



Volume :2, Issue :4, 645-648
April 2015
www.allsubjectjournal.com
e-ISSN: 2349-4182
p-ISSN: 2349-5979
Impact Factor: 3.762

E.W. Chindia

Graduate, School of Business,
University of Nairobi. Kenya

F.N. Kibera

Prof., School of Business,
University of Nairobi. Kenya

Organizational Culture and Accuracy of Performance Forecasting in Large Manufacturing Firms, in Kenya

E.W. Chindia, F. N. Kibera

Abstract

This article explores the possibility of reducing and prioritizing dimensions of organizational culture in large manufacturing firms (LMFs) to a few basic characteristics for management to adopt in achieving accuracy of performance forecasting (APF). The objective was to reduce and prioritize elements of organizational culture for management to focus on in the development of a winning culture. APF is an aspect of manufacturing that is seldom derived correctly in many LMFs, in Kenya. However, since LMFs generally recruit skilled and experienced staff, this survey presumes that the presence of skilled manpower ensures APF in preparing budgets. Therefore, management can prioritize cultural dimensions to minimize the confusion brought about by the many elements of culture in order to manage operations effectively. The study identified the multiple dimensions of culture in LMFs and by using factor analysis, reduced these into a smaller number of factors. Factor analysis was done after collecting data using a structured questionnaire administered among randomly selected LMFs, in Kenya. Results of the analysis indicated that dimensions of organizational culture can be condensed into two basic groups of factors where the most important cultural practices are: suitability performance and efficiency, success in business, management focusing on internal integration, and management placing a premium on collaboration.

Keywords: Organizational Culture, Accuracy of Performance Forecasting, Large Manufacturing Firms

1. Introduction

As people work together to accomplish goals, groups develop into organizations. As goals become more specific and longer-term, and work more specialized, these organizations become both more formal and institutionalized. These organizations tend to take on a life of their own and widely held beliefs, values, and practices develop, differentiating one organization from another and often affecting the larger organization's performance. An organizational culture is therefore, defined as the shared assumptions, values, and beliefs that guide the actions of its members.

Organizational culture tends to be shaped by the founders' values, the industry and business environment, the national culture, and the senior leaders' vision, behavior and ethical values. Large organizations usually have a dominant culture that is shared by the majority of the organization and subcultures represented by groups of individuals with unique values or beliefs that may or may not be consistent with the dominant culture. Subcultures that reject the dominant culture are called countercultures. Strong organizational cultures are those where the core values of the dominant culture are strongly believed by the great majority of organizational members. A strong culture tends to increase behavior consistency and, possibly, reduce turnover. However, strong cultures may be less adaptive to change, creating barriers to diversity, and may even create barriers to successful acquisitions and mergers.

Some dominant characteristics of organizational culture include, management focusing on internal integration, management focusing on success in business, suitability performance and efficiency, management placing a premium on collaboration, success means unique products, long-term emphasis on empowerment, innovation and risk taking are embraced. This study seeks to establish if the various dimensions of culture can be condensed into a smaller number or be prioritized for organizational effectiveness.

There are also many practices within an organization that tend to keep a culture alive and measure the cultural fit between the organization and its employees. Many of the human resource practices such as selection, performance appraisal, training, and career development reinforce the organization's culture. Organizational beliefs also tend to influence the work norms, communication practices, and philosophical stances of employees. Organizations use a process called socialization to adapt new employees to the organization's culture. If employees do not adapt well, they feel increasing pressure from supervisors and from coworkers who are

Correspondence:

E.W. Chindia

Graduate, School of Business,
University of Nairobi. Kenya

better acculturated. They might stay and fight, stay and become isolated, or leave the organization, voluntarily or involuntarily, and look for a different organization whose culture they fit better. In contrast, employees who understand and share the organization's values have a better basis for making choices that match the firm's goals. Many organizations compete through innovation. When most employees understand and support the organization's expectations, less time is spent explaining, instructing, and building consensus before trying something innovative. Moreover, the error level will be lower in most cases. Employees who are well acculturated also find their work more meaningful. They are part of, and contributing to, something larger than themselves. Thus, a good cultural fit between employees and the organization contributes to employee retention, organizational productivity, and profit.

There is the idea that organizations' cultures came originally from ethnography, the study and description of human social cultures. Individuals in societies took on specific "roles," such as "omwami" or ruler, priest, historian, or teacher. In organizations, similar roles emerge. The historian or storyteller, for instance, is usually a longtime employee who narrates inspirational stories about the company's early years or its evolution. Embodied in the stories are many of the core values that permeate the organization. This "organizational folklore" includes oft-repeated stories about the founder, a long-term Chief Executive Officer (CEO), a dramatic firing, or an individual who rose through the ranks very quickly owing to some attribute highly valued by the firm. An organization's success stories yield "role models" for the ambitious.

