiffeisen bank had its peak score at dominating market position while the lowest score were those for employee satisfaction that can further be related with involvement dimension, ranking as well low in percentage. Overall organizational performance attained 2.8 for BKT, following with 2.5 for Raiffeisen and 2.0 for Alfa bank. The relationship of cultural dimensions and performance are showing a positive link since the higher are the rankings in four cultural dimension, the higher is the performance. In saying this, organizational culture has been shown to be an important aspect of a firm, as it can, and does affect employee's behaviors, motivation and values.

## 4.6 Regression Analysis

In the next step, linear regression analyses are conducted to examine the impact of cultural dimensions of involvement, consistency, adaptability and mission on organizational performance. To test this relationship the cultural dimensions are used as independent variables or the predictors of performance which is used as an dependent variable. The regression coefficients, model fit and ANOVA are the techniques used for this model. The analysis were conducted separately for each bank such as we can precisely identify the outcome of each bank and finally compare the results.

The corresponding results for *Commercial National bank (BKT)* are shown in the following tables below. A significant equation was found ( $F(4,31)=7.710$ ,  $p < .000$ ), with an R square of .499

### 4.6.1 National Commercial bank (BKT) Regression Analysis

Table 5 Model summary

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	<b>.706<sup>a</sup></b>	<b>.499</b>	<b>.434</b>	<b>.23399</b>
a. Predictors: (Constant), Mission1, Involvement1, Consistency1, Adaptability1				
b. Dependent Variable: Performance				

From the results of the table we can conclude that the value of  $R^2$  is relatively high. This statistic states that there is strong linear relationship in the model for the case of BKT.  $R^2$  in our model is .499, which means that 50% of the variation of the values of performance is explained by cultural dimensions. This means that 50% of the expected values fall in the regression equation stated above. The value of R is 0.706 that provides a multiple correlation between the

predictors(cultural dimensions) and the performance which is very high. The adjusted R<sup>2</sup> ,explains how well the model generalizes.

**Table 6 Coefficients result**

<b>Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	<b>1.606</b>	<b>.309</b>		<b>5.189</b>	<b>.000</b>	<b>.974</b>	<b>2.237</b>
	Involvement1	<b>-.003</b>	<b>.103</b>	<b>-.005</b>	<b>-.031</b>	<b>.976</b>	<b>-.214</b>	<b>.207</b>
	Consistency1	<b>-.269</b>	<b>.094</b>	<b>-.575</b>	<b>-</b> <b>2.856</b>	<b>.008</b>	<b>-.461</b>	<b>-.077</b>
	Adaptability1	<b>.244</b>	<b>.092</b>	<b>.540</b>	<b>2.654</b>	<b>.012</b>	<b>.057</b>	<b>.432</b>
	Mission1	<b>.277</b>	<b>.096</b>	<b>.581</b>	<b>2.872</b>	<b>.005</b>	<b>.080</b>	<b>.474</b>
a. Dependent Variable: Performance								

Y - Performance

X<sub>1</sub> - Involvement

X<sub>2</sub> - Consistency

X<sub>3</sub> - Adaptability

X<sub>4</sub> - Mission

$$Y=1.606-0.003X_1-0.269X_2+0.244X_3+0.277X_4$$

This model suggests that for an increase of 1 unit of involvement, holding other variables constant the performance is negatively affected by 0.003 units. Similarly a change by 1 unit in consistency would result in a decrease of 0.269 units of performance. An increase of 1 unit in adaptability would increase performance by 0.244 units and an increase of 1 unit in mission would increase performance 0.277 units.

In the table above in the significance column we can check the significant of each variable.

For a confidence interval of 95% involvement shows an insignificant slope coefficient, while the other coefficients and intercept are all significant, indicating valid relationships in the model. Note that, the values in the significant column are significant only if they fall in the interval [0-0.5].

**Table 7 ANOVA results**

<b>ANOVA</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	<b>1.688</b>	<b>4</b>	<b>.422</b>	<b>7.710</b>	<b>.000<sup>b</sup></b>
	Residual	<b>1.697</b>	<b>31</b>	<b>.055</b>		
	Total	<b>3.386</b>	<b>35</b>			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Mission1, Involvement1, Consistency1, Adaptability1						

We should undertake an F-test in order to test if the overall model is significant, i.e the significance of the  $R^2$  statistic. SPSS makes possible to interpret the significance by the Sig. column in the ANOVA table. Since this value is very low (almost 0) we can approve that our model is significant for 95% confidence interval.

#### 4.6.2 Raiffeisen bank regression analysis

Table 8 Model Summary results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	<b>.358<sup>a</sup></b>	<b>.128</b>	<b>-.077</b>	<b>.27506</b>
a. Predictors: (Constant), Mission1, Consistency, Involvement, Adaptability				
b. Dependent Variable: Performance				

According to the model summary table, it can be seen that the value of  $R^2$  is 0.358 or 35.8% of the variation of values in report with performance. It can be stated that the relationship among cultural dimensions and performance is pretty weak for Raiffeisen bank. In this sense it can be stated that 35.8% of expected values fall in the regression equation illustrated in the table 10.

Table 9 ANOVA Results

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	<b>.189</b>	<b>4</b>	<b>.047</b>	<b>.623</b>	<b>.652<sup>b</sup></b>
	Residual	<b>1.286</b>	<b>17</b>	<b>.076</b>		
	Total	<b>1.475</b>	<b>21</b>			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Mission1, Consistency, Involvement, Adaptability						

F-test is the main factor that identifies if this model is significant or not depending from  $R^2$  statistic analysis. As previously stated, the last column in the table shows the significance of the overall model, that in this case has no significance with 0.652 exceeding the significance level of 0.05.

