A Review Paper on Organizational Culture and Organizational Performance

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Abstract

This review paper focuses on the definition and measurement of organizational culture and sheds the light on the important studies on the topic. It also sheds the light on the culture-performance literature. This review paper also sheds the light on the definition, conceptualization, and measurement of organizational performance. This review paper has also showed a number of studies that linked the relationship between organizational culture and the organizational performance.

Key words: organizational culture, organizational performance

Introduction

According to the Webster's dictionary, culture is the ideas, customs, skills, arts, etc. of a given people in a given period. Astute managers have realized that any organization also has its own corporate culture. Moreover, social anthropologists are now as fascinated by corporate cultures as they once were by head-hunting tribes in Borneo. This indicates the important role of corporate culture. Many researchers have found a positive relationship between the corporate culture and performance.Stewart (2007) mentioned that profitability is any organizational goal. One of the best places to start improvements is with an examination of the organization's work culture. He states that the strongest component of the work culture is the beliefs and attitudes of the employees. It is the people who make up the culture, he stated. For example, if these cultural norms contain beliefs such as, "Around here, nobody dares make waves" or, "*Do just enough to get by and people will leave you alone*," the organization's performance will reflect those beliefs. Moreover, if the cultural belief system contains positive approaches, such as, "*Winners are rewarded here*" or, "*People really care if you do a good job in this outfit*," that also will be reflected in the organization's performance.

Stewart (2007) also stated that an organization's cultural norms strongly affect all who are involved in the organization. Those norms are almost invisible, but if we would like to improve performance and profitability, norms are one of the first places to look. He is wondering what employee beliefs or attitudes; relate to the question, "How are things done in the organization?" He further tries to answer such a question by stating that knowing these attitudes and norms will make it possible to understand the corporate culture and its relationship to organizational performance. He further explains that the successful manager cannot leave the development of a high-performance work culture to chance if the business is not to risk its very future. Although many studies have found that different companies in different countries tend to emphasize on different objectives, the literature suggests financial profitability and growth to be the most common measures of organizational performance.

Nash (1993) claimed that profitability is the best indicator to identify whether an organization is doing things right or not and hence profitability can be used as the primary measure of organizational success.

Furthermore, Doyle (1994) pointed profitability as the most common measure of performance in western companies. Profit margin, return on assets return on equity, and return on sales are considered to be the common measures of financial profitability (Robinson, 1982; Galbraith & Schendel, 1983). Abu Kassim et.al., (1989) found out that sales, sales growth, net profit and gross profit were among the financial measures preferred by the Malaysian manufacturing firms.Profitability is any organizational goal. One of the best places to start improvements is with an examination of the organization's work culture. The strongest component of the work culture is the beliefs and attitudes of the employees. It is the people who make up the culture. For example, if these cultural norms contain beliefs such as, "*Around here, nobody dares make waves*" or, "*Do just enough to get by and people will leave you alone*," the organization's performance will reflect those beliefs. Moreover, if the cultural belief system contains positive approaches, such as, "*Winners are rewarded here*" or, "*People really care if you do a good job in this outfit,*" that also will be reflected in the organization's performance. Much of the meaning of organizational culture was well expressed, back in 1983, by a steelworker, who said "*. . . and that's the way things are around here*". An organization's cultural norms strongly affect all who are involved in the organization. Those norms are almost invisible, but if we would like to improve performance and profitability, norms are one of the first places to look into (Stewart, 2010).

Besides competition, both innovations and a cohesive culture determine the appropriateness of a firm's activities that can contribute to its performance. In fact, organizational culture is not just an important factor of an organization; it is the central driver of superior business performance (Gallagher & Brown, 2007). In their article entitled "A Strong Market Culture Drives Organizational Performance and Success", Gallagher and Brown (2007) stated that a company's culture influences everything such a company does. It is the core of what the company is really like, how it operates, what it focuses on, and how it treats customers, employees, and shareholders. They also stated that between 1990 and 2007, more than 60 research studies covering 7,619 companies and small business units in 26 countries have found that market culture and business performance are strongly related. This positive correlation is identified by more than 35 performance measures, including return on investment, revenue growth, customer retention, market share, new product sales, and employee performance.In line with Porter (1985) and Gallagher and Brown (2007), Kotter *et.al.,* (1992) reported that firms with performance enhancing cultures grew their net income 75% between 1977 and 1988, as compared to a meager 1% for firms without performance enhancing cultures over the same period of time. This is one of the evidences that the corporate culture in any company will have an impact on its own performance. Barlow (1999) mentioned that the organizational structure and culture has an impact on the construction firms' response to innovate ideas and its ability to transform these ideas into possibly successful products. He mentioned that a series of structural and cultural barriers to the adoption of many new process innovations in the UK still remain.

As for the relationship between innovation and performance, Bowen et al., (2009) stated that such a relationship has been uncertain. Moreover, Wolff (2007) stated that firms vary in the amount of inputs they devote to the innovation process. However, the dedication of more inputs to the innovation process does not guarantee innovation outcomes, since the process of developing innovation is complex and characterized by high risks. Moreover, Rosenbusch et al., (2010) stated that if firms devote substantial resources to the innovation process, but are unable to turn them into innovative offerings, resources are squandered and firm performance suffers. Thus, is it necessary for housing developers in Malaysia to be innovative in order for them to sustain profitability and growth? Is it necessary to be innovative if innovation can experience failure, which will make innovators incur losses and hurt their image in the market? There is inconsistency in the literature regarding whether innovation leads to better performance or not. This research will try to bridge such a gap. In fact, the literature on the impact of organizational culture on the performance seems inconsistent. For example, Denison (1990) linked management practices in his studies with the underlying assumptions and beliefs that it was an important but often neglected step in the study of organization. He found that performance was a function of values and beliefs held by the members of the organization. He postulated that an organization that had a strong 'culture' was defined to be of widely 'strong shared values among its employees'. The strength with which the cultural values were held among its employees was then taken to be the predictor of future organizational performance. This was usually measured financially. In a similar vein, a study of Gordon and DiTomaso (1992) found supporting evidence that a strong culture was predictive of short-term company performance.

