The Dimensions of Organizational Culture Influence on Organizational Performance in Pakistan's Public Banking Sector

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Abstract

Performance is the process of providing lasting success to organizations by improving the skills of employees. Organizational culture's dimension as an important factor in organizational performance has been rarely studied, especially in public sector banks in Pakistan. This study's main purpose is to expand the related literature and examine the relationship between the dimension of organizational culture (i.e., involvement culture, consistency culture, adaptability culture, and mission culture) and organizational performance. The questionnaires in this study were collected from employees of 320 banks who are working in public sector banks in Pakistan. The samples included both male and female bank employees. The results show that organizational culture dimensions such as; involvement culture, consistency culture, adaptability culture, and mission culture were significantly related to organizational performance in Pakistan's public banking sector. The data was examined by using Smart PLS 3.2.9. This study differs from other studies. It examines the influence of organizational culture's dimension on non-financial indicators of organizational performance in Pakistan's banking sector, especially in public sector banks.

Keywords: Organizational culture, Organizational performance, Banking sector, Pakistan

1. Introduction

Pakistan's banking sector is playing a key role in the growth of the country's economy. Pakistan's private and public banking sectors have an extended history of catering to the country's financial and economic desires. Regarding banks in Pakistan, it is generally believed that; It is a clean, environmental control and an excellent service sector. According to the Economic Survey of Pakistan (2016), the banking sector is the most important partner in the services sector in the country's economy. The performance of the banking sector is the backbone of the economy in any country, including Pakistan. According to Cheema and Abbas (2017), the banking system's existence is the key to the economic growth of any country. During the last decade, Pakistan's banking sector has moved from traditional banking to modernization as it incorporates technology (Ghaffoor Awan & Asghar, 2014). The government seems to be conscious of improving the efficiency of the banking sector in Pakistan. Organizational culture is an influential element of the banking sector. An organizational culture is a systematic approach by which banks' performance has been evaluated over time (Leskaj et al. 2013). Researchers have succeeded in defining the idea of performance and consider organizational performance to be the dominant construct in organizational behavior (Tan, 2019). Research is required to know how organizational culture, such as the dimensions of involvement, consistency, adaptability, and mission culture, can increase banks' efficiency in Pakistan. Similar concepts are researched within the past, but within Pakistan's banking sector, research during this field requires more literature.

There are many definitions of organizational culture that several researchers have recommended, but there is no generally accepted definition (Nikpour, 2017). Organizational culture is considered a guideline for organizational initiatives, under which organizational culture reflects its vision, mission, and growth strategy of the organization (Kwarteng & Aveh, 2018). Organizational culture, as noted by Robbins and Coulter (2007), may be a structure of common sense in a business maintained by staff of the organisation who determine much of the ways of functioning. Organizational culture influences the way employees behave in the workplace (Schein, 2010). Cultures are strong where standards, values, and beliefs are widely enforced (Frost et al. 1985). Various factors of the organization, such as its size and age, somehow determine whether strong or weak. Organizational performance is the result of the
efficiency of the activities that an organization performs (Chienwattanasook & Jermsittiparsert, 2019). Performance does not mean how organizations develop the organization. In fact, it has to do with the behavior of employees within the organization. According to Bhat and Beri (2016).

Performance should be measured in two ways, such as task and contextual performance. Task performance means informational, technical, and job experience about the process. Contextual performance has nothing to do with technical knowledge but supports the social environment. Performance is closely linked to the task and its consequences (Chamanifard et al. 2014). Performance is measured to aggregate the achievements of the enterprises of the organization and its subsidiaries. These accomplishments are included during a set period of your time with an organizational purpose. The perception of organizational performance is also associated to the institution's durability (Ahmed & Shafiq, 2014). Organizational performance refers to the efficiency and effectiveness of the organization (Arifeen et al. 2014). Therefore, given the research background, this research aims to determine the dimensions of organizational culture, for instance, involvement, consistency, adaptability, and the influence of mission culture on Pakistan's public banking sector's organizational performance. Based on this study, the management was recommended to improve public sector banks' performance in Pakistan.

1.1 Objectives
Investigate the relationship between organizational cultures' dimensions (i.e., involvement, consistency, adaptability, and mission culture) and organizational performance in Pakistan's public banking sector.