**Table 10 Coefficients results**

<b>Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	<b>2.117</b>	<b>.535</b>		<b>3.960</b>	<b>.001</b>	<b>.989</b>	<b>3.245</b>
	Involvement	<b>.251</b>	<b>.200</b>	<b>.442</b>	<b>1.259</b>	<b>.225</b>	<b>-.170</b>	<b>.673</b>
	Consistency	<b>-.107</b>	<b>.219</b>	<b>-.170</b>	<b>-.487</b>	<b>.632</b>	<b>-.568</b>	<b>.355</b>
	Adaptability	<b>-.174</b>	<b>.247</b>	<b>-.321</b>	<b>-.704</b>	<b>.491</b>	<b>-.695</b>	<b>.347</b>
	Mission1	<b>.124</b>	<b>.182</b>	<b>.242</b>	<b>.682</b>	<b>.505</b>	<b>-.260</b>	<b>.508</b>
a. Dependent Variable: Performance								

Y-Performance

X<sub>1</sub>-Involvement

X<sub>2</sub>-Consistency

X<sub>3</sub>-Adaptability

X<sub>4</sub>-Mission

$$Y=2.117+0.251X_1-0.107X_2-0.174X_3+0.124X_4$$

The coefficient model of analysis illustrate that for an increase of 1 unit of involvement holding other variables constant, the performance is positively affected by 0.251 units. In a contrary with involvement, consistency is showing a negative relationship where a change by 1 unit in consistency resulted a decrease of 0.107 units of performance. Likewise, an increase for 1 unit of adaptability, the performance is negatively affected by 0.174. Lastly, the adaptability is showing a positive link with performance in a percentage of 12.4%.

Another column that arouse interest as well, is the percentage of significance of all four cultural dimension. As it is known the significance interval ranges from [0-0.05], none of the independent variables have a positive relationship with performance in this case.

### 4.6.3 Alfa bank regression analysis

**Table 11 Model summary results**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	<b>.365<sup>a</sup></b>	<b>.133</b>	<b>.000</b>	<b>.20725</b>
a. Predictors: (Constant), Mission, Consistency, Involvement, Adaptability				
b. Dependent Variable: Performance				

From the results of the table we can conclude that the value of  $R^2$  is relatively low. R Square in our model is 0.365, which means that 36.5% of the variation of the values of Performance is explained by cultural dimensions. This means that 36.5% of the expected values fall in the regression equation stated above which is very low. We can conclude that our model is not correctly specified and we cannot use this model to predict the performance impact on cultural dimensions.

**Table 12 ANOVA Results**

<b>ANOVA</b>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	<b>.172</b>	<b>4</b>	<b>.043</b>	<b>1.000</b>	<b>.426<sup>b</sup></b>
	Residual	<b>1.117</b>	<b>26</b>	<b>.043</b>		
	Total	<b>1.289</b>	<b>30</b>			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Mission, Consistency, Involvement, Adaptability						

We should undertake an F-test in order to test if the overall model is significant, i.e the significance of the  $R^2$  statistic. SPSS makes possible to interpret the significance by the Sig. column in the ANOVA table. Since this value is 0.426 (higher than 0.05) we can approve that our model is insignificant for 95% confidence interval

**Table 13 Coefficient analysis**

<b>Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	<b>1.935</b>	<b>.290</b>		<b>6.663</b>	<b>.000</b>	<b>1.338</b>	<b>2.532</b>
	Involvement	<b>.058</b>	<b>.085</b>	<b>.144</b>	<b>.682</b>	<b>.502</b>	<b>-.116</b>	<b>.232</b>
	Consistency	<b>.056</b>	<b>.060</b>	<b>.205</b>	<b>.935</b>	<b>.358</b>	<b>-.067</b>	<b>.180</b>
	Adaptability	<b>.011</b>	<b>.059</b>	<b>.039</b>	<b>.179</b>	<b>.860</b>	<b>-.112</b>	<b>.133</b>
	Mission	<b>-.075</b>	<b>.047</b>	<b>-.325</b>	<b>-1.591</b>	<b>.124</b>	<b>-.172</b>	<b>.022</b>

Y - Performance

X<sub>1</sub> - Involvement

X<sub>2</sub> - Consistency

X<sub>3</sub> - Adaptability

X<sub>4</sub> - Mission

$$Y=1.935+0.058X_1+0.056X_2+0.011X_3-0.075X_4$$

This model suggests that for an increase of 1 unit of involvement, holding other variables constant the performance is positively affected by 0.058 units. Similarly an increase by 1 unit in consistency would result in an increase of 0.056 units of performance. An increase of 1 unit in adaptability would increase performance by 0.011 units and an increase of 1 unit in mission would decrease performance 0.075 units.

In the table above in the significance column we can check the significant of each variable.

For a confidence interval of 95% all cultural dimensions variables show an insignificant slope coefficient, indicating non valid relationships in the model. Note that, the values in the significant column are significant only if they fall in the interval [0-0.05].



## CHAPTER FIVE

### 5.1 Discussion

In general, there is a large number of observations in the literature confirming that organizational culture is a strong factor for increasing organizational performance. Conversely, studies on this relationship often vary as to the degree a practice is probably positively or negatively related to performance, which is the case of this study.

In the above section, the regression analysis is shown with the outcomes of model summary, coefficients and ANOVA analysis. All four cultural dimensions are tested in accordance with performance. Each bank was tested with each of the aforementioned analysis. An interesting results came out showing the variation of significance between each bank and each cultural traits. The model resulted significant only in the National Commercial bank (BKT).