Perters and Waterman (1982) claimed that high performance firms could be distinguished from low performance firms because they possessed certain cultural traits and 'strong culture'. Similarly, Deal and Kennedy (1982) suggested that organizational performance can be enhanced by strong shared values. However, their suggestions were criticized by Carrol (1982), Reyonds (1986), and Saffold (1988) who commented that'a simple model' relating organizational culture to performance no longer fits- a more sophisticated understanding of the tie between culture and performance must be developed. Research on the link between organizational culture and performance has increased substantially during the past decade (Lim,1995). Large-scale quantitative studies hve been undertaken mainly in the United States (Denison, 1990; Denison & Mishra, 1995; Gordon & Di Tomaso, 1992; Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Petty, Beadles, Lowery, Chapman, & Connell, 1995; Rousseau, 1990) and in Europe (Calori & Sarnin, 1991; Koene, 1996; Wilderom & Van den Berg, 1998). A wide variety of culture as well as performance indicators have been utilized, and they have been employed in various kinds of organizations and industries. What connects these studies is a strong belief among the researchers that the performance of organizations is attributable, in part, to organizational culture (Gallagher et al., 2007).

However, some researchers such as Wilderom and Berg (1998) argued that instead of striving for strong culture, researchers should attempt to reduce the gap between employees' preferred organizational culture practices and their perception of the organizational practices. Wilderom and Berg (1998) pointed out that the empirical evidence for the impact of the organizational performance using organizational culture practices was still limited, but it formed a fruitful basis for more refined organizational culture-performance research. The use of organizational cultural practice to assess organizational culture was supported by Hofstede (1990); House et al., (2004); Pfeffer (1997), and Wilderom (1998). The objective of this review paper is to highlight the definition, conceptualization, and measurement of organizational culture and organizational performance. It also highlights the literature and previous studies on the link between organizational culture and organizational performance.

Literature Review

Organizational Performance

One of the important questions in business has been why some organizations succeeded while others failed. Organization performance has been the most important issue for every organization be it profit or non-profit one. It has been very important for managers to know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers (Barney, 1997). The central issue concerns with the appropriateness of various approaches to the concept utilization and measurement of organizational performance (Venkatraman & Ramanuiam, 1986).

Definition of Organizational Performance

Researchers among themselves have different opinions of performance. Performance, in fact, continues to be a contentious issue among organizational researchers (Barney, 1997). For example, according to Javier (2002), performance is equivalent to the famous 3Es (economy, efficiency, and effectiveness) of a certain program or activity. However, according to Daft (2000), organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Daft (2000), Richardo (2001) defined organizational performance as the ability of the organization to achieve its goals and objectives.
Organizational performance has suffered from not only a definition problem, but also from a conceptual problem. This is what Hefferman and Flood (2000) stated.

They stated that as a concept in modern management, organizational performance suffered from problems of conceptual clarity in a number of areas. The first was the area of definition while the second was that of measurement.The term *performance* was sometimes confused with productivity. According to Ricardo (2001), there was a difference between performance and productivity. Productivity was a ratio depicting the volume of work completed in a given amount of time. Performance was a broader indicator that could include productivity as well as quality, consistency and other factors.In result oriented evaluation, productivity measures were typically considered.

Ricardo (2001) argued that performance measures could include result-oriented behavior (criterion-based) and relative (normative) measures, education and training, concepts and instruments, including management development and leadership training, which were the necessary building skills and attitudes of performance management. Hence, from the above literature review, the term *"performance"* should be broader based which include effectiveness, efficiency, economy, quality, consistency behavior and normative measures (Ricardo, 2001).

The next issue that was always asked about organizational performance was what factors determine organizational performance. According to Hansen and Wernerfelt (1989) in the business policy literature, there were two major streams of research on the determinants of organizational performance. One was based on economic tradition, emphasizing the importance of external market factors in determining organizational performance. The other line of research was built on the behavioral and sociological paradigm and saw organizational factors and their 'fit' with the environment as the major determinant of success.

The economic model of organizational performance provided a range of major determinants of organizational profit which included:

(i) Characteristics of the industry in which the organization competed,
(ii) The organization's position relative to its competitors, and
(iii) The quality of the firm's resources.

Organizational model of firm performance focused on organizational factors such as human resources policies, organizational culture, and organizational climate and leadership styles. Another study by Chien (2004) found that there were five major factors determining organizational performance, namely:

(i) Leadership styles and environment,
(ii) Organizational culture,
(iii) Job design,
(iv) Model of motive, and
(v) Human resource policies.

Organizational culture and competitive intensity in addition to organizational innovativeness are used in the current study.The economic factors and organizational factors model was supported by many researches including Hansen and Wernerfelt (1989) who found in their study that economic factors represented only 18.5 % of variance in business returns, while organizational factors contributed 38 % of organizational performance variance. This research focused more on organizational factors that determine organization's performance. Organizational factors were found to determine performance to a greater extent than economic factors indicated by Trovik and McGivern (1997).

Measurement of Organizational Performance

Previous research had used many variables to measure organizational performance. These variables include profitability, gross profit, return on asset (ROA), return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth , market share, stock price, sales growth, export growth, liquidity and operational efficiency (Snow & Hrebiniak, 1983; Segev, 1987; Smith,Guthrie & Chen, 1989; Parnell & Wright, 1993; Thomas & Ramaswamy, 1996; Gimenez, 2000).Although the importance of organizational performance is widely recognized, there has been considerable debate about both issues of terminology and conceptual bases for performance measurement (Ford & Schellenberg, 1982). No single measure of performance may fully explicate all aspects of the term (Snow & Hrebiniak, 1980).

There was also inconsistent measurement of organizational performance- although most researchers (Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Denison & Maishra, 1995; Peter & Crawford, 2004; Lee, 2005) measured organizational performance by using quantitative data like return on investments, return on sales and so forth. The definition of performance has included both efficiency-related measures, which relate to the input/output relationship, and effectiveness related measures, which deal with issues like business growth and employee satisfaction. Additionally, performance has also been conceptualized using financial and nonfinancial measures from both objective and perceptual sources. Objective measures include secondary source financial measures such as return on assets, return on investment, and profit growth. These measures are nonbiased and are particularly useful for single-industry studies because of the uniformity in measurement across all organizations in the sample (Venkatraman & Ramunujam, 1986).

Financial measures enable researchers to construct trend analyses and benchmarking analyses (Drew, 1997). Perceptual sources include employee evaluations of organizational effectiveness or financial health and their overall level of satisfaction. These subjective assessments of performance frequently have been used in organizational theory to evaluate organizational effectiveness and overall employee satisfaction. Given the increasing pressure of organizations to satisfy multiple stakeholder groups, there is a need for more complex measures of organizational effectiveness in which overly simplistic single variable models are inadequate expressions of the real world, multi-goal existence of organizations (Kirchhoff, 1977).

