

IMPACTS OF ORGANIZATIONAL CULTURE ON RETURN ON SALES IN SELECTED DEPOSIT MONEY BANK IN KADUNA METROPOLIS, NIGERIA

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Abstract

This study assessed the effect of Organizational Culture on Return on Sales in selected DMBs in Kaduna metropolis Nigeria. The activities of the selected DMBs between the periods of year 2008 to 2016 were considered. The study used a population of 348 customers spread across 27 branches of 4 banks under consideration in Kaduna metropolis, 301 customers were sampled and administered questioners hand to hand. The responses were returned and analyzed on Artefact, Rites, Beliefs, Value and Place. While Return on Sales (ROS), were obtained from the financial statement of the DMBs under consideration. Descriptive statistics were used to summaries the data and regression analysis was used to test the hypotheses formulated. The results showed that the organizational culture is statistically significant to financial performance of ROS at an alpha level of 0.05 and P values of 0.0032, which falls below the alpha level, thus organizational culture attributes of Artefact, Rites, Beliefs, Value and Place positively impacts the rate of profit generated from sales. The study recommends policies that will enhance a strong organizational culture in the organisation and Special importance should be put on location as it easily influence customers to do retail transactions.

Keywords: Artefact, Rites, Beliefs, Value and Place on Return, Deposit Money Bank, Return on sales and Organisational culture.

1. Introduction

Deposit Money Banks (DMBs) constitute the hub of financial transactions in Nigeria, playing a major role in promoting economic activities and mostly used as the payment system for the factors of production, distribution and consumption. The relevance of the banking sector, made it one of the most sort after for investment in Nigeria. The banking industry has

achieved great prominence in the Nigerian economy as it plays a predominant role in granting credit facilities to businesses, offers professional advice and plays a third party role among others. These important roles therefore create great expectations from the stakeholders of DMBs to perform well so as to meet their expectations.

Ultimately, if banks are to survive in this context, beyond sound financial management a strong organizational culture must be developed to attract more customer's deposit. Most bank in the industry continue to create a niche for themselves through branding of product and services, establishing a profound identification from unique premises and beautiful dressing styles for their staff using colours for all their branches nationwide and taking banking to the door step of the customers using internet technology such as the mobile application and building branches closer to the customers.

Performance is not only a result of actions but holistic activities of an entity. Employees' action alone will not bring about better performance, but a combination of good actions, activity and effort by the employees in the organization which is considered the ways things are done. The essential core of culture consists of tradition i.e. historically derived and selected ideas and their attached values. Schein (2005), stated that organisational culture matters because cultural elements determine strategies, goals and modes of operation. Cultural elements like artefact, values, symbols, colours, dressing, locations among many continue to be the tools modern banking are adopting rebranding branches into modern design and looks to attract customers by giving the impression of success. Orlow, Radecki, and Wenninger (1996) argued that branches are a comparatively expensive means of delivering retail financial services, particularly deposit-based services. But DMBs Nigeria continue to use this means as the possible means to get closer to customers.

Performance is measured in many ways in accordance to the interest of the various financial information user. Usually measured in terms of profit maximization, sales, profitability, return on investment, return on sales, return on assets, markets share, growth among many not considering cultural factors which are qualitative in nature such as artefacts and business locations which impacts on the performances of branch and contributes to the entire bank network profit. Despite the increase in internet banking that might have reduced banks' reliance on branches for retail financial services, the number of DMBs branches in Nigerian has continued to increase over time. As argued by Beverly (2005) that creation of extensive branch networks could impose a significant cost structure on banking organizations. This need not

result in reduced performance, however, if the revenue-generating performance of branches is otherwise enhanced when they are part of large branch networks. Series of papers have examined the impact of the emergence of large, multi-market banks (Berger et al. 2005; Hannan 2004; Hannan and Prager 2004; Park and Pennacchi 2004). This paper assesses the implications of these developments by examining a series of simple branch performance measures and asking how these measures vary, on average, across institutions with different branch and artefacts style in Nigeria.

2. Literature Review

Organizational culture is an important key to the success of a business, seen as the social aspect of a company, but with wide implications on the company, it requires a great attention just as the financial aspect of the entity. Galunic & Weeks (2001) considered organizational cultures as being the belief and the behaviours that give first impression and routines were everywhere in the organisation, but not fixed. Daft (2000) presented organizational cultures as the assemblage of values, hypotheses, beliefs, awareness, and ideas as well as a real value for mental perception. Performance is the competitive spirit of a specific business entity that consolidates its lasting presence on the market. Rao (2006) sees financial performance as the process synonymous to interpretation of financial statements of the firm. There are numerous measurements of financial performance. According to Miller, Boehlje and Dobbins (2001) measurement of financial performance includes profitability, size and growth.

