The Impact of Organisational Culture on Performance of Educational Institutions

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Abstract

Every organization has a culture-good or bad. However there is more to a good culture than happy staff. In order to aid long-term performance, there are three main criteria needed to develop a suitable culture: It must be strategically relevant; it needs to be strong in order that people care about what is important; and the culture must have an intrinsic ability to adapt to changing circumstances Culture impacts most aspects of organizational life, such as how decisions are made, who makes them, how rewards are distributed, who is promoted, how people are treated, how the organization responds to its environment, and so on. Culture influences people's attitudes and behavior at work. Culture is clearly an important ingredient of effective institutional performance. There is a close relationship between an organization's culture and its performance. The survival of any organization solely rest on its effectiveness and efficiency in utilizing the resources supplied by tax payers in serving her constituency. Amidst hard economic times and the stiff competition evidenced in the education sector in the twenty first century, any institution that endavours to survive must justify its existence through its performance. Numerous factors influence the ultimate performance of any education institution. One among these factors is the prevailing culture of an institution. However, very few institutional managers realise the weight that a culture of an institution has on its performance. This paper explores what is entailed in an institutional culture,measurement of an institutional culture, measurement of an institutional performance and the effect of an institutional culture on its performance.

Organizational Culture Defined

Organizational culture is the set of important assumptions-often unstated-that members of an organization share in common. There are two major assumptions in common; **beliefs and values**. **Beliefs** are assumptions about reality and are derived and reinforced by experience. **Values** are assumptions about ideals that are desirable and worth striving for. When beliefs and values are shared in an organization, they create a corporate culture (Azhar, 2003).

Robbins (1986) defines organizational culture as a relatively uniform perception held of the organization, it has common characteristics, it is descriptive, it can distinguish one organization from another and it integrates individuals, groups and organization systems variables. Organizational culture refers to a set of some commonly experienced stable characteristics of an organization which constitutes the uniqueness of that organization and differentiates it from others.

Organizational culture has been defined as the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization. Organizational values are beliefs and ideas about what kind of goals members of an organization should pursue and ideas about the appropriate kinds or standards of behavior organizational members should use to achieve these goals. From organizational values develop organizational norms, guidelines, or expectations that prescribe appropriate kinds of behavior by employees in particular situations and control the behavior of organizational members towards one another (Black & Richard, 2003).

Schein (2004) defines organizational culture as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way they perceive, think, and feel in relation to those problems. Organizational culture is generally considered to be, at its deepest level, a cognitive phenomenon, "the collective programming of the mind" (Hofstede, 1998) and "the basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously" (Schein, 1999). However, though organizational culture may reside in the collective minds of organizational members, it is manifested in tangible ways, such as behaviors, throughout the organization (Detert, Schroeder & Mauriel, 2000).

In an effort to understand the full complexity of organizational culture, researchers have attempted to identify the components that comprise an organization's culture. One component that recurs in descriptions of organizational culture is the values that are held by the members of the organization. Hofstede, Neuijen, and Sanders (1990) picture organizational culture as an onion, containing a series of layers, with values comprising the core of the onion. Trice and Beyer (1993) believe that values are part of the substance of organizational cultures, or the basic ideology undergirding a culture. It is believed that it is possible to examine the values that are held within an organizational culture (Hofstede, et al., 1990).

Influences on the Development of an Institution's Culture

The culture and structure of an organization develop over time and in response to a complex set of factors. There a number of key influences that are likely to play an important role in the development of any corporate culture. According to Chatman and Cha (1994), these include:-

History

The reason and manner in which the organization was originally formed, its age, and the philosophy and values of its owners and senior managers will affect culture.

Primary Function and Technology

The nature of the organization's "business" and its primary function have an important influence on its culture. This includes the range and quality of products and services provided, the importance of reputation and the type of customers. The primary function of the institution will determine the nature of the technological processes and methods of undertaking work, which in turn also affect structure and culture.

Strategy

The organization must give attention to objectives in all its key areas of operations. The combination of objectives and resultant strategies will influence, and may itself be influenced by culture.

Size

Usually larger institutions have more formalized structures and cultures. Increased size is likely to result to separate departments and possibly split-site operations. A rapid expansion, or decline, in size and rate of growth, and resultant changes in staffing will influence structure and culture.

Location

Geographical location and physical characteristics can have a major influence on culture. For example whether an institution is located in a quiet rural location or a busy city centre can influence the types of customers (students) and the staff employed. Location can also affect the nature of services (courses) offered by an institution.

Management and Leadership

Top executives can have considerable influence on the nature of corporate culture. However, all members of staff help shape the dominant culture of an institution, irrespective of what senior management feels it should be. Culture is also determined by the nature of staff employed and the extent to which they accept management philosophy and policies or pay only "lip service"

The environment

In order to be effective, the institution must be responsive to external environmental influences.