Organizations develop "rites and rituals" comparable to traditional activities within an ethnic culture. Whereas some organizations might emphasize award ceremonies, others might de-emphasize explicit recognition and affiliation behaviors. Still others might foster "management by walking about (MBWA)," whereby managers spend frequent one-on-one time away from their desks giving praise or criticism to individuals. As another example, lunch with the president might be a longstanding tradition, although the amount of actual communication will vary from organization to organization according to unwritten rules about who talks to whom. Although all organizations have both formal and informal communications networks, organizational culture strongly affects the content, reliability, and influence of the informal network or "grapevine". When information through formal channels is scarce, the grapevine carries heavier traffic. Leaders aware of culture's importance try to find ways to tap and monitor the grapevine and sometimes use the grapevine by adding information to it.

Literature Review

There are many dimensions of organizational culture that have been defined. For example, in their study Chatman and Jehn (1994) identified seven primary characteristics that define an organization's culture: innovation, stability (maintaining the status quo versus growth), people orientation, outcome orientation, easygoingness, detail orientation, and team orientation.

Organizational culture is therefore, the behavior of humans within an organization and the meaning that people attach to those behaviors. According to Needle (2004), organizational culture represents the collective values, beliefs, and principles of organization members and is a product of such factors as history, product, market, technology and strategy,

type of employees, management style and national culture. It includes the organization vision, values, norms, systems, symbols, assumptions, beliefs and habits. Ravasi and Schultz (2006) wrote that organizational culture is a set of shared assumptions that guide what happens in organizations by defining appropriate behavior for various situations. It is also the pattern of such collective behavior and assumptions that are taught to new organization members as a way of perceiving and, even thinking and feeling. Thus organization culture affects the way people and groups interact with each other, clients, and with stakeholders. In addition, organization culture may affect how much employees identify with an organization.

Schein (1992), Deal and Kennedy (2000) and Kotter (1992) advanced the idea that organizations often have very differing cultures as well as subcultures. Although a company may have its "own unique culture", in larger organizations there are sometimes co-existing or conflicting subcultures because each subculture is linked to a different management team. Johnson and Scholes (1984) defined corporate culture as being 'the deeper level of basic values, assumptions and beliefs that are shared by members of an organization'. These values, assumptions, attitudes and beliefs are reflected within an organizational culture. In fact, they are manifested in many ways such as the rites, rituals and routines that take place within an organization, the language used, the stories, legends and myths that are told and re-told, the symbols, logos and artefacts that are found throughout the company.

Therefore, an organizational culture is considered to be a set of collective norms that govern the behavior of people within the company. An organizational culture is characterized by members' shared ability to understand specific concepts within the organization (Karathanos, 1998). The key feature is that culture is taught to new members as the correct way to behave, thus perpetuating organizational survival and growth (Maull *et al.*, 2001). Harrison (1972) suggested that there are four main types of organizational culture. These are: power, role, task and person. Handy (1978) reworked Harrison's ideas and described the four cultures using single pictograms and making reference to Greek mythology. This simple way of representation has made scholars, students and practitioners understand how organizations work.

Power culture is characterized by a single source of power from which rays of influence spread throughout the organization. Role culture is characterized by bureaucracy, where its strength lies in its functions or specialists, which are coordinated and controlled by senior executives. Rules, procedures and job descriptions dominate the internal environment. Task culture is characterized by accomplishing the job in hand by availing resources to make the project successful. The tasks are based on having experts rather than position or charisma to perform the job. Person culture is characterized by a group of people who come together to champion their own interests rather than on an individual basis.

Corporate culture has been acknowledged as an important component of organizational success (Gore Jr, 1999; Corbett and Rastrick, 2000; Lim, 1995). In particular, "corporate" or "organizational culture" was used to explain the economic successes of Japanese over American firms, through the development of a highly motivated workforce, committed to a common set of core values, beliefs and assumptions (Denison, 1984; Furnham and Gunter, 1993). Ouchi (1981) considers organizational culture to be a key determinant of

organizational effectiveness. Deal and Kennedy. (1982), and Peters and Waterman (1982), supported the idea that excellent companies tended to have strong cultures. Hampden-Turner (1990) suggested that the most significant functions of culture include: conflict reduction, co-ordination and control of organization. Likewise, Sathe (1985a) argued that an organization's culture can also be a liability if shared beliefs, values and assumptions can interfere with the needs of the business. Culture, therefore seems to play a central role in binding together the elements of the organizational climate.

