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Shared Values and Organizational Performance of Nigerian Companies: An Empirical Analysis

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Abstract: In this study, an attempt is made to demonstrate the relationship between shared values and organizational performance. With data from randomly selected companies quoted on the 1st tier of the Nigerian Stock Exchange (NSE), this study empirically established, using the ordinary least square, a positive relationship between shared values and organizational performance. The practical implication of this finding is that the value system of an organization impacts positively on organizational performance. Consequently, the paper calls for an improvement in the communication and sharedness of organizational values among organization members.

Key words: Organizational culture, firm performance

INTRODUCTION

Peters and Waterman (1982) see culture as shared values: basic beliefs, overriding values. This is what Pascale and Athos (1981) refer to as superordinate goals. Robbins (1990) also sees organisation culture as a system of shared meaning. Akerele (1991) says culture of a people is not limited to their art, music, food and dance. It refers to the totality of the people, their habits, beliefs, laws, customs, values, attitude and the behaviour of the individual members of the society. In the light of these definitions, in this study, culture was viewed as shared meanings.

Some studies have also been conducted in Nigeria to determine relationships between organisational performance and some organizational practices. Inanga and Soyibo (1982) studied the effect of size on profitability; while Iyiegbuniwe (1988) studied firm size and profitability. Akhile (1989) studied the relationship between selected size, structure and performance indicators in Nigerian insurance companies and Prince-Abbi (2002) studied organizational culture and corporate effectiveness.

The objective of the study is to empirically determine the relationship between sharedness of organizational values among organization members and organizational performance of companies quoted on the 1st Tier of the Nigerian Stock Exchange.

There are many definitions of culture and no consensus yet on its scope (Mullins, 1996; Brown, 1998). According to Gatley *et al*. (1996), lack of consensus in the study of culture begins with the initial problem of definition. However, we shall present a sample of these definitions to aid our understanding of the concept of culture. O'Reilly and Chatman (1996) define organizational culture as a system of shared values (that define what is important) and norms (that define appropriate attitudes and behaviours) for organizational members (how to feel and behave). Gallagher *et al*. (1997) see culture as the system of meanings which are shared by members of human grouping and which define what is good and bad, right and wrong and what appropriate ways are for members of that grouping to think and behave. Iguisi (1994) sees culture as a shared way of being, evaluating and doing what is passed from one generation to another. Culture embraces the concept of morality, determining for each group that which is right and that which is wrong. Prince-Abbi (2002) sees culture as the integrated pattern of knowledge, beliefs, values, behaviour and collective worldview that members of the organization have in common.

Having given some definitions of culture we will now examine the characteristics of culture such as strength, adaptability, dominance, sustainability, change and its function.

An organisation's culture could be strong or weak (Robbins, 1990; Kotter and Heskett, 1992; McOliver and Nwagwu, 2000). A culture is considered strong if the set of norms and values are widely shared and strongly held throughout the organization (O'Reilly, 1989; Gordon and DiTmosa, 1992; Kotter and Heskett, 1992; O'Reilly and Chatman, 1996). The strength of culture is determined by the degree of sharedness and intensity. The more members that accept the core value and the greater their commitment to those values the stronger the culture. According to Schein (1984) young organisations or those with high staff turnover will have weak culture because they do not have adequate shared experience to create common meanings. To be effective an organisation's culture, strategy, environment and technology must be properly aligned and the stronger the culture the more important it is that these variables be aligned (Robbins, 1990). Since a strong culture increases behavioural consistency, it could be a powerful means of implicit control and can be a substitute for formality (Weick, 1987; Robbins, 1990; McOliver and Nwagwu, 2000; Sorensen, 2002). Therefore, the stronger an organisation's culture the less is the need for developing formal rules to guide the conduct of employees. A strong culture enables an organisation to achieve excellent performance (Browu, 1998). Deal and Keunedy (1983) believe that the impact of a strong culture on productivity is amazing. In the extreme, we estimate that a company can gain as much as one or two hours of productive work per employee per day. Explanations on how a strong culture leads to high performance have been given by various authorities (O'Reilly, 1989; Kotter and Heskett, 1992; O'Reilly and Chatman, 1996; Browu, 1998; Sorensen, 2002) as: a strong culture facilitates goals alignment; leads to high level of employee motivation; is better able to learn from its past and enhances coordination and control within the organization.

The problems associated with strong culture have led to other alternatives being suggested (Brown, 1998). For an organisation to be continuously successful, it must not only have a strong culture, but also its culture must be appropriate and adaptable to its environment (Kotter and Heskett, 1992). The relationship between culture and performance is so complex and dependent on so many variables that an almighty cultural success formula does not exit (Browu, 1998). These many other variables include but are not limited to strategy, structure, systems, style, skills and staff.