In order that leaders can develop, manage and change their culture for better performance, Chatman and Cha (1994) refers to the use of three managerial tools:-

- **Recruitment and selection**-hire people who fit the company's culture.
- **Social tools and training**-develop practices that enable new people to understand the values, abilities, expected behavioral and social knowledge in order to participate fully as an employee, and to create strong bonds among members.
- **Reward system**-Culture is an organization's informal reward system but it needs to be intricately connected to formal rewards. Example includes payment of commissions in front of customers/students and parents other staff to good performing employees.

The Assessment of an Institutional Culture

The competing values framework (CVF) is a model for cultural assessment developed from an analysis of Campbell's long list of effectiveness dimensions of organizations. An extension of the competing values framework is the organizational culture assesment instrument **(OCAI).** The Organizational Culture Assessment Instrument (OCAI) was developed by Cameron and Quinn(1999). It is a validated research method of examining organizational culture. The OCAI is a questionnaire that has six categories in which you distribute 100 points between four sub-items for each that represent the four competing values cultures, where: type A style indicates a clan culture, type B style indicates an adhocracy culture, type C style indicates a market culture while type D style indicates a hierarchy culture. A summary of the OCAI is depicted in table1.

Table 1: The Organizational Culture Assessment Instrument

1. Dominant organizational characteristics	A: Personal, like a family B: Entrepreneurial, risk taking C: Competitive, achievement oriented D: Controlled and structured
2. Leadership practices	A: Mentoring, facilitating, nurturing B: Entrepreneurial, innovative, risk taking C: No-nonsense, aggressive, results oriented D: Coordinating, organizing, efficiency oriented
3. Management practices	A: Teamwork, consensus, and participation B: Individual risk taking, innovation, freedom, and uniqueness C: Competitiveness and achievement D: Security, conformity, predictability
4. Organizational glue	A: Loyalty and mutual trust B: Commitment to innovation, development C: Emphasis on achievement and goal accomplishment D: Formal rules and policies
5. Strategic emphasis	A: Human development, high trust, openness B: Acquisition of resources,creating new challenges C: Competitive actions and winning D: Permanence and stability
6. Criteria for success	A: Development of human resources, teamwork, concern for people B: Unique and new products and services C: Winning in the marketplace, outpacing the competition D: Dependable, efficient, low cost

Source: Quinn and Cameron (1999)

Institutional Performance

According to Richard et al. (2009), organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, e.t.c.); product market performance (sales, market share, e.t.c.); and shareholder return (total shareholder return, economic value added). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development. Improving the productivity of an institution is essential to its survival in the competitive world. The purpose of all productivity related endeavors is to bring about lasting improvements in the performance of an education institution (Shrestha, 2005). Performance is something for which all education institutions strive for, regardless of their size. Small institutions want to get big, big institutions want to get bigger. Indeed, institutions have to grow at least a bit every year in order to accommodate the increased education needs that emerge over time.

With the passage of time, salaries increase and the costs of employment benefits rise as well. Even if no other institutional expenses rise, these two cost areas almost always increase over time. It is not always possible to pass along these increased costs to customers and clients in the form of higher fee. Consequently, performance and growth must occur if the institutions wish to keep up (Smart and St. John, 1996). Institutional performance has the potential to provide small education institutions with a myriad of benefits, including things like greater efficiencies from economies of scale, increased power, a greater ability to withstand market fluctuations, an increased survival rate, greater profits (for profit making institutions), and increased prestige for institutional members. Many small institutions desire performance because it is seen generally as a sign of success and progress. Institutional performance is, in fact, used as one indicator of effectiveness for small institutions and is a fundamental concern of many practicing managers (Smart and Hamm, 2003).

Smart and Hamm (2003) further state that, measuring performance in education is very important. They further observe that, if an academic institution wants to deliver quality graduates through the coursework they offer, then they should know how to do this accurately. If there is anything that an education institution should do, it should be the evaluation of its performance. This is very important, especially in the case of colleges and universities. This is because the quality of education being offered by these institutions is of vital importance because it is this quality that is instilled in the individuals that they produce in the corporate world in due time. Measuring performance in education is then an essential, and any person employed in the education industry would certainly attest to that.

Institutional performance, however, means different things to different institutions. There are many parameters an institution may use to measure its performance. Since the ultimate goal of most business organizations is profitability, most organizations will measure their performance in terms of net income, revenue, and other financial data. However most education institutions are for-no-profit and the institutional owners may use one of the following criteria for assessing their performance: number of employees, number of students, number of market driven programs, physical expansion, success of their programs, increased market share, financial sustainability among other parameters**.** Ultimately, success and performance of an institution will be gauged by how well an institution does relative to the goals it has set for itself (Richard et al., 2009).