2.1 Theoretical Framework

The theoretical framework upon which this paper is based is the system theory Systems theory proposed in the 1940's by the biologist Ludwig von Bertalanffy. The theory explains the relationship between DMBs sub-system of which culture is an integrated part. The system theory in application to the study shows the interdependent of the parts of DMBs as a whole. The system shows that the information content of a "piece of information" is proportional to the amount of information that can be inferred from the information (Kuhn, 1974). Using system theory, the study shows the relevance of cultural factors of artefacts and business locations which are qualitative in nature as an important unit of the DMBs and their influences on quantitative variables. The choice of customers on choosing their retail bank is easily influenced by qualitative factors such as culture which will have an

effect on performance. All organizational and social interactions involve communication and/or transaction. The system theory applying to the study it shows that organization is a cohesive conglomeration of interrelated and interdependent parts of which culture is a part and can be controlled or modified to some extent given an equal responses of the whole to the level of control, while some certain aspect of the culture cannot be controlled.

2.2 Review of Empirical Studies

It is recognised that the current research in accounting and corporate governance is alert to the fact that actors' behaviour is modified by procedures, rules, and incentives and other economic factors. The examinations to date have all but ignored the role of institutions and culture play in financial reporting practice. The importance of organizational culture is shown by Louis, (2001) as the right corporate biology, the optimal balance of people and culture, can mean the difference between success and failure. Black & Richard (2003) sees organisational cultures from organizational values, organizational norms, guidelines. Tulvinschi (2013) profit is a value that has been created for the business entity while performance is a reference term used by the managers and employees of a company. Boehlje and Dobbins (2000) measurement of financial performance includes profitability, size and growth. Tundui (2012) used capital and sales volume to measure the financial performance of small businesses. Peters & Waterman (2000) identified 36 American companies which had displayed excellent performance between 1961 and 2000. Wetherly (2011) describes the socio-cultural environment as consisting of everything that is not contained within the economy or political system. Jonson (2013), in Nigeria examining the effects of socio-cultural realities on the Nigerian SMEs using a qualitative research approach involving 10 SME owners indicate that socio-cultural realities are key factors affecting their businesses.

The findings of a study on the relationship between organizational culture by Gordon & Christensen (2003) has also reported that industry moderates the link between organizational culture and performance. However, Chow (2006) observe that, there are some aspects of organizational culture that may enhance performance in one national setting, but they may not be effective, and may even be dysfunctional, in another. This implies that corporate cultures are not universal. Corbett and Rastrick (2000) indicate that evidence shows that companies that pursue best practices and total quality management achieve higher profits and cash flows, as well as greater shareholder value. The paper considered the Nigeria context of organisational culture.

3. Research Methodology

The study used 348 customer selected from 27 branches from the four selected DMBs spread across Kaduna metropolis, namely Diamond Bank Plc, Fidelity Bank Plc, First Bank of Nigeria and Union Bank of Nigeria Plc, the questionnaires were administered to customers of the four selected DMBs in the branches since the population of the customers cannot be determine the whole number selected were considered as the sample size out of which 301 were correctly completed. The four selected DMBs were conveniently selected and then stratified according to branches ensuring a proportional representation for the four banks, the questionnaires using a simple random sampling technique. The selected sample was considered large enough to give good representation of the population as evidenced in (Martinez et al. 2014). The customers in each branch of the selected banks within Kaduna metropolis is presented in Table 3.4.1.

Table 3.1 Sampling Frame

Branch	Staff Sample
Diamond Bank Plc	
Ahmadu Bello Way	18
Main Branch Kachia Road	26
Kano Road	19
Isa Kaita Road	9
Kaduna PPMC branch (Refinery)	8
Total	79
Percentage (%)	23%
Fidelity Bank Plc	
Yakubu Gawon Way	12
Main Branch Kachia Road	18
Kaduna PPMC branch (Refinery)	8
Total	38
Percentage (%)	11%

First Bank of Nigeria Plc	
Isa Kaita Road	6
Bank Road Branch	9
Central Market Branch	18
GRA Alkali Road	13
Junction Road	9
Kawo Zaira Road	15
Main Branch Yakubu Gowon Way	24
Kaduna PPMC branch (Refinery)	10
Kaduna South (Kakuri) Kachia Road	13
Nnamdi Azikiwe Expressway	13
Barnawa Aliu Makama Road	6
Ahmadu Bello Way (Saudana Crecent)	7
Sabo Tasha Kachia Road	8
Total	149
Percentage (%)	43%
Union Bank of Nigeria Plc	
7/8 Ahmadu Bello Way (Kastina Road)	11
Main Branch Yakubu Gowon Way	26
Kaduna South (Kakuri) Kachia Road	18
Mando Road Kaduna	12
Moh'd Buhari Way (Hamdal Hotel)	9
Kaduna PPMC branch (Refinery)	7
Total	82
Percentage (%)	24%
Ground Total	348