Hypothesis

The hypothesis tested in this study was that dimensions of culture in large manufacturing firms can be reduced to a smaller number and prioritized to achieve accuracy of performance forecasting.

Problem of Research

Forecasting in large manufacturing firms is the establishment of future expectations by the formation of opinions or use of past data. While forecasting has become a challenging concept in the study of enterprises, Vorhies and Morgan (2005) and Ansoff (1987) state that since the environment is constantly changing, it is imperative for organizations to continually adapt their activities in order to succeed. With rapid and often unpredictable changes in economic and market conditions, managers make decisions without knowing what will exactly happen in future. The various dimensions of organizational culture can either enhance or reduce effective organizational performance resulting in either accuracy of performance forecasting or deviations between forecasts and actual outcomes. This study therefore, addressed the question: Can characteristics of organizational culture in LMFs be condensed to a smaller number and prioritized to yield accuracy of performance forecasting (APF)?

Methodology of Research

General Background of Research

The study was a descriptive cross-sectional survey using the positivist research philosophy.

Sample of Research

The sample frame comprised 487 large manufacturing companies, in Kenya, with at least 100 employees each (Gray *et al.*, 1997). Sample size was calculated using a Table by Krejcie *et al.* (1970) which resulted in 217 firms to be surveyed having been selected using a proportionate stratified random sampling technique. Each target firm in a sector and geographical location was selected using a simple random sampling process (Sekaran, 1992).

Instrument and Procedures

The study used both primary and secondary data obtained from the target sample through a structured questionnaire that was hand-delivered to the selected teams of managers within the 217 respondent LMFs. Responses were received from 176 LMFs, that is, 81 per cent response rate was achieved. Prior to administering the research instrument, the instrument had been piloted on 10 LMFs to help in identifying any ambiguous and unclear questions. Respondents were assured of a high degree of confidentiality and anonymity of the responses.

Data collection included respondents either completing the questionnaires on their own or in the presence of the researcher, in their respective locations. Primary data included elements of organizational culture practiced in the LMFs and secondary data involved collecting existing performance data from published and unpublished reports over a period of one year. These metrics addressed the objective of the study.

Data Analysis

Factor analyses was used to reduce a set of variables on organizational culture to a smaller number of factors which could be easily interpreted and used across most LMFs. To achieve this, a linear transformation on the factor solution – orthogonal rotation – was done resulting in fewer uncorrelated components.

Results and Discussion

This study set to test the role of organizational culture as a factor in forecasting for accuracy within LMFs. Below were the findings, where the Kaiser-Meyer-Olkin (KMO) measure of sampling accuracy value was statistically significant with a p-value of 0.000, where the theoretical p-value is less than 0.050.

Table 1: Organizational Culture - Kaiser-Mayer-Olkin and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.806
Bartlett's Test of Sphericity	Approx. Chi-Square	443.124
	Df	21
	Sig.	0.000

Table 2 illustrated that the principal components extracted in relation to organizational culture were in two categories. In category one, the most important variables were: suitability performance and efficiency, success in business, management focused on internal integration, and management placed a premium on collaboration - with a factor loading of 3.17; while in category two the most important variables were: innovation and risk taking, long term emphasis on empowerment and success meant unique products, all with a factor loading of 1.924.

Table 2: Organizational Culture – Factor Reduction

Component	Factor Description	Factor Loadings	Priority
1	(i) Management focuses on internal integration	0.871	1
	(ii) Management focuses on success in business	0.852	2
	(iii) Suitability performance and efficiency	0.765	3
	(iv) Management places a premium on collaboration	0.682	4
2	(i) Success means unique products	0.775	1
	(ii) Long-term emphasis on empowerment	0.580	2
	(iii) Innovation and risk taking are embraced	0.569	3

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization
Rotation converged in 3 iterations
Principal components analysis revealed the presence of two components with eigenvalues exceeding 1, explaining 16

percent and 3 percent of the variance respectively. An inspection of the scree plot revealed a clear break after the second component, see figure 1 below.