The main research question of this study was formulated as follows: "*In what extent is involvement, consistency, adaptability and mission currently present in banking sector in Tirana?*"

Regarding the research question the elaboration of the results will be given:

The result for BKT showed that there is a positive relationship of *mission trait* and performance ( $p=0.05$ ,  $\beta= 0.277$ ) shown by employees. The predictable effect that mission would have on organizational performance was significant. Mission is the amount to which members of organization have clear view of the path that they are following in order to achieve the organization's success. According to the result, BKT employees consider to find meaning in their work, they take the work more personally and feel a sense of ownership and commitment. Furthermore, mission should encourage people to get more engaged with their work and contribute to the lives of costumers, and not only to be focused on shareholder value or competitiveness in the market, mentioned by Amabile & Kramer (2012).

Concerning the result of *adaptability trait* at BKT, it is shown an interesting relationship of this trait and organizational performance ( $p=0.012$ ,  $\beta=-.244$ ). The percentage of adaptability ( 24.4%) is showing a slightly lower impact but yet a considerable effect on performance. This occurs

when people adjust in the right way different circumstances that may face at work, whether learning a new technology or other changes that might happen in the organization. BKT is showing a positive relationship of adaptability and performance by having a supportive team that can easily adapt with new changes that in the end guarantee success. However, there are still some ambiguities in the case of BKT, which resulted in a significant model. For instance, *consistency trait* is negatively signed ( $p=0.08$ ,  $\beta=(-0.269)$ ). Consistency is one of the independent variables which turned out significant, with a quantitative effect of 0.269 units in performance for a 1 unit increase in this variable. However, this effect is negative, in contrary to the positive relationship that we expected. The reason behind the negative relationship between performance and consistency might be explained as follows. Since consistency is based on consistent practices and actions of organization, raising this coefficient might result in lowering the creativity of the workers and restricting their ability to perform out-of-the-box. Therefore, the negative explanation is logical in terms of creativity restriction. This might be related as well with age knowing that the majority of respondents were younger than 30 years old.

*Involvement trait* turned out to be negative and insignificant as well. It seems that the majority scored low in this dimension. Knowing that this trait emphasizes the commitment of employees at their work, feeling that they *own* a piece of organization, it can be stated that this is not the BKT case. It seems that employees do not have a input at decision making and they are not empowered enough. Capable employees may feel frustrated that their skills are not fully utilized that leads to less involvement and even leaving the organization for better opportunities.

As for other banks all cultural traits resulted insignificant while the coefficient percentages vary among them. The performance is affected positively and negatively. Raiffeisen bank resulted positive in involvement and mission, while consistency and adaptability showed a decrease in performance. In addition Alfa bank turned out to be negative for mission trait and positive for all remaining dimensions of culture.

This research showed that certain relationships are not always what theory has found. Every circumstances, organization, employee/staff and leader is different. When conducting this research it became obvious that secondary banking system is considerably different form large companies, having in mind the organizational structure and communication lines.

## 5.2 Limitations of the research

In this study, despite the fact that there are significant results that can contribute to the field of management of the banking sector in Tirana, we cannot say that is inclusive for this sector. There are some limitations related with this issue that are the following:

- this study suffers from some limitations including a small size of sample respondents and firms, thus limiting the generalizability of the findings.
- A limitation that possibly may have affected the research findings, resulted from using a three banks as the units of comparison. Other studies that were conducted related with this issue were including a large number of respondents in order to get a better results.
- Future studies here in Albania can raise up this issue and analyze the organizational performance of the banking system of other banks in Tirana district and make a comparison between them.
- Measurement of organizational performance in this thesis is focused only on one factor; that is organizational culture, hence this does not mean that this is the only one. Therefore, future research can further invest in this field of study analyzing other components as well that have an impact on performance, such as: organizational strategy, leadership, organizational change, etc.

### 5.3 Conclusions

First of all, in this study it is treated an analyzes of current situations and problems in the banking sector of Tirana. Further, it is presented a broad overview of the literature based on different authors.

This study was focused on analyzing the factors that have an impact on organizational performance of banking sector in Tirana, mainly the variables of organizational culture and organizational performance. Based on the purpose of this study, research objectives and research questions were submitted in order to identify more specifically the factors that contribute to the effectiveness of one organization.

Organizational performance is has a big weight on the success of an organization and is extremely valued. Human resources are believed to be the best asset of an organization. That being the case than the commitment of employees should be seen as the companies competitive advantage. To maintain that competitive advantage, organizations are required to build up a relationship with their employees. Employees with the higher level of all of four cultural dimensions of involvement, consistency, adaptability and mission are unlikely to be deficient or to go away. Furthermore, as stated in the literature, mission is one of the cultural traits that has a highly positive link with performance. The higher the mission the greater the performance of one organization. It is obvious since mission defines a sense of purpose for organizational goals and vision as being the main predictor of performance. This sample we can see more clearly at National Commercial bank (BKT) resulting high at mission dimension and at the same time having the best performance. The contrary was with Alfa bank that demonstrate the results of having a low percentage in mission trait and providing low results in performance as well.

Generally, there is a strong view in the literature that organizational culture is linked to increased organizational performance. On the other hand, studies on this relationship often vary as to the point that organizational culture is likely to be positively or negatively related to performance.