Field Survey, 2017

The study used both descriptive and inferential analyses to analyses the data collected from the respondents. Stata 13.0 statistical computer package was used to analyse the data gathered using regression analysis, with ART, RIT, BEL, VAL and PLA as proxy for Artefact, Rites, Beliefs, Value and Place while ROS were used as proxy for return on sales.

$$OC_{it} = f(ART, RIT, BEL, VAL, PLA)_{it} + \mu_{it} \dots\dots\dots 1$$

$$FP_{it} = f(ROI, ROA, ROS)_{it} + \mu_{it} \dots\dots\dots 2$$

From the above regression equation, a models is developed each to test the hypothesis of the study.

$$ROS_{it} = \beta_o + \beta_1 ART_{it} + \beta_2 RIT_{it} + \beta_3 BEL_{it} + \beta_4 VAL_{it} + \beta_5 PLA_{it} + \mu_{it} \dots\dots\dots 3$$

Where:

ROS_{it}	denotes return on sales
β_o	represent the fixed intercept
β_{1-5}	is the Coefficient of the independent variables
ART_{it}	denotes artefact
RIT_{it}	denotes rites
BEL_{it}	denotes beliefs
VAL_{it}	denotes value
PLA_{it}	denotes place
i	represents the number of firms in the panel data
t	represents the time period of the panel data
μ_{it}	is the error term

Reject H_0 if P - value < 0.05. Accept H_0 if P - value > 0.05

4. Data Presentation and Results

Table 1.1 appendix, shows the a total of 348 questionnaires issued to respondents out which 301 were correctly filled and returned while the number of questionnaires not returned or badly completed were 47 thus giving 86% of issued. The study administered 149 questionnaires, 42% of the 348 questionnaires to First Bank Nigeria Plc which has the largest branch of which 125 were fully returned. Union Bank Plc has the second highest respondents of 82, 24% of the total issued questionnaires, which 75 were returned. Thirdly is Diamond Bank Plc with 24% of the total questionnaires issued of which 71 questionnaires were completed and returned. Fidelity Bank Plc has the least branches with just three out of the 27 branches of the 4 DMBs under consideration and 38 customers, 10% of the total questionnaires given out and 30 questionnaires were returned. Using the Cronbach Alpha test at a Scale reliability coefficient of 0.978 which is higher than 0.7 and closed to 1 the questionnaires were considered optimal and used for data analysis.

Hypothesis

Artefact, Rites, Beliefs, Value and Place do not significantly influence returns on sales.

Model specification: $ROS_{it} = \beta_0 + \beta_1 ART_{it} + \beta_2 RIT_{it} + \beta_3 BEL_{it} + \beta_4 VAL_{it} + \beta_5 PLA_{it} + \mu_{it}$

Table 2 appendix shows the ROS for the four DMBs and the (SD = 23.1091, M = 13.84204), the mean is considered very high compared to the maximum 103.56 and higher than the standard deviation. The mean of the predictors ART, RIT, BEL, VAL and PLA which predicts ROS returns scores of ART (M = 1.65714; S.D = 0.4340989), RIT (M = 1.674751; S.D = 0.3861265), BEL (M = 1.644851; S.D = 0.3920226), VAL (M = 1.714518; S.D = 0.4239327), and PLA (M = 1.7701; S.D = 0.4240711), against the maximum of 2.2 and minimum of 1 all through.

The normality test was carried out to assert to the assumption that the population is normally distributed and the null hypothesis is stated in its normal form with (skewness and Kurtosis) equal to zero and the P- value = 0 which shows that the distribution is normal. The Jarque–Bera test ($P > .05$) test for normality ($JB = 0.000 < 0.05$ for all the variables) and skewness (below 0.05) and kurtosis (below 0.05) statistics for the variables as shown on table 3 as appendix with no outliers.

Table 4.1 Correlation Test for ROI and ART, RIT, BEL, VAL, PLA

	ros	art	rit	bel	val	pla
ros	1.0000					
art	-0.0843	1.0000				
rit	-0.0115	0.7410	1.0000			
bel	-0.0639	0.8911	0.7668	1.0000		
val	-0.0716	0.8394	0.8268	0.8013	1.0000	
pla	0.0170	0.8661	0.7417	0.8352	0.8566	1.0000

Source: Stata 13.0

To test for the relationships among variables using the Correlation analysis was carried to test for multi-collinearity, a test to examine the closeness among the variables employed, measuring the dependence between the variables resulted into a negative correlation for ROS and all the the Organizational Culture attributes of artifact, ritual, belief, value and place, at (-0.0843, -0.0115, -0.0639, -0.0716 and -0.0170) while between ROS and all the independent variables there is strong positive correlation above 0.70. This

means all the variables moves in the same direction. And multi-collinearity is absent.