2. Literature Review
2.1 Organizational performance
Organizational performance refers to the degree to which a particular goal is obtained. Achievement can lead to the attainment and effectiveness of a particular goal (Abu-Jarad et al. 2014). In organizational literature, organizational performance has been thoroughly examined. The perception of organizational performance is said to a corporation's success and innovativeness (Asree et al. 2010; Hussain et al. 2018). The addition of research has led to various organizational performance definitions (Selden & Sowa, 2004). Ramanujan and Venkatraman (1986) proposed that performance is often classified into operational, financial, and organizational effectiveness. Sun et al. (2007) explained that organizational performance is customer and employee satisfaction. Similarly, as Kaplan and Norton (2005) reported, organizational performance is decided through the power of a corporation to use its assets to forecast the longer term. Organizational performance depends on the participation of individuals in the organization shapes all practices related to organizational goals (Tseng & Lee, 2014). The ultimate goal is to increase efficiency; thus, increasing organizational performance may be a key focus of organization strategic management; this affects the prospects of the corporation itself (Venkatraman and Ramanujam, 1986).

Like definitions of organizational performance, There are many approaches to reviewing organizational performance, But there is no consensus on the right set of standards (Nazarian et al. 2017). For example, According to Ruekert et al. (1985), there are three dimensions to measuring organizational performance: efficiency, effectiveness, and adaptableness. Similarly, it is important for Wang (1997) to divide organizational performance metrics into two separate layers when considering performance: quality, input to output proportion, and efficiency, which indicates the degree of achievement of the target. According to Lusthaus et al. (2002), four aspects evaluate organizational performance, such as efficiency, effectiveness, financial viability, and organizational relevance.

According to the literature, non-financial indicators of organizational performance are taken as general performance measures. Efficiency and effectiveness are appropriate indicators of organizational performance. Organizational performance can be assessed by looking at its efficiency and effectiveness in achieving goals (Al-Matari et al. 2014). Measures such as efficiency and effectiveness are authoritative means of reflecting organizational performance. As usual, the ultimate goal of an organization is competition and growth. The organizational employees' beliefs and norms create a particular approach towards their institution, and that behavior of the workers forms an organizational culture (Sikora & Ferris, 2014). Although principles and beliefs aren't directly observed, they need a big effect on organizational employees' behavior, leading to organizational culture (Hogan & Coote, 2014). When organizational employees believe that change is unacceptable and at an equivalent time, employees aren't allowed to cause change, and employees don't dare to participate in the organizational decision-making process. This
increases organizational performance and, at an equivalent time, improves the organization’s general achievements (Hussain et al. 2018).

2.2 Organizational culture
Organizational culture forms a group of key assumptions, values, and beliefs regarding organizational employees, shareholders, management, suppliers, and customers (Fey & Denison, 2003). Organizational culture, as per Robbins and Coulter (2007), may be a system of collective definitions in a business maintained by the leader of the corporation, which defines much of the way they function. Culture may be a shared understanding of what organizational members consider and do about their responsibilities, which prominent one organization from another (Denison & Neale, 2011). It has a positive effect on organizational performance (Chatterjee et al. 2018). Culture can be characterized at the qualified level, where individual qualified develops actions reflected by those that form them (Burke et al. 2016). Different models can evaluate organizational culture, but a few of them are more general models such as (Denison and Mishra, 1995; Schein, 2004; Cameron and Quinn, 2005; Keles and Battal, 2017).

The Denison model consists of four dimensions that support organizations to boost their performance. These are dimensions including's involvement, adaptability, consistency, and mission culture (Denison and Mishra, 1995). The construction of this model has already been used from both a qualitative and a quantitative approach. Their outcomes demonstrated that the successful organizations were committed to empowering their workforces and involving them in decision-making, coordination activities, and endorse constant practices that are committed to central organizational ethics; the above-mentioned organizations have the capability to respond to business diversity that gives employees a clear direction and vision for the future (Denison, 1984; Denison and Mishra, 1995; Fey and Denison, 2003).

2.3 Hypothesis development

The involvement reflects employees' sense of ownership and commitment, involvement culture in the decisions of organization representatives, and the employees' work ethic in the organization in which they are (Ha, 2020). Competent organizations empower organizational employees, practice teamwork quickly and permanently improve their employees' skills (Deal and Kennedy, 1982; Fey and Denison, 2003). Goromonzi (2016) presented that involvement and organizational performance were significantly but more positive in the case of immense involvement. Organizations that harness their team's spirit continually develop and empower their employees, which suggests encouraging organizational employees to perform within the growth of functioning achieve high operational efficiency even within the organization (Denison, 2000). Figure 1 depicts the conceptual relationship between the study's variables.