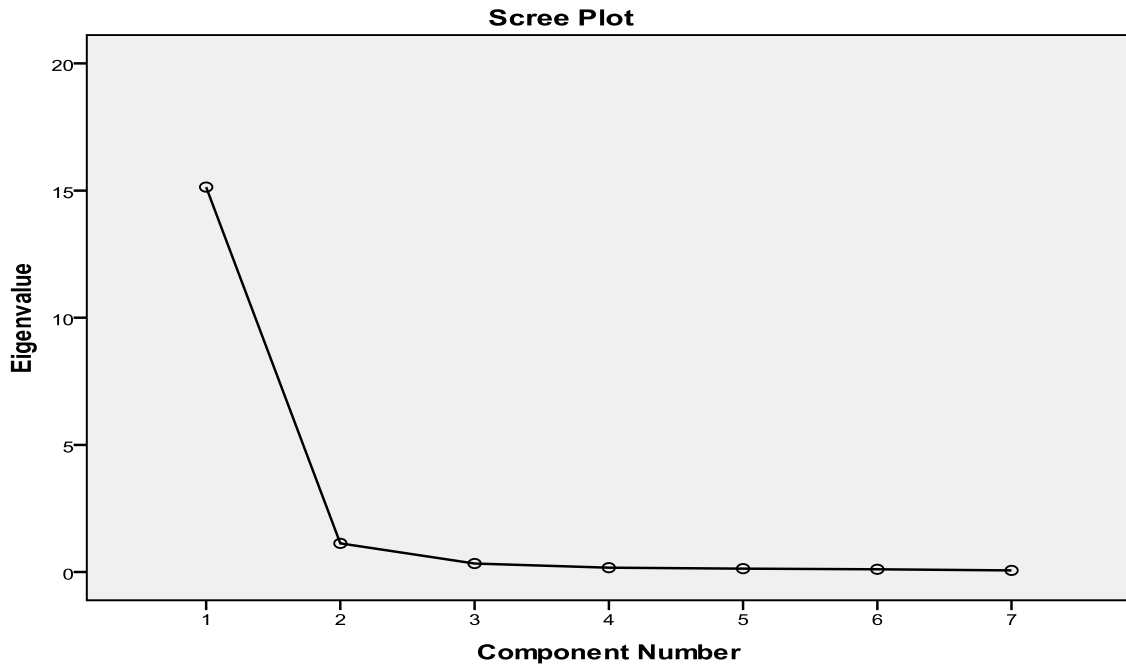


Fig 1: Principal Components Analysis – Organizational Culture

References

1. Chatman J. A. and Jehn K. A. (1994): Seven characteristics that define an organization's culture.
2. Corbett, L. M. and Rastrick, K. N., (2000): Quality Performance and Organizational Culture. A New Zealand study. *International Journal of Quality and Reliability Management* 17(1), 14-26.
3. Deal, T. and Kennedy, A. (1982): *Corporate Cultures: The Rites and Rituals of Corporate Life*. Addison-Wesley, Reading, MA.
4. Denison, D. R. (1984), "Bringing corporate culture to the bottom line", *Organizational Dynamics*, Vol. 13 No. 2, pp. 5-22.
5. Furnham, A. and Gunter, B. (1993), Corporate culture definition, diagnosis and change. *International Review of Industrial and Organizational Psychology*, 8, 233-261.
6. Gore, E. W. Jr., (1999): Organizational Culture, TQM, and business process reengineering: An empirical comparison. *Team Performance Management. An International Journal* 5 (5), 164-170.
7. Hampden-Turner, C. (1990), "Corporate culture for competitive edge", *Economist*, London.
8. Handy, C. (1978), *Model of Organizational Culture*
9. Handy, C. (1993), *Understanding organizations*, Penguin, Harmondsworth.
10. Harrison, R. (1972), "Understanding your organization's character", *Harvard Business Review*, Vol. 4, pp. 119-28.
11. Johnson, G. and Scholes, K. (1999). *Exploring Corporate Strategy*. (5th ed). Prentice Hall.
12. Karathanas, P., (1998): Crafting corporate meaning (developing corporate culture). *Management Decision* 36(2), 123-132.
13. Kotter, J. P. and Heskett, J. L. (1992): *Corporate culture and performance*.
14. Lim, B. (1995), A critical review of the methodologies and findings of recent researchers into the presumed link between culture and performance.
15. Maull *et al.* (2001), Organizational culture and quality improvement. *International Journal of Operations and Production Management*, vol.21, no.3.
16. Needle, D. (2004): *Business in context: An introduction to Business and Its Environment*. ISBN 978 – 1861529923.
17. Ouchi, W. (1981): *Theory Z: How American Business Can Meet the Japanese Challenge*.
18. Peters, T. J. and Waterman, R. H. (1982): *In Search of Excellence; Lessons from America's Best Run Companies*. New York: Harper & Row, 1982.
19. Ravasi, D. and Schultz, M. (2006): "Responding to organizational identity threats: Exploring the role of organizational culture". *Academy of Management Journal* 49(3): 433-458.
20. Sathe, V. (1983): *Implications of Corporate Culture: A Manager's Guide to Action*. *Organizational Dynamics*, 12 (1983) pp.4-23.
21. Schein, E. H. (1992): *Organizational Culture and Leadership: A Dynamic View*. San Francisco: Jossey-Bass, 1995.