Most practitioners seemed to use the term *performance* to describe a range of measurements including input efficiency, output efficiency and in some cases transactional efficiency (Stannack, 1996). According to Doyle (1994), there was no single measure or best measure of organizational performance. Organization adopts different objectives and measurements for organizational performance. Hamel and Prahalad (1989) and Doyle (1994), however, argued that profitability was the most common measurement used for organizational performance in business organizations. This view is supported by Nash (1993) who stressed that profitability was the best indicator to identify whether an organization met its objectives or not. Other researchers such as Galbraith and Schendel (1983) supported the use of return on assets (ROA), return on equity (ROE), and profit margin as the most common measures of performance. Return on Assets (ROA) is derived by dividing net income of the fiscal year with total assets. Return on Equity (ROE) means the amount of net income returned as a percentage of shareholders equity. It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Richardo (2001) emphasized that successful organizations were those with the highest return on equity and those who had established performance management system "aligning" every aspect of the organization from top management to the factory floor. On the other hand, Nicholas (1998) argued that many organizations did not give a balanced picture of organizational performance. There was an over-emphasis on financial criteria, with pre-occupation with past performance. Performance measures were usually not linked to strategies and goals of the overall organization and they were inward looking and did not capture aspects of performance necessary to gain and retain customers or build long term competitive advantage. Zou and Stan (1998) proposed seven categories of financial, non-financial, and composite scales to measure export performance based on a review of the empirical literature between 1987 and 1997. The financial measures are sales measures, profit measures and growth measures, whereas the non-financial measures are perceived success, satisfaction and goal achievement. Financial measures are more objective compared to the non-financial measures which are more subjective.

The success category comprises measures such as the manger's belief that export contributes to a firm's overall profitability and reputation. Satisfaction with the company's export performance while the goal achievement refers to the manager's assessment of performance compared to objectives. Finally, composite scales refer to measures that are based on overall scores of a variety of performance measures. According to Griffin (2003), organizational performance is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival. Hence, performance should not be wholly equated with certain profit margin, high market share, or having the best products, although they may be the result from fully achieving the description of performance. To Griffin (2003), organizational performance is influenced by multitude factors that are combined in unique ways to both enhance and detract performance.

This argument by Griffin (2003) is well supported by Venkatraman and Ramanujam (1986) who postulated that there are two major issues associated with the operationalization of organizational performance. First, what constitutes the construct? That is, how does one define the performance of the organization? Second, what are the data sources that should be used in the measurement of this construct? Should archival (or secondary) measures be used or can respondent (or primary) data be as reliable? Venkatraman and Ramanujan (1986) consider three aspects of performance, among them are financial performance, business performance, and organizational effectiveness and the later have been subsequently known as organizational performance.
They suggested that researchers in addition to using financial indicators should also use operational indicators when measuring organizational performance. The operational indicators may include such measures as new product introduction, product quality, manufacturing value-added and marketing effectiveness. These operational measures could reflect the competitive position of the firm in its industry space and might lead to financial performance. Hence, using a multiple indicator approach to operationalize firm's performance would be superior to using only a single indicator.

Conversely, researchers have argued that no one measure is inherently superior to another and the definition that a researcher adopts should be based on the disciplinary framework adopted for the study (Cameron & Whetten, 1983). According to Hofer (1983), different fields of study will and should use different measures of organizational performance because of the differences in their research questions. In fact, the conceptualization of business performance in strategic management research usually revolved around the use of financial indicators. Thus, indicators based on financial measures such as sales growth, profitability, and earnings per share have been used by researchers. In addition, market-based measures such as variants of stock market returns have been used in previous studies. However, no one of these measures is without flaws (Barney, 1997). The second major issue associated with operationalizing business performance is the source of data used to develop the construct. Data on the performance of a firm can be obtained either from published sources (secondary data) or directly from the firm (primary data). While financial data from secondary sources may be more accessible in the case of the large, publicly held company, such information is extremely difficult to obtain in the case of the small firms.

Objective data on the performance of small firms are usually not available because most small firms are privately held and the owners are neither required by law to publish financial results nor usually willing to reveal such information voluntarily to outsiders (Dess & Robinson, 1984). Besides, financial statements of small firms may be inaccurate because they are usually un-audited. Furthermore, owner/managers of small firms are inclined to provide subjective evaluations of their firm's performance (Sapiena, Smith & Gannon, 1988). Hence, the general consensus among researchers is that secondary sources of performance data represent the ideal source since measures developed using secondary data are less likely to be influenced by the personal biases of the respondent. However, Dess and Robinson (1984) argued that when objective measures of performance are unavailable, as is usually the case with small businesses, subjective measures can represent a reasonable proxy.

In a similar vein, Chandler and Hanks (1993) asserted that assessing performance relative to competitors is a relevant concept when gauging firms' performance. Firms are more likely to be aware of the activities of their competitors (Porter, 1980; Brush & Vanderwerf, 1992) and when these measures are anchored to objectively defined performance criteria; their validity is enhanced (Chandler & Hanks, 1993). Similarly, Brush and Vanderwerf (1992) found owner-reported measures of performance to have considerable reliability. Also, since managers in smaller companies may be sensitive to making public specific numerical data regarding their performance, they may be more willing to reveal broader indicators of their performance, such as their performance in relation to that of their competitors in the industry.Liao and Rice (2010) measured organizational performance by two variables (Bird and Beechler, 1995; Charan, 2004; Helfat et al., 2007): sales growth and expected sales growth.

Having reviewed how performance was measured in different works of strategic research (e.g., Venkatraman & Ramanujan, 1986), J.A. Arago-Correa et al., (2007) drew up an eight-item scale to measure organizational performance. The CEOs were asked to evaluate their firms' performance for the last 3 years, measured as return on assets, return on internal resources, and sales growth in their main products or services and markets. They were also asked to compare these measures with their principal competitors' performance, noting which were above the mean. The use of scales evaluating performance in comparison with main competitors is one of the practices most widely used in recent studies to provide an objective reference for sampled managers (Steensman & Corley, 2000).

Many researchers have used managers' subjective perceptions to measure beneficial outcomes for firms. Others have preferred objective data, such as return on assets. Scholars have widely established that there is a high correlation and concurrent validity between objective and subjective data on performance, which implies that both are valid when calculating a firm's performance (e.g., Dess & Robinson, 1984; Venkatraman & Ramanujan, 1986). As seen in the literature on organizational performance, performance is all about achieving the objectives that organizations/firms set for themselves. The objectives of an organization / firm could be financial, that is to say, profit-making or non-financial such as spreading awareness among a certain community. Organizational performance could be categorized under two categories: financial and non-financial.