**H1: Involvement culture has a positive impact on organizational performance**

Consistency refers to an organization's internal systems and core values that support problem-solving and efficiency within the organizational borderline. Consistency characteristics include coordination, agreement, and organizational members who add the consistency culture do mostly determined. There are also clear guidelines for working with them, including a clear code of conduct and guidance. According to Saffold (1988), those organizations particularly more effective that is consistent and cohesive. Similarly, Denison et al. (2014) contended that when different organizations create a culture of consistency within the organization, they have a high internal promotion level. Scholars conclude that organizations with diverse cultures do higher than weak cultures because a strong culture creates consistency in behavior (Zhang et al. 2008).

**H2: Consistency culture has a positive impact on organizational performance.**

Adaptability means external adaptation, an organization's ability to appraise and understand the market in which it operates. Understanding the business demand environment in action can provide an opportunity to be flexible, growing, and expanding the ability to be aware of the extraneous environment, domestic customers (i.e., organizational employees), and external customers (Kassem et al. 2019). The organization is in a position to set its schedule to the group outside the organization and the group against the principles within the organization, as well as to adapt the organization to climate change (Ahmad, 2012). Highly adaptive organizations are an essential prerequisite for performance enhancement (Cullen et al. 2014).
H3: Adaptability culture has a positive impact on organizational performance.

The organization's capability to create a purposeful direction includes these three characteristics: strategic direction, goals, and vision (Denison, 1990). There is a common sense of commitment and strategy for the future of stable and strong organisations, which describes their future intent and plans and the idea of how the organisation will perform in the future (Macedo et al. 2016). The organization's mission leads toward organizational performance (Fey & Denison, 2003). By presenting vision, strategy, and intent, the mission is related to organizational performance (Mousavi et al. 2015).

H4: Mission culture has a positive impact on organizational performance.

![Theoretical model](image)

**Figure 1. Theoretical model**

### 3. Methods

#### 3.1 Sample

The present study data has been collected from public sector banks in Pakistan, which received little attention in terms of performance (Arif & Anees, 2012). For this study, the total population is from 673 public bank branches contacted by mail for data collection. A total of 340 questionnaires were returned in the given time, out of which 20 questions had to be deleted due to false values, a final sample of a total of 320 public bank branches, and an effective response rate of 47.5%. Previous research has used established constructs, which measure variables in five-point Likert scales (Fey and Denison, 2003).

#### 3.2 Questionnaire development

Dimensions of organizational culture were measured with 12 items, and these items have been adapted from (Fey and Denison (2003). There are four dimensions to organizational culture, consistency, adaptability, involvement, and mission. Each dimension contains three items. Organizational performance was measured by nine items adapted from Lydia Wanjiku Gachengo (2018). This study focuses only on the dimensions of organizational culture, consistency, adaptability, involvement, and mission culture dimensions. There were 24 items in total in this study.
Five-point Likert-type scales were used to measure organizational performance. (1) Strongly disagree to (5) strongly agree.

### 3.2 Data analysis and interpretation

Here for research purposes, the researchers used SmartPLS 3.2.9. PLS-SEM is convenient for simple models (Hair et al. 2014). Furthermore, the researchers concluded that PLS-SEM is applicable for estimating than CB-SEM. For both complex and basic models, researchers confirm that partial least square structural equation simulation is advisable, and it is not needed to examine the normality assumptions when implementing SmartPLS (Hair et al. 2014).

### 4. Results and Discussion

#### 4.1 Measurement model

The measurement model includes a variety of different tests, such as convergent validity and discriminant validity. The minimum factor loading in this study is 0.782, and the maximum value is 0.913, which is higher than the suggested limit value, while the recommended limit is 0.50 (Hair et al. 2014). Table 1 indicates that the minimum and maximum factor loading, with this number being greater than the recommended threshold value. This explains that there is no problem in studying the individual item's reliability; according to Hair et al. (2014) composite reliability should be more than 0.60, and internal consistency reliability is measured for the composite reliability of the variable. In the exploratory studies, the composite reliability range of 0.60 to 0.70 is considered satisfactory; the range between 0.70 and 0.90 is considered good; but when the composite reliability value is above 0.95, it is considered a problem. The composite reliability value of constructs in this study is more than 0.60. According to Rehman et al. (2019), convergent validity is the degree to which the variables test a similar construct. In this study, Table 1 shows that the lowest value of the Average Variance Extracted value is 0.601, and the maximum is 0.838. All values are presented in Table 1, which is the acceptable limit. Therefore, this investigation meets the convergence validity criteria proposed by Hair et al. (2014), which has an Average Variance Extracted value of more than 0.50. This study also met the criteria of Fornell and Larcker (1981). The results in Table 2 show that the square root of AVE is more than the inter constructs correlation. Table 2 shows that the square roots of the AVE are all greater than the correlations between the variables studied. As a result, the discriminant validity requirement was fulfilled.