An organisation has both dominant and sub cultures (Robbins, 1990; Luthans, 1992; Kotter and Heskett, 1992; McOliver and Nwagwu, 2000). A dominant culture is the culture shared by a majority of the members. Dominant culture, the macro view of culture, gives an organisation its distinct personality (Robbins, 1990). A sub-culture is a culture shared by minority of organisation's members and develops to reflect common problems, situations, or experience members face. A sub-culture can weaken and undermine an organisation if it is in conflict with the dominant culture and/or the corporate objectives.

Three factors, which play an important role in sustaining organisational culture, are selection practices, the socialization method and the action of top management (Robbins, 1990; Hersey *et al*., 1996; McOliver and Nwagwu, 2000). By selection practices each organization seeks to identify and employ only those persons they think could fit into their culture. Culture could be communicated within an organisation through socialisation or what Mintzberg (1979) calls indoctrination. Socialisation is the process by which new members learn the value system, the norm and the required behaviour pattern of society, organization, or group which he is entering (Schein, 1968). The actions of top managements reinforce positive culture and discourage bad and unwanted culture (Pascale and Athos, 1981; Morgan, 1986).

Kotter and Heskett (1992) stipulate that although tough to change, corporate culture can be made more performance enhancing. Prince-Abbi (2002) corroborates that it is tough to change culture. However, Kotter and Heskett (1992) opine that three characteristics-effective leadership, outsider perspective and insider resources-acting together are required to successfully change organizational culture. They report that in eleven cases, which they studied that major changes began after individuals who had track records for leadership were appointed heads of their various organizations. Effective leaders change their strategies and culture to make their organizations more competitive. In addition to effective leadership, all eleven of the executives reported on, either came from outside their organizations, came to their organizations after an early career in some other place, grew up from outside the core of their organizations, or were unconventional in some way. To some degree, they introduced outside perspective. This is changing the management frame or the genetic coding of an organization (Harrari, 1999). Furthermore, Kotter and Heskett (1992) state that the larger the organization, the more likely it is that the new leader has an insider background, with accompanying credibility, relationships and power base. Insider resources can quickly be accumulated in small organizations if the new leader is from outside. It is easier to change the more visible level of culture than to change the deeper and less visible level. Hofstede (1984) is of the view that one of the most effective ways of changing mental programs of individuals is to change the behaviour first. Schein (1985) states that considerable changes can take place in organization's operations without the cultural paradigm changing at all. Managers can influence the culture of their organisation by being aware of the symbolic consequences of their action and by fostering the desired values (Pascale and Athos, 1981; Morgan, 1986).

As Schein (1984) puts it what culture does is to solve the group's problems of survival and adaptation to external enviroument and integrate its internal processes to ensure the capacity to continue to survive and adapt. Martin and Siehl (1990) stipulate that managers are interested in culture because it provides history and can be used to guide behaviour at work, establish commitment to management values, as control mechanism and might possibly relate to productivity and profitability. The culture of an organisation is important not only because it propels employees to be committed and give their best but it also premises all its policies and actions. Peters and Waterman (1982) state that the resilience of great organizations depends not on the form of organization or administrative skills but on the power of what we can call beliefs and the appeal these beliefs have for its people. Kotter and Heskett (1992) state that Cultures can exert a powerful effect on individuals and on performance. Brown (1998) believes that culture is a means to effective organizational performance. Denison (1990) suggests that four different aspects of organizational culture (involvement, consistency, adaptability and mission) affect organization performance.

Kotter and Heskett (1992) build on the ideas of Denison (1990) and argue that performance enhancing cultures are those that have many shared values and practices, are able to adapt to changes, strategically appropriate and which value both large stakeholders and effective leadership at all levels. Erickson (2000) indicates that when there is congruence between management's values and those of the employees' performance is higher but when there is incongruence performance is lower. Sorensen (2002) opines that the relationship between culture strength and performance reliability depends on how the organisation is able to learn from its experience and changes in the environment. Kotter and Heskett (1992) identify the results of four studies on the relationship between culture and long-term economic performance. They suggest that (1) there was a positive correlation between organizational culture and long-term economic performance but it was extremely weak (2) they found a number of organizations with strong cultures yet performed poorly (3) they also found organizations with weak cultures which also performed well and (4) their analysis of these organizations suggest that not only can strong culture lead an organization into decline but also weak culture are not necessarily an economic disadvantage. Prince-Abbi (2002) is of the view that the effectiveness of an organization is strongly influenced by the organizational culture. The strong influence of culture on organizational performance is because culture imposes coherence, order, meaning and focus on the organization which reduces wastage of scarce resources such as time, materials and labour.