Financial Performance

Firms' performance is widely measured through the financial success of the organization. Financial stress for most profit-oriented firms can be assessed both in terms of "top-line" (e.g., sales) as well as "bottom-line" (e.g., profitability) measures (Davis et al., 2000).The profitability of an organization is an important financial indicator to reflect the efficiency of the organization and the owners/managers ability to increase sales while keeping the variable costs down (Davis et al., 2000). Profit margin, return on assets, return on equity, return on investment, and return on sales are considered to be the common measures of financial profitability (Robinson, 1982; Galbraith & Schendel, 1983).

Furthermore, according to the study conducted on the Malaysian SMEs, sales, sales growth, net profit, and growth profit are among the financial measures preferred by the SMEs in Malaysia (Abu Kasim et al., 1989). Sales growth is measured based on the average annual sales growth rate for three consecutive years from (2006-2008) (Sulaiman, 1989; 1993; Hashim, 2000). On the other hand, profitability is analyzed by three financial ratios, which are return on sales (ROS), return on investment (ROI) and return on asset (ROA)-incurred during the last three years from 2006 to 2008.

The three consecutive years' financial ratios (ROS, ROI and ROA) are averaged out and incorporated into a Business Performance Composite Index (BPCI) similar to the measurement used in the study by Hashim (2000). The BPCI is a common index used by researchers to measure profitability since it provides the complete measurement of firm's profitability (i.e., combination of ROS, ROA and ROI). Hence, the use of BPCI could be the best measurement of profitability. Furthermore, the inclusion of the three financial ratios as components of BPCI provides a comprehensive and fair view of the firm's financial performance as compared to using only one measurement alone such as ROS or ROA or ROI. ROS is derived by dividing net income of the fiscal year with total sales. ROA is derived by dividing net income of the fiscal year with debt and equity. ROA is derived by dividing net income of the fiscal year with total assets. Previous studies by Lee (1987); and Hashim, Wafa and Sulaiman (2004) have also used BPCI as measurement of profitability. BPCI is formulated as: (BPCI=ROS+ROI+ROA/3), and is derived from the mean values of ROS, ROI, and ROA.

Non-Financial Performance

Besides financial indicators as an evaluation of firm's performance in any industry, other industry-specific measures of effectiveness may also reflect the success of the organization. These measures include job satisfaction, organizational commitment, and employee turnover (Mowday, Porter & Steers, 1982; Mayer & Schoorman, 1992; Hosmer, 1995; Rich, 1997; Zulkifli & Jamaluddin, 2000).Job satisfaction is defined as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences (Rich, 1997). Similarly, Robbins (2003) defines job satisfaction as a general attitude toward one's job; the amount of rewards received should at least be equal to the expected. However, according to Hackman and Oldham (1975), job satisfaction is associated with five core dimensions: skill variety, task identity, task significance, autonomy, and feedback from the job itself in which leading to satisfaction with supervision, satisfaction with co-workers, satisfaction with work, satisfaction with pay, and satisfaction with promotion.

Job satisfaction represents an attitude rather than a behavior, thus it has important implications on employees' physical and mental health that can affect firm's performance. Hence, job satisfaction is a key determinant to demonstrate relationship to performance factors and value preferences in most of the organizational behavior researches (Hackman & Oldham, 1975; Hansen, Morrow & Batista, 2002; Robbins, 2003). On the other hand, organizational commitment has been defined in many ways. Organizational commitment refers to the willingness to exert effort in order to accomplish the organizational goals and values, and a desire to maintain membership in that organization (Mowday et al., 1982; Reichers, 1985; Nyhan, 2000; Robbins, 2003). The affective dimension of organizational commitment reflects the nature and quality of the linkage between an employee and management (Oliver, 1990). Organizational commitment can thus be influenced through intrinsic incentives. Increased affective organizational commitment is essential to the retention of quality employees (Nyhan, 2000).Both job satisfaction and organizational commitment are in fact related to employees' turnover. Employees who are low in job satisfaction and organizational commitment tend to have low morale and less motivated. These employees will have the tendency to leave their employment, thereby increasing the turnover rate (Hackman & Oldham, 1975; Reichers, 1985; Sulaiman, 1989 &1993; Nyhan, 2000; Robbins, 2003).

Hence, in this study, employee turnover is used as the non-financial measure of organizational performance as it encompasses both job satisfaction and organizational commitment. The approach adopted in this study is similar to previous studies by Newman (1974); Baysinger and Mobley (1983) and Arthur (1994). Employee turnover can be an important indicator of organizational success. Firms that are able to reduce voluntary employee turnover can reduce costs and increase profitability. Although turnover may be either functional (that is, beneficial to the firm) or dysfunctional (that is, harmful to the firm), as a general rule, it is extremely costly and most employers are better served with lower rates of employee turnover (Newman, 1974; Baysinger & Mobley, 1983; Arthur, 1994).

According to Mayer and Schoorman (1992), employees' trust on management has a direct impact on the turnover rate. Hence, the managers or CEOs as leaders of top management play a vital role in maintaining the level of trust among the employees. When the employees have high level of trust on the managers or CEOs, they are more likely to believe that their contributions to the organization, both direct and indirect, will be recognized and rewarded in some ways. On the other hand, if the level of trust is low, the employees are more likely to devalue the incentives which lie in them to continued membership in the organizations (Mayer & Schoorman, 1992; Roberta, Coulson & Chonko, 1999; Hassan, 2002).

Strategic Performance System Measurement (SPSM)

It is important to have a performance measurement system in any organization because such a performance system plays a key role in developing strategic plans and evaluating the fulfillment of the organizational objectives (Ittner & Larcker, 1998). In the past years, the traditional performance measurement system was based on the traditional management/cost accounting system. Therefore, there have been critics on it. Johnson and Kaplan (1987) claim that performance measurement based on traditional cost or management accounting system that was introduced in early 1900s is not suitable in today's business environment anymore. The traditional performance measurement was mainly criticized due to its over reliance on cost information and other financial data which are short-term in nature and less emphasis, if any, was given to long-term value creation activities which are intangible in nature that generate future growth to the organization.