## 5.4 Recommendations

Despite the fact that these significant results can contribute to the field of management of the banking system in Tirana, we cannot say that is for all banking sector in general because the sample was with three banks operating in Tirana. Further, the measurement of organizational performance is based on four dimensions of organizational culture but it should not leave behind all other factors that might affect the performance of one organization. Thus, researchers can further invest in this field of study with other components that impact the organizational performance, such as: organizational structure, banking strategy or technology, leadership, organizational change, etc.

However, this thesis has enabled an approach to organizational culture divided into four dimensions that have an impact on performance. Thus, it cannot be skipped the fact that in each bank exist other independent subcultures as well, for instance values, attributes and beliefs.

This data collection may be important for younger generations newly employed in these banks that lack the experience in these organizations and hence are expected to be adapted with the existing culture. Organizational culture is an important factor that can help managers to build their competitive advantage.

Therefore, I recommend consideration of three important features of organizational culture such that the impact of organizational performance is certain; *First*, culture isn't forced, it is developed over years. Maintaining a stable culture it should be worth contributing since it is rewarded with profit. *Second*, organizational culture should be unique in each bank or any organization in general because the higher the diversification of cultural values and attributes in one organization, the higher the competitiveness in the market. *Third*, there is no way that culture can be easily imitated by other organizations. Being an intangible resource culture provide a golden opportunity to develop competitive advantage.

Despite the fact that people with working experience in the banking sector are expected to bring greater efficiency, in contrary those with less years of experience are prone to be more motivated that leads an impact on performance. This also explain results of demographic section where the majority of employees had less than 10 working years. And this phenomena stands for all three banks. This helps managers understand that no matter how many years of work they

have, it doesn't show any impact on performance unless if they change the position or level of job. Keeping the same position over the years doesn't affect the performance of organization.

Another issue that is worth mentioning is the educational level of employees surveyed for this study. Consequently, managers are recommended to raise awareness for qualifications of employees where each job position fit the relevant education for each candidate willing to work in a bank. The findings clearly showed that each bank possesses employees with proper education level or at least the majority of them owns a master degree.

This information is useful to improve or change the organizational culture and see what are the dimensions that have a positive impact on performance. Employees need to be committed to their organization not because they feel obligated but rather they enjoy the working environment and feel part of the organization. Just in this way the stability of organization is guaranteed.

Banking sector is seen essential for economy of the country thus they need to maintain active.

The capability to guide an organization now has a lot of challenges and weight. Above all, even though there are a lot of difficulties defining the organizational performance and which factors have a greater impact, still this topic remains the core value of every organization.

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## APPENDIX

### Questionnaire

#### Denison Organizational culture survey

Index	Scale	Item
<b>Involvement</b>	Empowerment	<p>1. Most employees are highly involved in their work.</p> <p>2. Decisions are usually made at the level where the best information is available.</p> <p>3. Information is widely shared so that everyone can get the information he or she needs when it's needed.</p> <p>4. Everyone believes that he or she can have a positive impact.</p> <p>5. Business planning is ongoing and involves everyone in the process to some degree.</p>
	Team Orientation	<p>6. Cooperation across different parts of the organization is actively encouraged.</p> <p>7. People work like they are part of a team.</p> <p>10. Work is organized so that each person can see the relationship between his or her job and the goals of the organization.</p>
	Capability Development	<p>11. Authority is delegated so that people can act on their own.</p> <p>12. There is continuous investment in the skills of employees.</p> <p>13. The capabilities of people are viewed as an important source of competitive advantage.</p>
<b>Consistency</b>	Core Values	<p>16. The leaders and managers "practice what they preach."</p> <p>18. There is a clear and consistent set of values that governs the way we do business.</p> <p>20. There is an ethical code that guides our behavior and tells us right from wrong.</p>

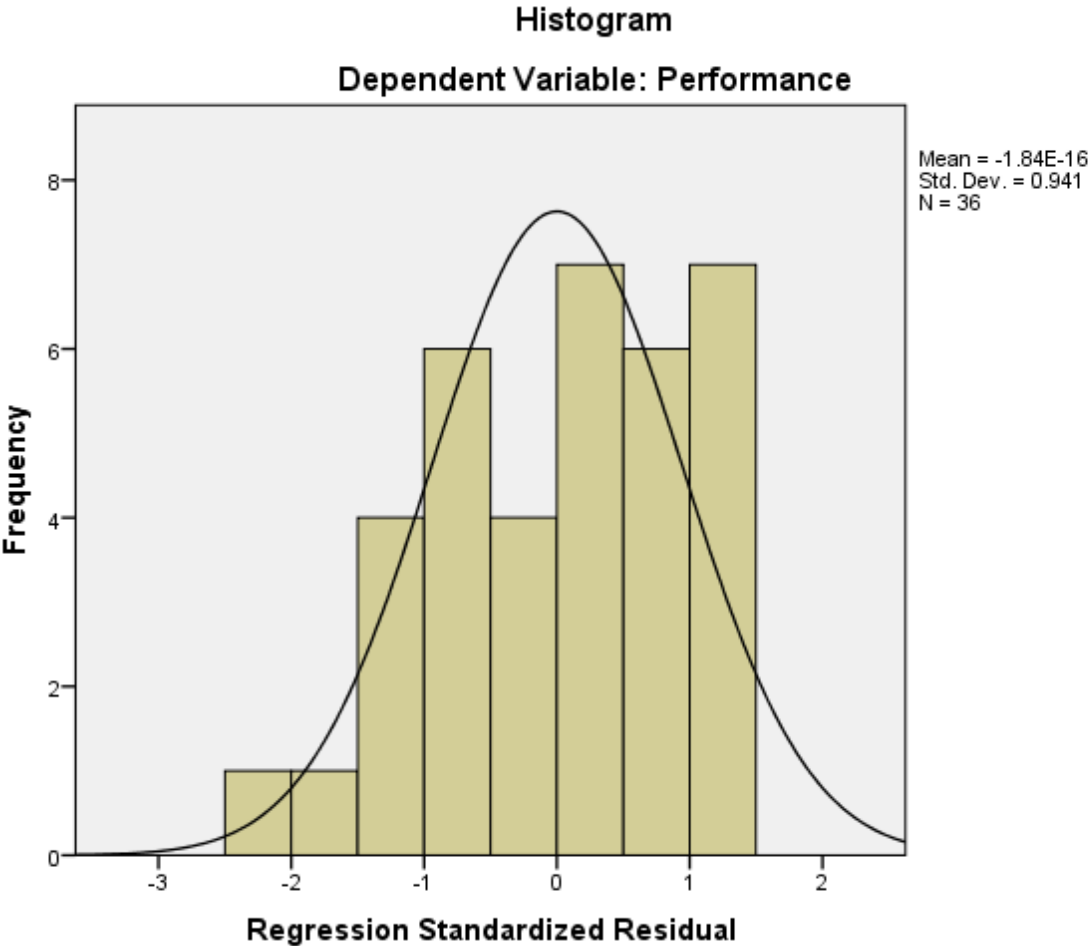
Agreement	<p>21. When disagreements occur, we work hard to achieve "win-win" solutions.</p> <p>22. There is a "strong" culture.</p> <p>25. There is a clear agreement about the right way and the wrong way to do things.</p>
Coordination and Integration	<p>26. Our approach to doing business is very consistent and predictable. .</p> <p>28. It is easy to coordinate projects across different parts of the organization.</p> <p>30. There is good alignment of goals across levels.</p>