Table 4.2.12 Regression Analysis

Source	SS	df	MS	Number of obs =	301
Model	3352.16332	5	670.432664	F(5, 295) =	3.65
Residual	54128.4705	295	183.486341	Prob > F =	0.0032
				R-squared =	0.0583
				Adj R-squared =	0.0424
Total	57480.6339	300	191.602113	Root MSE =	13.546

Source: Stata 13.0

Multiple linear regression was calculated to predict the effect of ROS based on ART, RIT, BEL, VAL and PLA. A significant regression equation was found ($F(5, 295) = 3.65, p < 0.0032$), with an R^2 of 0.0583. With $ROS_{it} = \beta_0 + \beta_1 ART_{it} + \beta_2 RIT_{it} + \beta_3 BEL_{it} + \beta_4 VAL_{it} + \beta_5 PLA_{it} + \mu_{it}$, where the dependent variable Return on Sales is measured as ROS, and the independent variable Organisational Culture attributes of artifact, ritual, belief, value and place are measured as ART, RIT, BEL, VAL and PLA and were found to be significant predictors of ROS. This multiple regression accounted for 5.8% of the variability, as indexed by the adjusted R^2 statistic

4.1 Discussion of Findings

Ho: Organizational culture attributes has no significant effect on turnover of Nigerian DMBs. H_{o3} should be rejected as it deviates from zero with an F scores of 3.65. The p-value relating to the F value is less at 0.0032, thus the independent variables reliably predict the dependent variable, since the p-value of 0.0032 compared is less than the alpha level (0.05). R-squared of 5.8 % shows the variance in ROS scores that can be predicted from the variables ART, RIT, BEL, VAL and PLA. The responses of the staff of the selected DMBs were assertive to the positive roles of organizational culture on Nigerian DMBs financial performance. This is in line with Sørensen (2002) showing that strong cultures promoted consistent financial performance under stable conditions.

5. Conclusion and Recommendations

5.1 Conclusion

Artefact, Rites, Beliefs, Value and Place important components of organizational culture have a direct impact on the performance of corporation both financial and non-financial. Companies are now adopting proactive measures to continue to meet stake holders demand. Sound organizational culture is required in order to keep the organization running branches among others makes services closer to the customers even with increase in internet banking. The paper accessed the effect of Artefact, Rites, Beliefs, Value and Place on the return on sales of selected DMBs in Nigeria. Using Diamond Bank Plc, Fidelity Bank Plc, First Bank Plc and Union Bank Plc as the case study. The research indicate that DMBs should view organizational culture within the context of its business strategy, and take cognizance of the fact that organizational culture has a direct impact on the financial performance of the organization.

5.2 Recommendations

The study recommends that an across industries policy to address cultural attributes practice by DMBs not suitable to customers such as to reduce queue in the banking hall Since culture is qualitative and a relative term in nature, the management should make policies that will enhance a strong organizational culture. The study recommends Special importance on organisational cultural traits of artefacts and location of branches as in all cases, were the culture traits with the strongest potential of impacting positively on performance, these traits can be used to create identity for the banks.

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Appendix I

Regression tables for tested Hypotheses

Test of Hypothesis

Table 1 Percentage of Questionnaires Returned as per DMBs

Returned Bank	Staff		
	Number Distributed	Number Returned	% as per DMBs
Diamond bank	79	71	24%
Fidelity bank	38	30	10%
First bank	149	125	42%
Union bank	82	75	24%
Total	348	301	100%

Source Field Survey, 2016

Table 2: Descriptive Statistics; Shows the responses of the customers of the selected DMBs on the perception Organizational culture attributes of Artefact, Rites, Beliefs, Value and Place on Returns on Sales

stats	ros	art	rit	bel	val	pla
mean	23.1091	1.65814	1.674751	1.644851	1.714618	1.7701
sd	13.84204	.4340989	.3861265	.3920226	.4239327	.4240711
min	-144.14	1	1	1	1	1
max	103.56	2.2	2.2	2.2	2.2	2.2
N	301	301	301	301	301	301

Source: Stata 13.0

Table 3: Normality test on the responses of the staff of the selected DMBs on the perception Organizational culture attributes on Returns on Assets

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
ros	301	0.0000	0.0000	.	0.0000
art	301	0.0127	0.0000	.	0.0000
rit	301	0.0111	0.0000	23.76	0.0000
bel	301	0.0801	0.0000	42.04	0.0000
val	301	0.0009	0.0000	.	0.0000
pla	301	0.0000	0.0000	39.99	0.0000

Source: Stata 13.0