We see that though the definitions and perspectives differ there are some consensuses. There is agreement that culture is significant meanings shared by members of a society, an organization, or any other unit of analysis that are transmitted from generation to generation through socialisation and as Udo-Aka (1985) indicates management principles and practices are culture-bound.

MATERIALS AND METHODS

The research population comprised companies quoted on the Nigerian Stock Exchange. There were twenty six industrial categories in the 1st Tier Securities as at December 31st, 2005 when this study was undertaken. Each of them comprised listing of between one company as in commercial/service industry and thirty-eight as in banking industry. There were two hundred and three (203) listed companies as at that date.

A sample of the research population was taken since time and costs were constraints. Great care was exercised to get a fair representation of the population as sample. Consequently, proportional stratified sampling method was utilized in selecting participating companies. Six industrial sectors of banking, insurance, food/beverages and tobacco, healthcare, industrial/domestic products and packaging were sampled. Fifty three companies were selected from the six industrial sectors of banking 19 (38), insurance 11 (23), food/beverages and tobacco 7 (13), healthcare 6 (11), industrial/domestic products 6 (12) and packaging 4 (8). The number sampled is immediately beside the name of the industries while the number of the listed companies in each industry is in parenthesis. These industrial categories and the organizations sampled were selected by the lottery method. The Chief Executive Officers (CEO) of each of the companies or their designated representatives were the respondents. These categories of respondents were selected because the organization was our unit of analysis and the persons occupying these positions were not only expected to be knowledgeable about the variables we were interested in; they were also the driving force for each of the organizations.

We used both ex-post facto and cross-sectional survey research methods as our data collection methods. Both primary and secondary data were used in the conduct of this research. The primary data were from the responses to questionnaire administered to selected sample as indicated earlier. The secondary data were obtained from the financial statements of the selected companies for 2005 from which we calculated organizational performance. Table 1 shows the spread of the administered questiounaires, the responses of each industry and the response rates.

Table 1 shows that the total number of quoted companies of the six industries selected were 105. The proportional stratified sample of the population at 51% was 53 companies. The response rate of each industry ranged from 63% in banking industry to 100% in packaging. At the end, 40 questiounaires or 75% of the sample size were returned and usable.

Table 1: Spread of administered questionnaires and responses

Industry	No. of quoted companies	Sample administered (51%)	Responses	% of response
Industrial/Domestic products	12	6	5	83
Food/Beverages and tobacco	13	7	6	86
Healthcare	11	6	5	83
Packaging	8	4	4	100
Insurance	23	11	8	73
Banking	38	19	12	63
Total	105	53	40	75

Source: Author's Fieldwork

The content and internal validity of the research instrument were assessed by a panel of senior academics. The panel examined and agreed that each question and each response option accurately reflected the measurement of the research variable. After the conscientious review of the instrument by the panel, we reflected their opinions in the amendments effected to the original questionnaire. In addition to using panel of judges, we pre-tested the instrument with some executives of organizations.

Reliability (internal consistency) was tested using the cronbach's coefficient. The cronbach's alpha of the variable, which should not be less than 0.7 (Nunnally, 1978; Fron *et al*., 1992) was 0.79.

Organizational performance was defined as return on total assets (ROTA). Shared values was defined as the sharedness of organizational values which are communicated to the members of the organization. The dimensions of share values measured include sharedness, communication and strength. Eleven Likert type questions obtained from Kotter and Heskett (1992) and Luthans (1992) were used to measure shared values. In the measure, 1 meant values were not effectively communicated and shared among organization members. 5 meant that values were effectively communicated and shared among organization members. The degree of sharedness of organizational values among the members measures the strength of culture. Thus the more the average score tended towards 5 the more effective the communication, sharedness and strength.

The Ordinary Least Square (OLS) regression models were used in the analyses of data collected. The form suitable for the empirical testing of the data was stated as:

$$P = a_0 + a_1S + u$$

Where:

P	=	Return on total assets
a_0	=	A constant
S	=	Shared values (sharedness of organizational values among organization members)
u	=	Error term
a_1	=	Coefficient of the research variable

$a_1, > 0$

The sample was divided into two groups: finance and non-finance groups. Finance group included banking and insurance industries while the non-finance group included industrial/domestic products; food/beverages and tobacco; healthcare; and packaging industries.

Research Hypothesis

The research hypothesis tested was stated as:

Sharedness of organizational values among organization members is positively related to organizational performance.