Measurement of an Institutional Performance

The Performance-Based Management Special Interest Group (PBM SIG)(2001), defines performance measurement as the ongoing monitoring and reporting of a program accomplishments, particularly progress towards pre-established goals. It is typically conducted by program or agency management. Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), and/or the results of those products and services (outcomes). A program" may be any activity, project, function, or policy that has an identifiable purpose or set of objectives. Performance measures quantitatively tell us something important about our products, services, and the processes that produce them. They are a tool to help us understand, manage, and improve what our organizations do. Effective performance measures can let us know:

- How well we are doing,
- If we are meeting our goals,
- If our customers are satisfied,
- If our processes are in statistical control, and
- If and where improvements are necessary.

They provide us with the information necessary to make intelligent decisions about what we do (PBM SIG) (2001). Scholars and practitioners have constantly argued that both financial and nonfinancial measures should be used to determine the organizational performance (Harold, Darlene, 2004; Kaplan & Norton, 1992; Rajendar & Jun Ma, 2005). Performance is a broader indicator that should include productivity, quality, consistency, and so forth. On the other hand, performance measures can include results, behaviors (criterion-based) and relative (normative) measures, education and training concepts and instruments, including management development and leadership training for building necessary skills and attitudes of performance management (Richard, 2002).

According to the Management Systems (2004), the institutional effectiveness survey measures the extent to which an institution has developed the systems and structures needed to support its performance and/or stage of development.

It is often used in the institutional Audit/Assessment and the Strategic Planning Process to identify an institution's strengths and limitations along the following dimensions:

Markets

The extent to which the institution has identified its market (that is, customers/students it wants to serve) and whether the institution has developed a market niche (that is, a place in the market where the institution has a sustainable competitive advantage).

Products/Services

The extent to which the institution produces graduates to meet the needs of its chosen customer base (that is, market)

Resources

The extent to which the institution has developed effective procedures for acquiring and managing the resources needed to support its performance.

Operational Systems

The extent to which the institution has developed the systems needed to support its daily operations (for example, accounting, promotion, delivery, personnel, etc.).

Management Systems

The extent to which the institution has developed the systems (planning, performance management, organizational structure, and management development) needed to support its long-term performance.

Corporate Culture

The extent to which the institution has systems in place to explicitly manage its culture.

Financial Results

The extent to which the institution has the capacity and systems in place to effectively manage the financial aspects of the business. Numerous empirical studies show a strong positive relationship between employee satisfaction, customer satisfaction, and organizational performance as measured by employees and customer's self-reports to assess the effects of leadership behavior. As suggested by a wealth of findings, positive changes in employee satisfaction and customer satisfaction lead to positive changes in organizational performance. Therefore, employee satisfaction and customer satisfaction remain useful measures of organizational performance.

Organizational Culture and Institution's Performance

The business world is fascinated by culture. Academics have studied it. Authors have written about it. Great leaders know how to leverage culture to ensure wildly successful business outcomes. Conversely, well-documented case studies demonstrate how incorrect assumptions about organizational values can lead to misunderstandings at best and organizational value systems impact the way change happens, failed projects and lost profit at worst. In the frenzied quest for a silver bullet to understand what culture tells us about the way business should be conducted, there is little debate that organizational value systems have a powerful influence (Prosci, 2010).

One key fact about culture stands out: What is important to our organization? How are decisions made? Who is in charge? How does an employee relate to other employees and groups within our organization? What behaviors are rewarded and recognized? What is compensation based upon? The answers to these questions vary from country to country, from industry to industry, from organization to organization and from institution to institution. It is critical for all institutional managers to understand the underlying values of their institutions because these factors directly influence the institutional performance and how much work will ultimately be required to ensure successful outcomes for the institution (Prosci, 2010).It has been claimed that, "an organizational culture is so important to the organization that, in the long run, it may be the one decisive influence for the survival or fall of the organization" (Hofstede,1998), and that a " Culture matters because decisions made without awareness of the operative cultural forces may have unanticipated and undesirable consequences" (Schein,2002). Further, Schein (2002) has cautioned that researchers have underestimated the extent to which culture contributes to the performance of an organization, as either an asset or a liability and as the explanatory construct underlying numerous organizational phenomena.

Azhar (2003) asserts that the phenomenon which often distinguishes good organizations from bad ones could be summed up as “corporate culture.” He says that the well- managed organizations apparently have distinctive cultures that are, in some way, responsible for their ability to successfully implement strategies. He further observes that every organization has a culture (which often includes several sub-cultures) that exerts powerful influences on the behaviour of employees and managers. Organizational Culture can be one of the most important means of improving organizational performance. Organizational Culture has become very important in the last 25 years. Even though it is intangible in nature, it plays a role that is significant and affects employees and organizational operations. It may not guarantee success but companies with strong cultures have almost always, done better than their competitors. The fact that organizations may have a strong or weak culture affects their ability to perform strategically. Culture affects not only the way managers behave within organizations but also the decisions they make about the organization’s relationships with its environment and its strategy (McCarthy, Minichiello & Curran, 2000).