Kaplan and Norton (2001) have argued that many organizations nowadays focus on managing intangible assets (for example, customer relationships, innovative products and services, high-quality and responsive operating processes), which are non-financial in nature, rather than managing tangible assets (such as fixed assets and inventory), which are financial in nature.Therefore, the changing nature of value creation complicates the performance measurement process when the performance measurement systems are not kept abreast with this latest phenomenon. Ghalayini and Noble (1996) highlighted that traditional performance measures are outdated and lagging metrics that are a result of past decision, not related to corporate strategy, not relevant to practice and difficult to understand by the factory shop-floor people, conflict with continuous improvement, inability to meet customer requirements, and emphasis too much on cost reduction efforts.

Shortcomings in traditional accounting-based performance measures have led to the development of new performance measurement systems, so called strategic performance measurement systems (SPMS).Acording to Chenhall (2005), a distinct feature of these SPMS is that they are designed to present managers with financial and non-financial measures covering different perspectives which, in combination, provide a way of translating strategy into a coherent set of performance measures (Chenhall,2005). In a similar vein, Burns and McKinnon (1993) argued that the use of multiple performance measures comprising financial and non-financial is generally most fair to both management and the owner where for management, they have the added advantage of providing enhanced protection against the consequences of uncontrollable outside events. Further, Chenhall (2005) argued that it is the integrative nature of SPMS that provide them with the potential to enhance an organization's strategic competitiveness.

In fact, prior studies have shown how non-financial performance measures can be best combined with financial performance measures to obtain the best measurement of performance in a competitive environment (Hemmer, 1996; Shields, 1997; Hoque & James, 2000). One of the famous SPMS is the balanced scorecard (BSC), organized by Kaplan and Norton in 1992. The traditional performance measurement is challenged since it emphasizes on financial measures to satisfy the regulatory and accounting reporting requirements.

In fact, the traditional financial measures are criticized because they are of a short-term rather than long-term focus. They measure the past rather than the future. Therefore, attempting to overcome the shortcomings of using traditional performance measurement system, Kaplan and Norton (1992, 1996a, b, c2001) have introduced the balanced scorecard, well known as (BSC), offering a combination of both financial and non-financial performance measures. The Balanced Scorecard (BSC) began as a concept for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy.

It was developed and first used at Analog Devices in 1987. By focusing not only on financial outcomes but also on the human issues, the Balanced Scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests.The strategic management system helps managers focus on performance metrics while balancing financial objectives with customer, process and employee perspectives. Measures are often indicators of future performance.Balanced scorecard is a tool to execute and monitor the organizational strategy by using a combination of financial and non financial measures. It is designed to translate vision and strategy into objectives and measures across four balanced perspectives; financial, customers, internal business process and learning and growth.

It gives a framework ensuring that the strategy is translated into a coherent set of performance measures.Empirical research on BSC has become prominent and gained momentum in accounting research (Lingle & Schiemann, 1996; Hoque & James, 2000; Hoque et al., 2001; Maiga & Jacobs, 2003). The use of multiple performance measures in the BSC model is timely in today's competitive environment as business cannot rely solely on the narrowly focused internal financial measures for performance evaluation. The term "balanced" refers to the balance between financial and non-financial performance measures, between lagging and leading indicators and between internal and external perspective of performance measurement.

The BSC measures are linked together on a cause-and-effect relationship covering four perspectives, namely, financial, customer, internal business process, and learning and growth. Every performance measure on a BSC attempts to address an aspect of a company's strategy because it should be a link between performance measures and strategy. The BSC is regarded as a tool for focusing the organization, improving communication, setting organizational objectives, and providing feedback on strategy (Anthony & Govindarajan, 2003).

Organizational Culture

Organizational culture has been identified as a mediating variable in this study. There are many terms used by different researchers to denote organizational culture. Similarly, there are many definitions of organizational culture. Organizational culture has been characterized by many authors as something to do with people and the unique quality and style of the organization (Kilman et al; 1985), and the way things are done in the organizations (Deal & Kennedy, 1982). Sometimes, organization culture is also known as "corporate culture". "Corporate Culture" is used to denote the more "commercialized" meaning of organizational culture (Deal & Kennedy, 1982).

This study adopts the definition of Hofstede (1980). According to Hofstede (1980), organizational culture refers to the collective programming of the mind that distinguishes the members of one organization from another.This includes shared beliefs, values and practice that distinguish one organization from another.The beginning of formal writing in an organizational culture started with Petigrew (1979).He introduced the anthropologist concepts like "symbolism, myths," and "rituals" that could be used in organizational analysis.

Although there is no consensus on the definition of organizational culture, most authors agreed that organizational/corporate culture referred to something that is holistic,historically determined (by founders or leaders), related to things anthropologists study (like rituals and symbols), socially constructed (created and preserved by the group of people who together form the organization),soft, and difficult to change.Table 1 below shows some earlier definitions of organizational culture.

Table 1: Earlier Definitions of Organizational Culture

Author/s	Definition
Kroeber & Kluckhohn (1952)	Transmitted patterns of values, ideas, and other symbolic systems that shape behavior of an organization
Hofstede (1980)	"The collective programming of the mind that distinguishes the members of one organization from another. This included shared beliefs, values and practices that distinguished one organization to another" (Hofstede, 1980).
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 reinformce 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.
Goffee (1996)	Is an outcome of how people related to one another
Schneider (1997)	Shared patterns of behavior and the meaning of that behavior
Cameron & Quinn (1999)	What is valued, the dominant leadership styles, the language success that make an organization unique
Sullivan (2001)	Refers to the total lifestyle of a people, including all the values, ideas, knowledge, behaviors and material objects that they share
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
Wiesner (2002)	A way of looking at organizations by its shared values and behavior
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
Anthon (2004)	Is the set of values, beliefs and understanding shared by an organization's employees and it ranks among an organization's most powerful component
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

Source: Adopted from: House et.al. 2004

For the purpose of this research, organizational culture is defined as "the collective programming of the mind that distinguishes the members of one organization from another. This includes the shared beliefs, values, and practices that distinguish one organization from another (Hofstede, 1980). Researchers such as Budde et al., (1981) and Bhagar & McQuiad, (1982) found that there was a need to understand and to organize the pieces of the organizational culture puzzle. The work of Schein (1984) and Hofstede (1980) had been central to bringing the concept of culture to the stage of organizational development. It is worth wondering what constitutes organizational culture, whether we are able to observe and measure the patterns of beliefs, rules and behavior or practices of the members in the organization, and how visible organizational culture is.