#### Table 1: Reliability and convergent validity

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>C R</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptability culture</td>
<td>0.903</td>
<td>0.939</td>
<td>0.838</td>
</tr>
<tr>
<td>Consistency culture</td>
<td>0.895</td>
<td>0.935</td>
<td>0.827</td>
</tr>
<tr>
<td>Involvement culture</td>
<td>0.842</td>
<td>0.903</td>
<td>0.756</td>
</tr>
<tr>
<td>Mission culture</td>
<td>0.785</td>
<td>0.876</td>
<td>0.704</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.913</td>
<td>0.929</td>
<td>0.601</td>
</tr>
</tbody>
</table>

#### Table 2: Fornell-Larcker Criterion

<table>
<thead>
<tr>
<th>Variable</th>
<th>ADC</th>
<th>COC</th>
<th>INC</th>
<th>MIC</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptability culture</td>
<td><strong>0.915</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency culture</td>
<td>0.588</td>
<td><strong>0.909</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involvement culture</td>
<td>0.223</td>
<td>0.117</td>
<td><strong>0.870</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission culture</td>
<td>0.664</td>
<td>0.388</td>
<td>0.301</td>
<td><strong>0.839</strong></td>
<td></td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.892</td>
<td>0.563</td>
<td>0.310</td>
<td>0.733</td>
<td><strong>0.775</strong></td>
</tr>
</tbody>
</table>

Discriminant validity refers to when researchers perceive that double metrics are not statistically equal, as shown by Rehman et al. (2019). Fornell and Larcker (1981) implemented a traditional metric to compute discriminant validity.
in two different ways. First, compare the AVE's square root sense to the correlational values. Second, compare the AVE's values with the values of the correlational square.

4.2 Structure Modeling

To test hypothetical concepts in structural models in table 3, researchers determine the P-value and the T-value. The recommended value of the p-value is below 0.05, and the t-value is above 1.96 if the p-value is below 0.05 and the t-value is more than 0.196 hypotheses are accepted. The culture of involvement influence organizational performance ($\beta$- value 0.080, t-value 3.477), and the result is $H1$ is supported, while involvement culture is positively and significantly related to organizational performance; therefore, in the case of $H2$ ($\beta$- value 0.060, t-value 1.965), $H3$ adaptability culture ($\beta$- value 0.686, t-value 14.912) and $H4$ ($\beta$- value 0.230, t-value 5.694). This analysis is also supported by all the hypotheses $H1$, $H2$, $H3$, and $H4$ proposed. Furthermore, as we can see that in table 3 in this study all hypothesis is positively associated with organizational performance.

According to Chin (1998), the $Q^2$ value should be greater than (0). When the $Q^2$ value higher than 0.35 indicates large, 0.15, medium 0.02, and small predictive relevance. In this study table 3 shows that, the predictive relevance of the $Q^2$ value (0.499) has a large effect. While the $R^2$ value of 0.67 is considered substantial, 0.33 is considered moderate, and 0.19 is considered weak in this study. The $R^2$ value of 0.840 is substantial, and the result shows that in the table 3, 84% variance has been initiated. According to Cohen (1998) $f^2$ value $f^2 > 0.02$ is considered small, 0.15 is considered medium and 0.35 is considered large and large effect size. As seen in this study, $f^2$ has a value of involvement is a 0.037 small effect, consistency of a 0.015 small effect, and an adaptability value of 1.272 which is considered a large effect, and the mission value is 0.178 medium effect.

Table 3: Hypotheses results

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Paths</th>
<th>$SD$</th>
<th>$\beta$-value</th>
<th>t-value</th>
<th>$P$-values</th>
<th>$f^2$</th>
<th>$R^2$</th>
<th>$Q^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Involvement culture -&gt; Organizational performance</td>
<td>0.023</td>
<td>0.080</td>
<td>3.477</td>
<td>0.00</td>
<td>0.037</td>
<td>0.840</td>
<td>0.499</td>
</tr>
<tr>
<td>H2</td>
<td>Consistency culture -&gt; Organizational performance</td>
<td>0.030</td>
<td>0.060</td>
<td>1.965</td>
<td>0.04</td>
<td>0.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>Adaptability culture -&gt; Organizational performance</td>
<td>0.046</td>
<td>0.686</td>
<td>14.912</td>
<td>0.00</td>
<td>1.272</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>Mission culture -&gt; Organizational performance</td>
<td>0.040</td>
<td>0.230</td>
<td>5.694</td>
<td>0.00</td>
<td>0.178</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