<b>Index</b>	<b>Scale</b>	<b>Item</b>
<b>Adaptability</b>	Creating Change	<p>31. The way things are done is very flexible and easy to change.</p> <p>32. We respond well to competitors and other changes in the business environment.</p> <p>33. New and improved ways to do work are continually adopted.</p> <p>35. Different parts of the organization often cooperate to create change.</p>
	Customer Focus	<p>36. Customer comments and recommendations often lead to changes.</p> <p>37. Customer input directly influences our decisions.</p> <p>38. All members have a deep understanding of customer wants and needs.</p> <p>40. We encourage direct contact with customers by our people.</p>
	Organizational Learning	<p>41. We view failure as an opportunity for learning and improvement.</p> <p>42. Innovation and risk taking are encouraged and rewarded.</p> <p>44. Learning is an important objective in our day-to-day work.</p>
<b>Mission</b>	Strategic Direction & Intent	<p>46. There is a long-term purpose and direction.</p> <p>48. There is a clear mission that gives meaning and direction to our work.</p> <p>49. There is a clear strategy for the future.</p>
	Goals & Objectives	<p>51. There is widespread agreement about goals.</p> <p>54. We continuously track our progress against our stated goals.</p> <p>55. People understand what needs to be done for us to succeed in the long run.</p>
	Vision	<p>56. We have a shared vision of what the organization will be like in the future</p> <p>59. Our vision creates excitement and motivation for our employees.</p>

## Performance survey

	Don't Know	Low Performer	Average	High Performer
Quality of Products and Services				
Employee Satisfaction				
Profitability of organization				
Market share				
Sales revenue				
Overall Organizational Performance				