Dimensions of the Organizational Culture

Although there were many dimensions of organizational culture, two major ones that have been widely recognized are Hofstede (1980) and Schein's (1985). These dimensions of organizational culture are a useful way of comparing the basic properties of organizational culture in general.

Hofstede's Cultural Dimensions

This study has adopted Hofstede's and its dimensions of culture due to the following reasons:

(i) Hofstede's dimensions have been one of the pioneers in culture studies.
(ii) Hofstede's dimensions have used time and time has been internationally used by many researchers in many countries (Loene, 1996; Gore, 1999; Sin & Tze, 2000; Joiner, 2000; Thomas & Au, 2002; Damanpuor et.al., 2002)

Due to its relevance to the managerial world, there ahs been scholarly development of this construct. For example, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) (a research programme of 825 organizations in 62 countries from (1992-2000) has utilized and expanded Hofstede's cultural dimensions. In view of this, this study has also adopted these new dimensions proposed by the GLOBE study.

Using Hofstede's classification approach enables comparisons between studies which can be done neater and the level of objectivity involved is generally higher (Sackman, 1991). Its dimensions have appropriate construct validity (Damanpour, Pothukuchi & Choi, 2002). Hofstede (1980) initially developed four "dimensions" of culture values namely:

(i) Power distance - The extent to which the less powerful members of an organization accept that power is distributed unequally.
(ii) Uncertainty avoidance - The extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that they try to avoid.
(iii) Individualism/collectivism- This dimension reflects an ethnic position of the culture in which people are supposed to look after themselves and their immediate families, or a situation in which people belong to groups or collectives which are supposed to look after them in exchange for loyalty.
(iv) Masculinity/feminity- A situation in which the dominant values are success, money and professions as opposed to the situation in which the dominant values are caring for others and the quality of life.

Hofstede (1980) identified the above-mentioned dimensions as national culture values. According to him, national culture was primarily based on differences in values which were learned during early childhood. These values were strong enduring beliefs, which were unlikely to change throughout the person's life.

On the hand, organizational culture was based more on differences in norms and shared practices, which was learned at the workplace and considered as valid within the boundaries of a particular organization. Hence, in the context of organizational culture, cultural differences resided more on practices while national, the differences lie in values. In addition, according to Hofstede (1980), there were three factors that determined employees' behavior in the workplace: national culture, occupational culture and organizational culture.

Organizational culture practice was the most crucial factor that will determine organization success than national or occupational culture. The study of organizational culture should hence look into the differences in organizational culture which distinguished one organizational culture from another. Table 2 below shows the four dimensions of national culture values and the consequences of each dimension to organizations.

Table 2: Four Values According to Hofstede and their Organizational Consequences

Dimension	
1. The Power Distance Dimension	
Low (Australia, Israel, Denmark, Sweden, Norway)	High (Philipines, Mexico,Venezuela, India, Brazil)
• Less centralization	• Greater centralization
• Flatter organization pyramids	• Tall organization pyramids
• Smaller wage differentials	• Large wage differentials
• Structure in which manual and clerical workers are in equal jobs.	• Structure in which whilte-collar jobs are valued more than blue-collar jobs.
2. The Masculinity / feminity dimension	
Low (Sweden, Denmark, Thailand, Finland)	High (Japan, Australia, Venezuela, Italy, Mexico)
• Sex roles are minimized.	• Sex roles are clearly differentiated.
• Organizations do not interfere with people's private lives.	• Organizations may interfere to protect their interest.
• More women in more qualified jobs.	• Fewer women in qualified jobs.
Soft, yielding, intuitive skills are rewarded.	• Aggression, competition, and justice are rewarded.
• Lower job stress.	Higher job stress.
• Social rewards are valued.	• Work is valued as a central life interest.
3. The Individualism/collectivism dimension	
Low	High
• Involvement of individuals with organizations primarily moral.	• Involvement of individuals with organization primarily calculative.
• Employees expect organizations to look after them like a family and can become very alienated if organization dissatisfies them.	• Organizations are not expected to look after employees from the cradle to the grave.
• Organization has great influence on member's well-being.	• Organization has moderate influence on member's well being.
• Employees expect organization to defend their interests.	• Employees are expected to defend their own interests.
• Policies and practices are based on loyalty and sense if there is duty and group participation.	• Policies and practices should allow individual initiative.
• Promotion is from inside.	• Promotion is from inside and outside.
• Promotion is on seniority.	• Promotion is based on market value.
• Less concern with fashion in managerial ideas.	• Managers try to be up to date and endorse modern management ideas.
• Policies and practices vary according to relations.	
4. The uncertainty avoidance dimension	
Low (Denmark, Sweden, Great Britain, United States, India)	High (Greece, Portugal, Japan, Peru, France)
• Managers are more involved in strategy.	• Managers are less involved in strategy.
• Managers are more interpersonal oriented and flexible in the styles.	• Managers are more task-oriented and consistent in their styles.
• Managers are more willing to make individual and risky decisions.	• Managers are less willing to make individual and risky decisions.
• High labor turnover.	• Lower labor turnover.
• Lower satisfaction scores.	• High satisfaction scores.
• Less power through control of uncertainty.	More power through control of uncertainty.
• Less structuring of activities.	• More structuring of activities.
• Fewer written rules.	• More written rules.
• More generalists.	• More specialists.
• Variability.	• Standardization.
• Greater willingness to take risks.	• Less willingness to take risks.
• Less ritualistic behavior.	• More ritualistic behavior.

Source: Adopted form Hofstede (1991)

A fifth dimension had been added to the list (Hofstede, 1991) when Hoppe (1990) used the same measure in China. This dimension is Confucian Dynamism or long term/short term orientation dimension - the degree to which there is concern for the maintenance of traditional social orders (such as the family, the society), versus more individualist, liberal social orders based on negotiation, rather than obligation. Countries in the Far East tend to be more traditional than those in Western democracies.

The GLOBE Study

Hofstede's pioneering work had been incorporated and updated by the Global Leadership Organizational Behavior Effectiveness (GLOBE) Research Program (1992-2000). This research was a study of leadership and organizational culture of 825 organizations located in 62 countries (House et.al; 2004). The GLOBE research has the following dimensions, which included those five dimensions proposed earlier by Hofstde's (1980). These dimensions were defined as follows:

(i) Power-distance, degree to which power is expected to be equally shared.
(ii) Uncertainty avoidance, extent to which norms and procedures are relied upon to alleviate the unpredictable future events.
(iii) Individualism - collectivism, degree to which individuals are encouraged to be integrated into groups.
(iv) Gender differentiation, extent to which gender role differences are maximized or minimized
(v) Future orientation, extent to which future-oriented behaviors such as planning, investing and delaying gratifications are encouraged and rewarded.
(vi) Performance orientation, degree to which rewards are encouraged for performance improvement and excellence
(vii) Human orientation, degree to which individuals are encouraged to be fair, altruistic, generous, friendly and caring towards others.
(viii) Assertiveness, degree to which members are encouraged to be tough, confrontational, competitive and assertive, as opposed to modest and tender.