RESULTS

In this section we present the analyses of data acquired. The descriptive statistics for the entire survey indicated that the mean and standard deviation of the independent variable (shared values) were 3.57 and 0.52, respectively. The moderate mean value of shared values shows that the value system were not effectively communicated and shared among organization members. The regression results of the entire survey were:

$$\text{ROTA} = -0.23 + 0.59\ S \qquad (1)$$
$$(-2.956)\ (4.506)^*$$

$R^2(\%) = 34.8$
$F = 20.303^*$

Equation 1 demonstrates that shared values (S) had a positive and significant relationship with organizational performance (ROTA) at $p<0.05$. Shared values (S) accounted for 34.8% variation in ROTA. The F value denotes that shared values (S) explained a significant amount of the variation in ROTA at $p<0.05$.

In order to better appreciate the relationship under investigation, we divided the entire sample into two groups: finance and non-finance and ran separate regressions for them.

Finance Group Regression Results

The descriptive statistics of the finance group were mean 3.24 and standard diviation 0.40. Considering the 5-point scale used, the mean value was moderate. The moderate value of shared value were not properly emphasized and communicated to members of organizations in finance group.

We present below the regression results of the finance group.

$$ROTA = -0.13 + 0.41\ S \qquad (2)$$
$$(-1.124)\ (1.917)$$

$R^2(\%) = 17$
$F = 3.675$

Equation 2 demonstrates that shared values (S) had a positive but not significant relationship with organizational performance (ROTA) at $p<0.05$. Shared values (S) accounted for 17% in ROTA. The F value shows that shared values (S_4) did not explain a significant amount of the variation in ROTA at $p<0.05$.

Non-Finance Group Regression Results

The descriptive statistics of non-finance group were mean 3.90 and standard deviation 0.40. The mean of shared value was moderate. This indicates that values were not effectively communicated and shared among organization members.

We present below the results of non-finance group.

$$ROTA = -0.39 + 0.59\ S \qquad (3)$$
$$(-2.211)\ (3.065)^*$$

$R^2(\%) = 34.3$
$F = 9.394^*$

Equation 3 demonstrates that shared values (S) had a positive and significant relationship with organizational performance (ROTA) at $p<0.05$. Shared values (S) accounted for 34.3% variation in ROTA. The F value signifies that shared values (S) explained a significant amount of the variation in ROTA at $p<0.05$.

DISCUSSION

It was hypothesized that sharedness of organizational values among organization members is positively related to organizational performance.

Shared values among organization members ($S_)$ was found to be positively related to organizational performance ant the group levels and at the entire survey level. While the variable was found significant at $p<0.05$ in non-finance group and at the entire survey level, it was not significant in the finance group.

The positive relationship between sharedness of organizational values among organization members (S) and organizational performance was as expected by literature (Pascale and Athos, 1981; Peters and Waterman, 1982).

The mean values for S ranged from 3.24 to 3.90. These borderline values do not indicate strong affirmation of the components of sharedness of organizational values among organization members (S). Consequently, organizational values were not too strongly shared among organization members (S) and communication of these values was not effective. It is manifestly obvious that lack of effective communication of basic beliefs and overriding values impedes organizational effectiveness and productivity. This confirms the position of Okafor (2005) who indicated that companies in Nigeria suffer decline because of warped value system. According to Okafor (2005), distorted value system has made the Nigerian economy very distressed and so many companies are reporting worrisome decline both in capacity utilization of installed capacity and other performance indices.

The positive but not significant relationship of sharedness of organizational values among organization members (S) with organizational performance in the finance group was not entirely unexpected. According to Iyayi *et al*. (2005), there was much job mobility in the banking industry among employees of the age of below 35 years and functionally single. Therefore, there was no time to learn and imbibe values and culture in the finance group (Schein, 1984).

In the non-finance group, sharedness of organizational values among organization members (S) had positive and significant relationship with organizational performance. The mean of sharedness of organizational values among organization members (S) was 3.90. Though this was low, it was higher than the finance group. It shows that employees in non-finance group have little more time to learn and imbibe the basic beliefs and overriding values of their various organizations.

The positive and significant relationship of sharedness of organizational values among organization members (S) with organizational performance of the entire survey was as expected by literature (Pascale and Athos, 1981; Peters and Waterman, 1982; Kotter and Heskett, 1992; Kazuhara, 1993).

CONCLUSION

This study examined the relationship between Shared values and organizational performance and it was established, empirically, that shared values are positively related to organizational performance of Nigerian quoted companies.

There is an obvious need for the management of our organizations to effectively communicate the value systems of their various organizations to organization members for them to understand, appreciate and imbibe the values. The unwholesome position of Nigeria's value system makes moral rearmament an imperative for organizational survival and national rebirth. We must emphasize what is of value and what behaviour is acceptable at organizational and at national levels. These values should be communicated to all levels both in the organizations and the nation. Appropriate sanctions and rewards system should be instituted and related to the performance of employees.

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