Pearce and Robinson (2004), observes that culture is a strength but can also be a weakness. As a strength, culture can facilitate communication, decision making and control, and create cooperation and commitment. As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. An organization’s culture could be characterised as weak when many subcultures exist, few values and behavioural norms are shared, and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty, and a sense of identity. Rather than being members of an organization, these are wage-earners. Traits exhibited by organizations that have weak cultures include: politicised organizational environment, hostility to change, promoting bureacraucy in preference to creativity and entreprenuership, and unwillingness to look outside the organization for the best practices (Kotter and Heskett, 2005). Rousseau (2000) asserts that, it is essential to recognize that large-scale organizational improvement does not occur in a vacuum or sterile environment. It occurs in human systems, organizations, which already have beliefs, assumptions, expectations, norms, and values, both idiosyncratic to individual members of those organizations and shared.

Deal (2005) referred to organizational culture as “the epicenter of change.” Harris (2002) believed this so strongly that she asserted that “Successful school improvement can only occur when schools apply those strategies that best fit in their own context and particular developmental needs”. Similar claims on the need to consider school climate and culture as part of the organizational change process are made by many of the leading authorities on school improvement, including Deal and Peterson (2004), who have demonstrated the pronounced effects of school climate and culture on the institutional change process. Deal and Peterson (2004) illustrated how dysfunctional school cultures, for example inward focus, short-term focus, low morale, fragmentation, inconsistency, emotional outbursts, and subculture values that supersede shared organizational values, can impede organizational improvement. Raduan (2008) observes that, a high degree of organization performance is related to an organization, which has a strong culture with well integrated and effective set of values, beliefs and behaviors. However, many researchers concurs that culture would remain linked with superior performance only if the culture is able to adapt to changes in environmental conditions. Furthermore, the culture must not only be extensively shared, but it must also have unique qualities, which cannot be imitated.

Azhar (2003) observes that organizational culture is presumed to have far-reaching implications for organizations performance, making it an important topic to understand. A foundational part of the substance of the organizational culture is its values, which are assumed to be unique to the organization. The culture prevailing in an organization has a serious bearing on its performance. He further observes that the fact that organizations may have a strong or weak culture affects their ability to perform strategically. He states that culture affects not only the way managers behave within an organization but also the decisions they make about the organization’s relationships with its environment and its strategy.

HRmarketer(2005) states that, studies have shown that organizational culture has a direct impact on other vital performance outcomes of any organization, including customer satisfaction and business growth and the strong effects of organizational culture are consistent across a wide spectrum of businesses and industries, from education institutions, churches, automotive sales and service and fast-food retailing to home construction and computer manufacturing. Corporate culture can affect an organization’s bottom line.

Mercer (1996) states that after studying the cultural, behavioural and performance traits of more than 1,000 companies worldwide, Denison found corporate culture can affect sales growth and business performance.

Several empirical studies have supported the positive link between culture and performance (Calori & Sarnin, 1991; Gordon & DiTomaso, 1992: Kotter & Heskett, 1992). Moreover, studies done by Chatman and Jehn (1994), Denison and Mishra (1995) and Kotter and Heskett (1992), have contributed significantly to the field of culture and performance studies whereby culture has been treated as variable for a specific research purpose. For example, Denison and Mishra (1995), utilizing a more rigorous methodology, discovered that cultural strength was significantly correlated with short-term financial performance. Schneider (1990) also found that the organizations that focuses clearly on the cultures are more successful. It is because focused cultures provide better financial returns, which include higher return on investment (ROI), higher return on assets (ROA) and higher return on equity (ROE).

The findings of a study on the relationship between corporate culture by Gordon and Christensen(1993) has also reported that industry moderates the link between corporate culture and performance. These findings have advanced understanding of the determinants and performance effects of corporate culture. However, Chow, Kato & Merchant (1996) observe that, there are some aspects of corporate culture that may enhance performance in one national setting, but they may not be effective, and may even be dysfunctional, in another. This implies that corporate cultures are not universal.

Conclusion

An institution's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicate to employees and students, and which values are shared widely across the organization. The three factors that seem to greatly contribute to the building up of a strong culture are; a founder or an influential leader who established desirable values, a sincere and dedicated commitment to operate the business of the institution according to these desirable values and a genuine concern for the well-being of the institution's stakeholders. From the foregoing discussion, there is no doubt that the type of culture prevailing in an institution has a great bearing on its performance.This calls for the development and perpetuation of a strong culture in an institution that supports high performance.

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