**Regression analysis histograms**



**Figure 22 BKT histogram of regression**



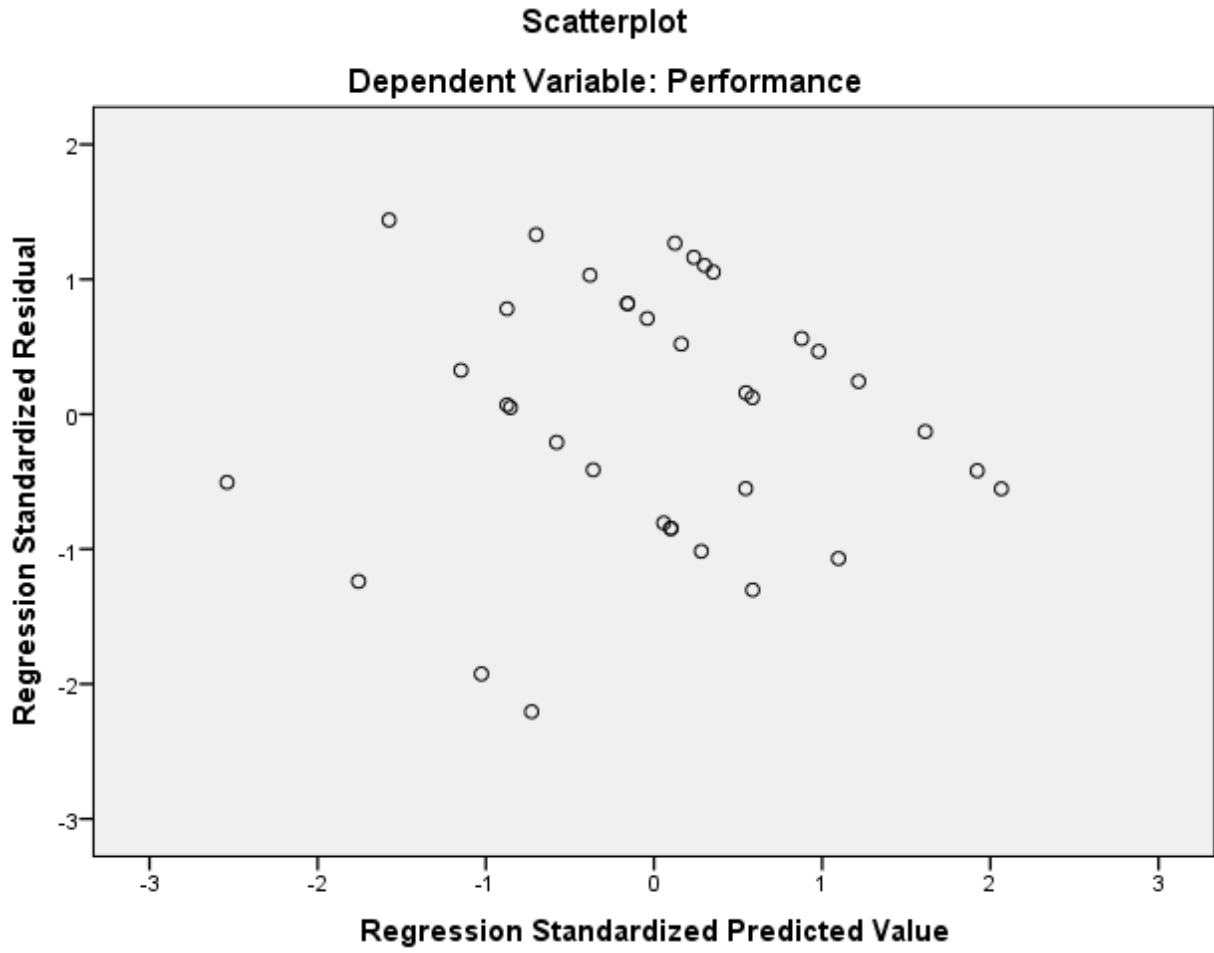


Figure 23 BKT Scatter plot regression