The four new dimensions added to Hofstede's four dimensions were future orientation, performance orientation, humane orientation and assertiveness. These four dimensions are explained below.

Future Orientation

Future orientation was derived from Kluckhohn and Strodtbeck (1961). The past, present, future orientation dimensions focused on the temporal orientation of most people in the society. This dimension was conceptually but marginally similar to Hofstede's (1988) Long-Term Orientation (House et al., 2004). Table 3 below shows the consequences of having higher/lower future orientation value.

Table 3: The Dimension of Future Orientation Dimension

Higher on Future Orientation, tend to	Lower on Future Orientation, tend to
• Have individuals who are more intrinsically motivated	• Have individuals who are less intrinsically motivated
• Have organizations with a longer strategic orientation	• Have organizations with a shorter strategic orientation
• Have flexible and adaptive organizations and managers	• Have inflexible and maladaptive organizations and managers
• View materialistic success and spiritual fulfillment as an integrated whole	• See materialistic success and spiritual fulfillment as dualities, requiring trade-offs
• Value the deferment of gratification, placing a higher priority on long-term success	• Value instant gratification and place higher priorities on immediate rewards
• Emphasize visionary leadership that is capable of seeing patterns in the face of chaos and uncertainty	• Emphasize leadership that focuses on repetition of reproducible and routine sequences

Source: Adopted from: House et.al.,2004

Humane Orientation

Human Orientation had its roots in the work of McCelland's (1985) conceptualization of the affinitive motive. The concept was defined as the degree to which an organization or society encouraged and rewarded individuals for being fair, altruistic, generous, friendly and caring towards others. Table 4 below shows the major connotations and variations of Humane Orientation values.

Table 4: Summary of Major Connotations and Variations of the Humane Orientation Values Differences in Terms of Organizational Practices and Values

High Humane-Orientation organization	Low Humane-Orientation Organization
• Informal relationships	• formal relationships
• Social control based on shared values and norms	• social control based on bureaucratic practices
• Practices reflect individualized considerations	• Practices reflect standardized considerations
• Mentoring and patronage support	• supervisory support
• Organizations are trusted more and are autonomous	• Organizations are controlled by legislation and unionization
• in human resource practices	• Organizations are restricted in their employee relations by the concept of *social* partners
• Organizations are relatively autonomous in their employee relations	• Greater influence of trade unions and the state on the business system
• Less influence of trade unions and the state on the business system.	• Lower emphasis on contractual sale of labor
• Higher emphasis on contractual sale of labor.	• Stakeholders' approach
• Shareholder's approach.	• Primary focus is on social responsibility
• Primary focus is profits.	• Organizational members prefer to be left alone to get jobs done
• Organizational members prefer to work with others to get jobs done.	

Source: Adopted from House et.al. (2004)

Assertiveness

The concept of assertiveness originated (in part) from Hofstede's culture dimension of masculinity versus feminity (House et al., 2004). In masculine societies, men were supposed to be assertive and tough and women were expected to be modest and tender. In contrast, feminity pertained to societies in which social gender roles overlap. According to House et al., (2004), assertiveness was an important culture dimension that was related both to issues of external adoption and especially to internal integration. It was an internal set of practices and values regarding the way in which people were seen to and ought to behave in relationships in group or community. Table 5 below shows the consequences of higher assertiveness versus lower assertiveness values and their consequences on the organization as adopted from House et al., (2004).

Table5: Higher Assertiveness versus Lower Assertiveness Values

Score Higher on Assertiveness, tend to:	Score Lower on Assertiveness, tend to:
• have sympathy for the strong	• have sympathy for the weak
• value competition	• value cooperation
• believe that anyone can succeed if he or she tries hard enough	• associate competition with defeat and punishment
• value direct and unambiguous communication	• Value people and warm relationships
• value being explicit and to the point in communication	• Speak indirectly and emphasize "face-saving"
• value expressiveness and revealing thoughts and feelings	• value ambiguity and subtlety in language and communication
• have relatively positive connotations for the *term aggression (*e.g.,aggression helps to win)	• value detached and self-possessed conduct
• have a just-world belief	• have far more negative connotations with the term *aggression* (e.g., aggression leads only to negative outcomes)
• try to have control over the environment	• have an unjust-world belief
• stress equity, competition, and performance	• Value harmony with the environment rather than control
• have a "can-do" attitude	• stress equality, solidarity, and quality of life
• emphasize results over relationships	• emphasize tradition, seniority, and experience
• value taking initiative	• Emphasize integrity, loyalty, and cooperative spirit
• reward performance	• view "merit pay" as potentially destructive to harmony
• expect demanding and challenging targets	• value who you are more than what you do
• believe that individuals are in control	• build trust on the basis of predictability
• value what you do more than who you are	• think of others as inherently worthy of trust
• build trust on the basic of capabilities or calculation	

Source: Adopted from House et.al. (2004)

Performance Orientation

Performance orientation dimension reflected the extent to which an organization encouraged and rewarded innovation, high standards and performance improvement. The dimension was rooted in the works of Weber (1964) in the Protestant Ethic and the Spirit of Capitalism (1904, 1930, 1998) where Weber tried to find the fundamental difference between the Catholics and Protestants and their approach to work and performance in the work place.

Performance orientation is an important dimension of culture because it relates to the issue of external adaptation and internal integration (House et al., 2004). It is an internally consistent set of practices and values that had an impact on the way a society defined success in adapting to external challenges, and the way society managed interrelationships among its people.