P < 0.005

5. Results of hypothesis testing

The results of H1 show that the t-value of an involvement culture $t = 3.477$ and a significant $0.000 < 0.05$ proves the significant and positive impact of the culture of involvement on the organizational performance of the banking sector of Pakistan. The results show that the employee's involvement culture within the decision-making process of the banking sector enhances the efficiency of banks. The results of this study are as follows Pawirosumarto et al. (2017) and Ahmad (2012) investigations, which conclude that the culture of involvement has a positive as well as the significant relationship with performance.

$H1$: The impact of involvement culture on organizational performance.

The result of the H2 hypothesis shows that the t-value of a consistency culture $t = 1.965$ and a p-value $= 0.04 < 0.05$, justifying that there is a significant impact of consistency culture on organizational performance. The results are not consistent with the study of Pawirosumarto et al. (2017). These findings are in line with Ahmad (2012) findings, who concluded that consistency has a positive and significant effect on organizational performance.
**H2: The impact of consistency culture on organizational performance**

The result shows that the t-value of an H3 adaptability culture is 14.912 and a p-value = 0.00 < 0.05, proving a significant and positive effect of adaptability culture on organizational performance. The H3 study results prove this hypothesis, as presented by Ha (2020) and Denison et al. (2013) study. To increase performance, organizations need to boost employees' adaptability and culture in creating contemporary ideas. As stated by Boylan and Turner (2017), adaptability is a change in action that is measured by innovation.

**H3: The impact of adaptability culture on organizational performance**

The results also support the H4 hypothesis. Mission culture can often be seen as a sense of direction and an expectation of performance. Mission Culture helps the organization's employees understand the organization's strategy. Mission culture has the t-value = 5.694 and a p-value = 0.00 < 0.05. It confirms a positive and significant impact on the mission culture and Pakistan's banking sector's organizational performance. This study's results are in line with Ahmed's study (2012), which determines that there is a significant and positive link between mission culture and performance.

**H4: The impact of mission culture on organizational performance**

6. **Conclusion**

Performance has become an important gadget for any organization to ensure that it is competitive and sustainable. In this era, Maximum organizations expend a lot of time and effort building a organizational culture that works better reliably. This study considered the influence of organizational cultures' dimensions and organizational performance in Pakistan's banking sector. The dimensions of the Denison model's organizational culture have been studied and have been found to enhance performance in an organisation that is favorably affected by organizational culture, which is correlated with increased organizational performance. The results of this study are beneficial for Pakistan's banking sector. A review of the literature in this study can be expected that the results could be applied in other cultures.

This study found positive results from proposed hypotheses that were significantly positively associated with organizational performance. The investigation findings show that it is conducive to organizations to establish a potential organizational culture by establishing this approach because it can improve viable organizational performance. In this study, researcher found that efficiency and effectiveness are encouraged by the organizational performance. Our findings emphasize that a culture of involvement, culture of consistency, culture of adaptability, and culture of mission can inspire a modern culture and enhance organizations' performance.

7. **Implications and limitations of the study**

This research has clear theoretical implications. According to the researcher's best information, the effect of involvement, consistency, adaptability, and mission culture has not been examined in any previous research, particularly between Pakistan's public banking sector and organizational performance. The findings of this study also broaden the body of knowledge about the impact of involvement, consistency, adaptability, and mission culture and indicate its relationship with organizational performance in a variety of ways. These research findings can be used to improve their overall performance in Pakistan's banking sector. Organizations should review the current organizational culture as well as make developments to realize balanced status. Organizational managers and decision-makers should exercise patience and improve preventive measures with regular follow-up to ensure implementation.

This study has some limitations as it has been compiled from only two provinces of Pakistan, such as Punjab and Sindh, and these data were composed as a sample of research from the public banks. Therefore, the results may be more common in the Pakistan banking sector. However, this study expects that our findings will likely extend to some other industries as well; future research should examine the hypothesis and other relevant data. Furthermore, it will allow the results to be compared on the size of the larger sample and on research conducted with different other
fields so that the relationship can be established clearly. More investigations can also examine organizational performance in other variables such as organizational commitment and job satisfaction.

References


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