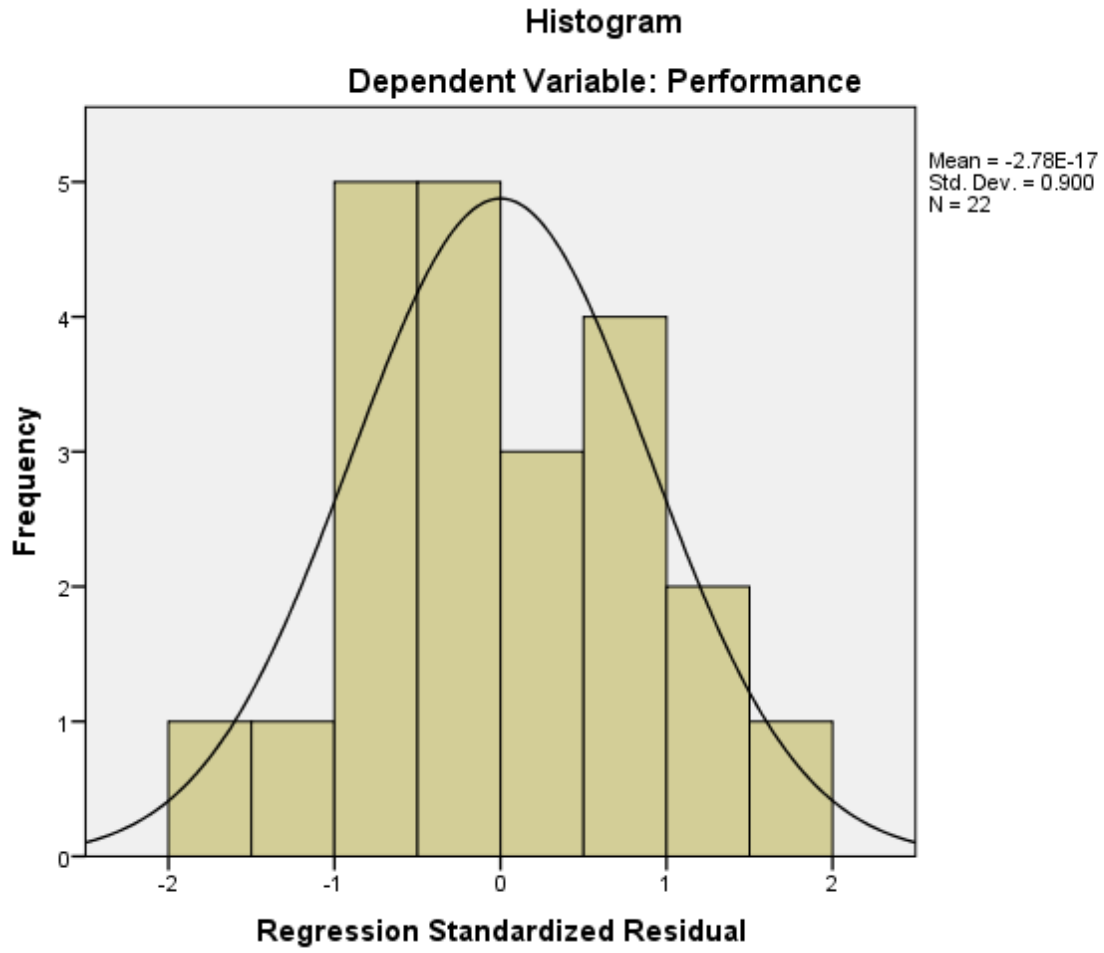


Figure 24 Raiffesein Histogram of regression

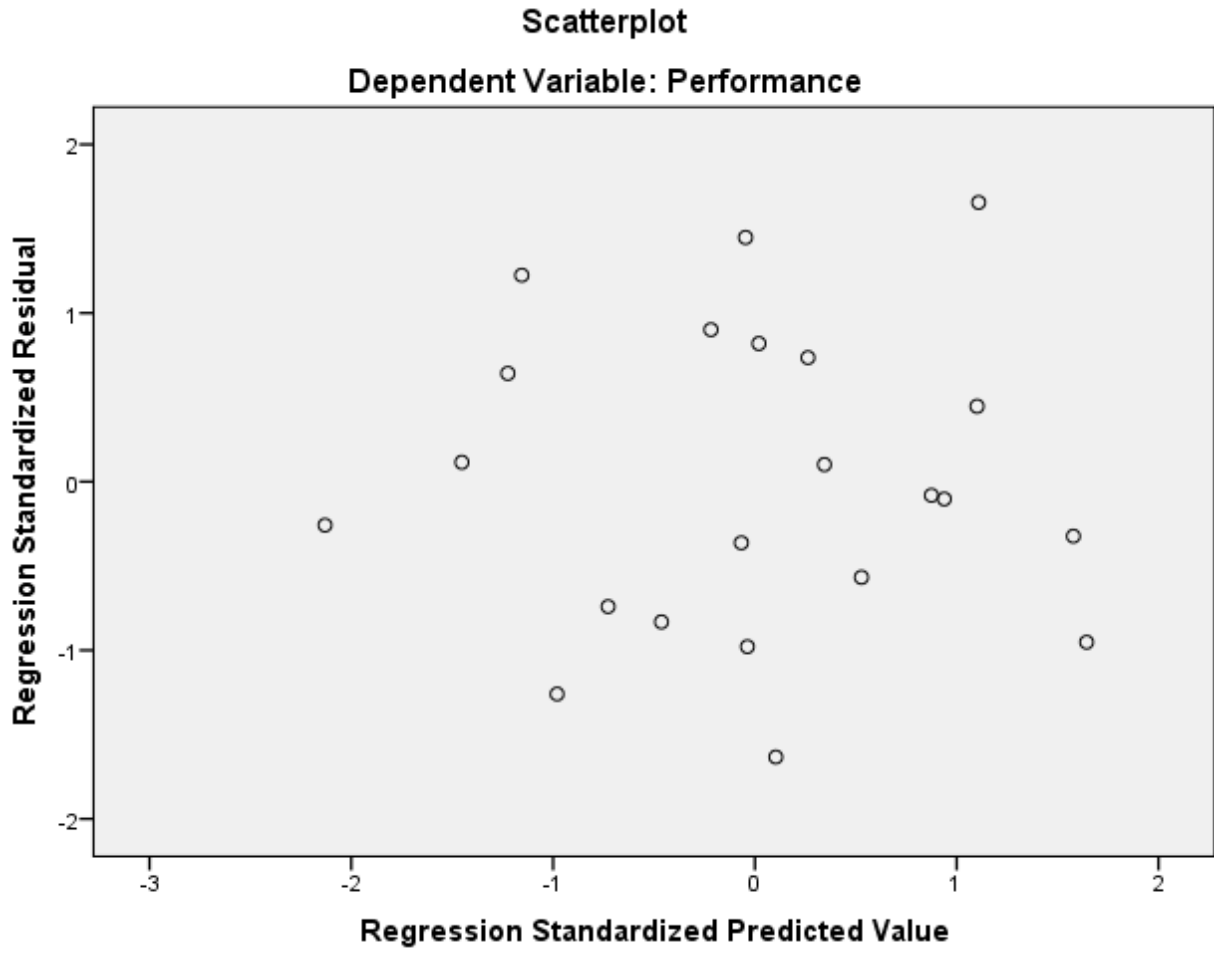


Figure 25 Raiffesein Scatter plot