Table 6: The Performance Orientation versus Lower Performance Orientation Values

Score Higher on Performance Orientation, tend to:	Score Lower on Performance Orientation, tend to:
• Value training and development • Emphasize results more than people • Reward performance • Value assertiveness, competitiveness, and materialism • Expect demanding targets • Believe that individuals are in control • Have a "can-do" attitude • Value and reward individual achievement • Have performance appraisal systems that emphasize achieving results • View feedback as necessary for improvement • Value taking initiative • Value bonuses and financial rewards • Believe that anyone can succeed if he/she tries hard enough • Value that you do more than who you are • Attach little importance to age in promotional decisions • Value being direct, explicit, and to the point in communications • Have a monochromic approach to time • Have a sense of urgency	• Value societal and family relationships • Emphasize loyalty and belongingness • Have high respect for quality life • Emphasize seniority and experience • Value harmony with the environment rather than control • Have performance appraisal systems that emphasize intergrity, loyalty, and cooperative spirit • View feedback and appraisal as judgmental and discomforting • View assertiveness as socially unacceptable • Regard being motivated by money as inappropriate • View merit pay as potentially destructive to harmony • Value "attending the right school" as an important success criterion • Emphasize tradition • Have high value for sympathy • Associate competition with defeat and punishement • Value who you are more than what you do • Pay particular attention to age in promotional decisions • Value ambiguity and subtlety in language and communications • Have a polychromic approach to time • Have a low sense of urgency

Source: Adopted from House et.al. (2004)

Studies on Organizational Culture and Organizational Performance

In today's economy, firms are challenged to continuously offer a portfolio of innovative products and services. Despite the key role of portfolio innovativeness for corporate performance, firms differ in their focus on building innovation capabilities and generating innovation outcomes (Hambrick, 2007; Hambrick and Mason, 1984).Research of the link between organizational culture and performance had increased substantially during the past two decades (Lim,1995). In the 1980s, there were 'obsessions' by researchers to focus on the Strong Theory- a search for strong shared values in organization which were supposed to result in performance for the organization. Perters and Waterman (1982) claimed that high performance firms could be distinguished from low performance firms because they possessed certain cultural traits and 'strong culture'.

Similarly, Deal and Kennedy (1982) suggested that organizational performance can be enhanced by strong shared values. Their suggestions were criticized by Carrol (1982), Reyonds (1986), and Saffold (1988) who commented that 'a simple model' relating organizational culture to performance no longer fits- a more sophisticated understanding of the tie between culture and performance must be developed. In the 1990s, the "obsession" in testing the Theory of Adaptability (Denison (1991); Gordon and DiTomaso (1992); Denison(1990), Kotter and Heskett (1992) and Lee (2006), however, found inconsistent results on the link between culture strengths and organizational performance. Denison and Mishra (1995) and the Strong Culture Theory have again been criticized by other scholars.

For example, Wilderom and Berg (1998) argued that instead of striving for strong culture, researchers should attempt to reduce the gap between employees' preferred organizational culture practices and their perception of the organizational practices. Wilderom and Berg (1998) pointed out that the empirical evidence for the impact of the organizational performance using organizational culture practices was still limited, but it formed a fruitful basis for more refined organizational culture-performance research. The use of organizational cultural practice to assess organizational culture was supported by Hofstede (1990); House et.al. (2004); Pfeffer (1997) and Wilderom (1998). Researchers used different organizational dimensions to measure organizational culture although some of these researchers such as Gordon and DiTomaso (1992); Kotter and Heskett (1992); Denison and Mishra (1995) had utilized almost the same organizational cultural dimensions. Other researchers such as Rousse (1990); Calori and Sarnin (1991); Marcoulides and Heck (1992); Petty et.al.(1995) and Koene(1996) all developed different dimensions of organizational culture in their studies. They had also obtained inconsistent results about the link between organizational culture and performance (Calori & Sarnin, 1991; Petty et.al. (1995); Koene (1996).

In terms of sample, Denison and Mishra (1995); Gordon and DiTomaso (1992); Kotter & Heskett (1992), assessed organizational culture by using only managers or executives. This has been heavily criticized by a few scholars. For example, Ashkanasy (2000) argued that to study organizational culture, it was imperative that researchers investigate all levels of organizational members, representing all levels of staff of the organization. There was a need to use organization culture practice to study organizational culture-performance link because most studies link values to performance (Lee, 2006; Salzainna, 2004; Mazlina, 2004; Jaundi, 2000; Zila, 2001; Markannen, 2001; Sin & Tze, 2000; Kasa & Pihie, 1997; Denison & Mishra, 1995).

Between 1990 and 2007, more than 60 research studies covering 7619 companies and small business units in 26 countries have found that market culture and business performance are strongly related. This positive correlation is identified by more than 35 performance measures, including return on investment, revenue growth, customer retention, market share, new product sales, and employee performance. The evidence provides executives with an empirical basis for embracing a strong market culture as a means of creating a competitive advantage for their firms and the superior business performance that results. In one study, authored by Kotter and Heskett of Harvard Business School, it was reported that firms performance enhancing cultures grew their net income765 % between 1977 and 1988, as compared with 1% for firms without performance enhancing cultures over the same period (Gallagher et al.,2008).

Exhibit 1 below shows the percentage of growth in net income of the firms with enhancing performance culture compared to that in firms without enhancing performance culture. It reflects the effect of culture on growth in net income.

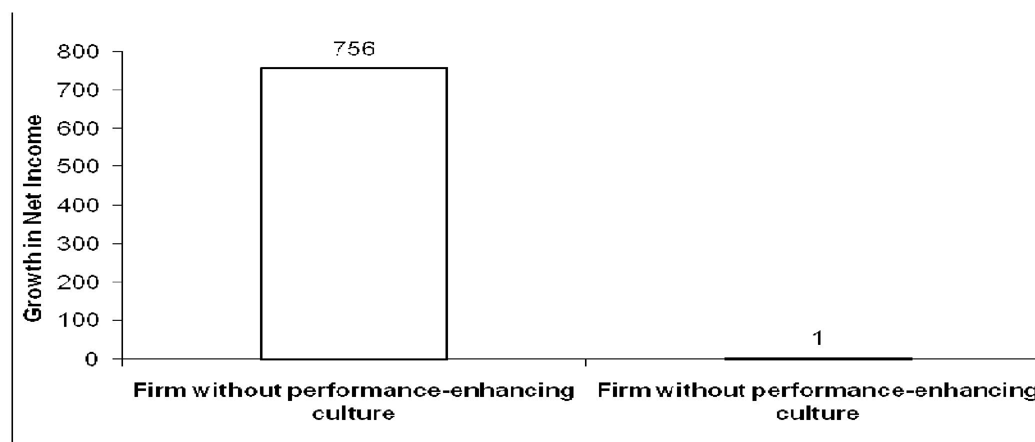

Exhibit 1: Effect of Culture on Growth in Net Income

Source: *Sean Gallagher et.al (2008)*

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