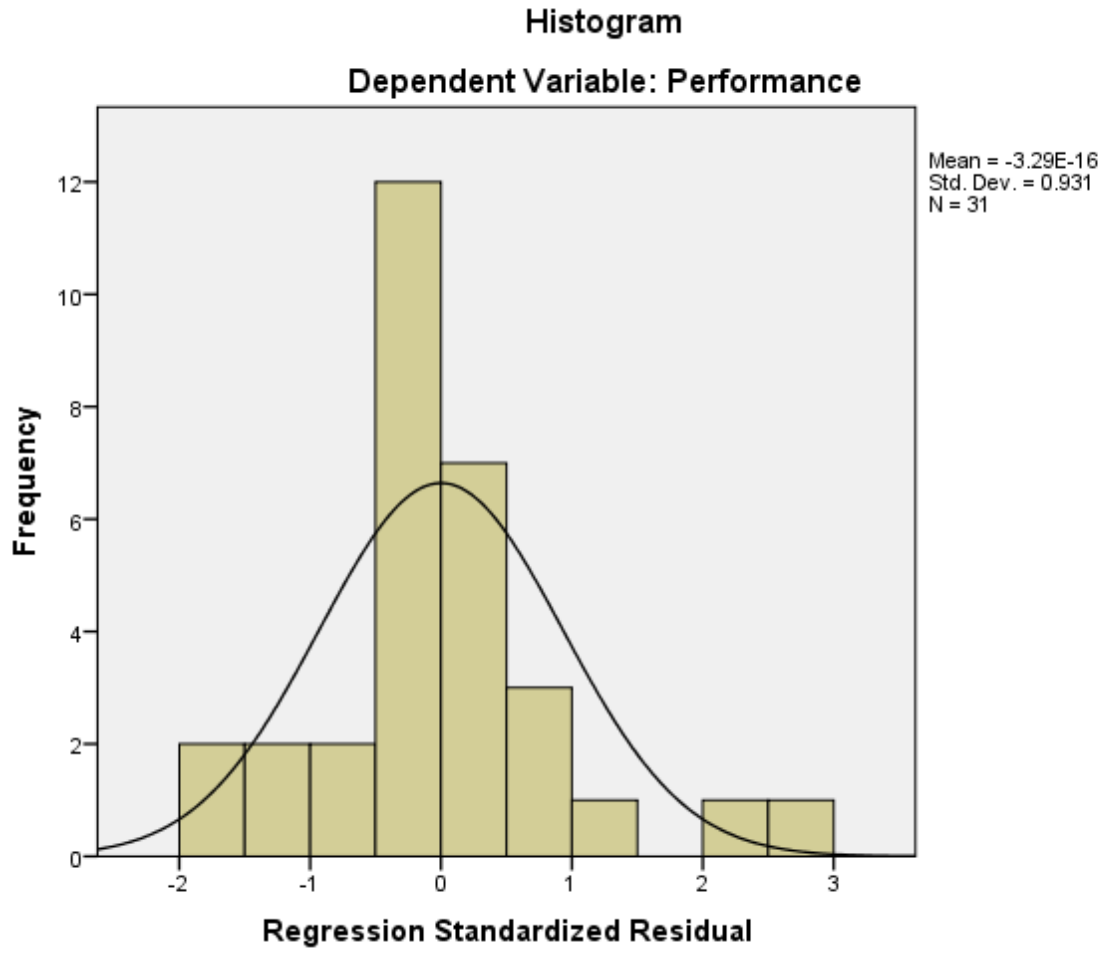


Figure 26 Alfa bank histogram of regression

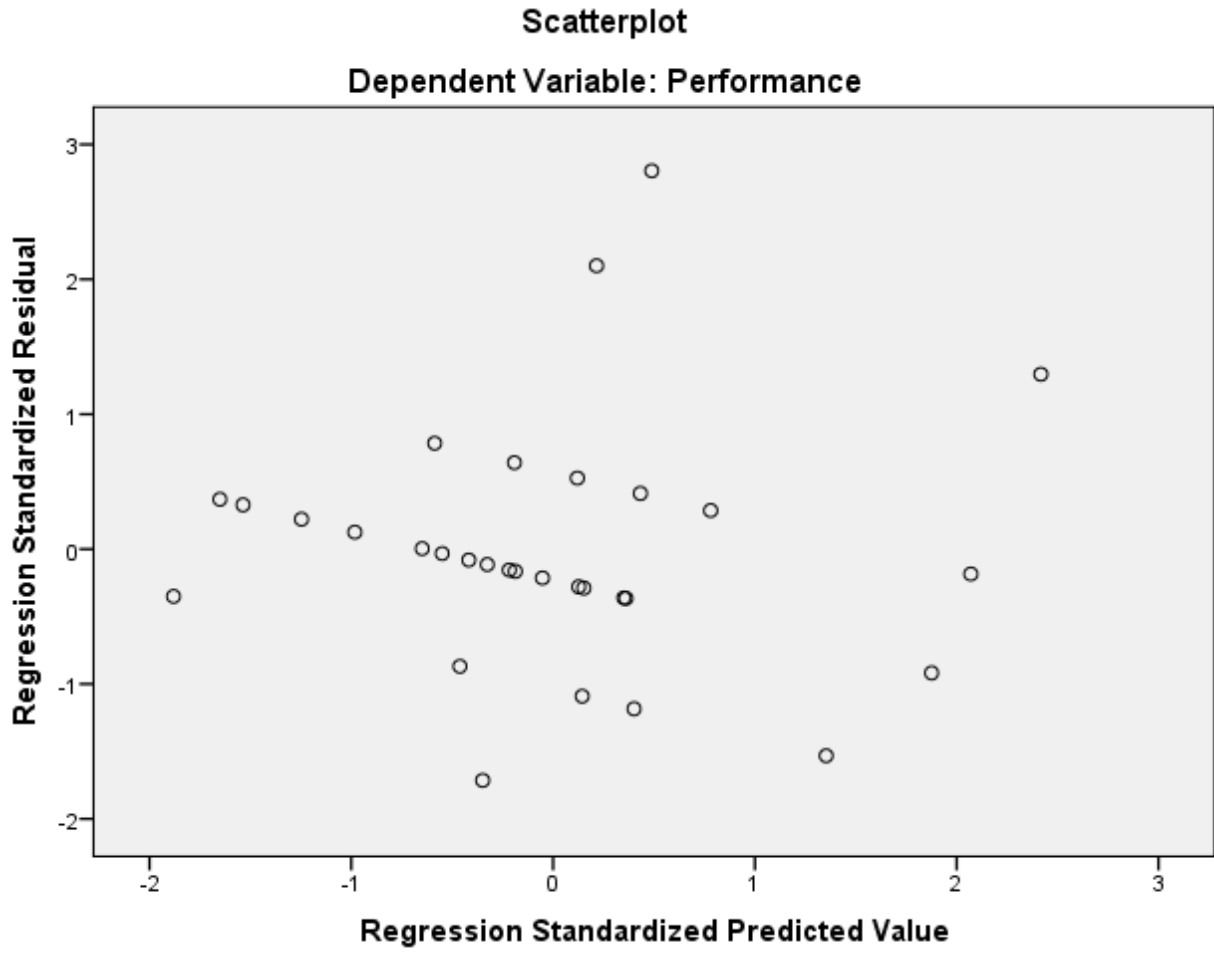


Figure 27 Alfa bank Scattreplot