

Organizational Culture and Job Performance in Microfinance Firms: A Study of Yangon

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Abstract

With the growing competition among local and foreign microfinance institutions (MFIs), local microfinance firms have been struggling to retain their position through sustaining organizational performance. Since the organizational performance is the collective results of the employees' job performance which is largely determined by organizational culture of respective organization. Accordingly, this study is an attempt to observe the role of organization culture in improving job performance of employees in microfinance firms in Myanmar. The study is conducted based on the responses of 160 staff who are working in selected eight microfinance firms in Yangon. This study applies two-stage random sampling method in which eight microfinance firms are randomly chosen among 84 microfinance firms in Yangon and 20 staff from each microfinance firm are randomly selected as the respondent. The data are collected from altogether 160 selected respondents with structured questionnaire during December 2019. The results of the study reveal that all cultural dimensions except masculinity dimension, have significant effects on both types of employees' job performance of the MFIs, in which power distance is the major influencing factor on task performance whereas collectivism has the largest effect on contextual performance of the employees. Uncertainty avoidance is the second largest influencing factors on both task performance and contextual performance. This finding reflects the precautionary nature of microfinance business. This study provides the implications for microfinance companies to design and promote strong and healthy organizational culture with appropriate cultural dimensions that can enhance the job performance of their employees and thereby, improve the overall performance of microfinance firms in Myanmar.

Keywords: Job Performance, Microfinance, Organizational Culture, Power Distance, Uncertainty Avoidance

Introduction

Nowadays, the impact of organizational culture on firm performance has been given more attention in several areas of study. Under the context of highly contested environment, sustaining competitive advantages of a business is largely determined by continuous improvement of organizational performance which is the collective job performance of its employees. In Myanmar, the enactment of Microfinance Law in 2011 has paved the way for expansion of microfinance services by allowing local and foreign investors to establish wholly, privately-owned microfinance institutions (MFIs). Since then, several local and foreign MFIs are entering into the market and thus, several incumbent firms are struggling to retain their position through sustaining organizational performance. Under such condition, to sustain organizational performance, these firms

have to search for the measures for improving job performance of their employees. Since healthy and strong organizational culture has been recognized as an effective tool for job performance of organization members, this paper aims to examine the role of organizational culture in enhancing commitment of employees with aim to improving job performance of employees in microfinance firms.

Organizational performance is the outcome of experience and learnings of the employees which are, in turn, considered the results of norms, values, procedures and behaviors within an organization. Several empirical studies demonstrated the positive impact of strong and healthy organizational culture on enhancing employee performance and thereby, improving overall performance of an organization (Deal & Kennedy, 1982; Sheridan, 1992; Shahzad, Iqbal, & Gulzar, 2013). Schein (1990) supposed that organizational culture is common values and behaviors of the organization members that can be considered as a tool for the successful achievement of organizational goals through individual and collective efforts.

Although several empirical studies have been done for the impact of organizational culture on employee performance (Joseph & Kibera, 2019; Oberföll, Adame, & García, 2018; Ahmed & Shafiq, 2014; Ogbonna & Harris, 2000) there is a gap to be fulfilled in MFIs in Myanmar. Therefore, this paper is an attempt to explore the employee perception on organizational culture with Hofstede's renowned five dimensions and to examine how cultural dimensions affect the job performance of employees in MFIs in Yangon. Accordingly, two objectives are specified for this paper. (a) To examine the employee perception on organizational culture of microfinance firms; (b) To determine the influencing cultural dimensions on job performance of employees in microfinance firms.

This study is expected to provide thorough understanding on influencing cultural dimensions in microfinance. The results if this study is anticipated to be a knowledge-base for Myanmar MFIs to design appropriate organizational culture for improving employees' job performance in order to retain their position in intensely competing market.

Literature Review

Job performance of employees can be considered as the backbone of sustaining organizational performance whereas job performance is recognized as the result of collective value, norms, and behaviors of organization members. Stewart (2010) asserted that although value and norms are invisible, they have a great impact on the performance of employees and profitability. Therefore, this study supposes that the improvement of employees' job performance depends on the establishment of strong organizational culture in MFIs in Yangon.

Organizational Culture

Organizational culture is regarded as a fundamental to the operation of any organization. Strong and healthy organizational culture make it easy to communicate openly, participate in most efficient and effective way in the decision making, and thereby enhance the engagement and performance of its employees. Organizational culture can be defined as a collective value system in an organization including values, beliefs, attitudes, norms, and behavior of organization members that distinguish the organization from others (Schein, 2004; Robbins & Judge, 2007). Hofstede and Hofstede (2005)

described organizational culture as the way in which members of an organization relate to each other, their work and the outside world in comparison to other organizations.

Although several researchers have applied various dimensions in measuring organizational culture, this study employed five cultural dimensions of Hofstede (2001) to measure the organizational culture from the aspect of enhancing employees' job performance. Hofstede's five cultural dimensions are power distance, uncertainty avoidance, collectivism, masculinity, and long-term orientation. Power Distance refers to the extent to which inequality and power are accepted and expected from the viewpoint of the followers. High power distance means the society accept the inequity and status differences and show respect and follow the orders of higher authority. Uncertainty avoidance considers how organization members deal with unknown situations and unexpected events. In high uncertainty avoidance culture, people generally rely on explicit rules and strict regulations, tend to avoid risk-taking behavior and prefer high standardization and greater job security at work. Collectivism reflects the degree to which a society reinforces individual or collective achievement and interpersonal relationships. Individualists normally prefer to independence, individual rights and recognition on personal achievement while collectivists place a greater importance of collective achievement and well-being of the group. Masculinity indicates the preference for achievement, heroism, assertiveness and material rewards for success whereas femininity culture focuses on human relations, care for others, and quality of life. Long-term orientation reflects the value of organization members on long-term commitments and focus their efforts for future achievement.

Cultural Dimensions of Myanmar

For evaluation the performance of any organization, considering the cultural factors which impact on management and operation of the organization are imperative. National culture impacts on value of the citizens through early socialization and plays a stronger role in the formation of organizational culture (Schneider, 1988). Since national culture certainly impacts on policies, strategies, structure, management, communication, and operations, every organizational culture needs to be considered in the light of the cultural dimensions.

Myanmar has been recognized as high power distance culture. In Myanmar culture, influential power and referral power is considerably high and upper-level organization members hold authoritative power while younger members are used to follow their instructions. Since collectivist culture influences on Myanmar people, both formal and informal groups are prominent in the organization. Organization members are used to work as a team and prefer to receive the recognition, rewards, and even punishment as a group. Traditionally, uncertainty avoidance is considerably high in Myanmar. General people tend to avoid risk taking behavior and prefers to work in certain environment with established rules and regulations except for those entrepreneurial minded people who possess these characteristics. Myanmar has long been recognized as femininity culture mainly guided by religious teaching and belief. Caring others, simplicity, and quality of life are prevalent in Myanmar culture. Myanmar people is influenced by long-term oriented culture. Savings and investment for education, training, and future life are valued in the life of people. Religious teachings such as donation and scarifying for future life are seen to be influencing factors on long-term orientation culture of Myanmar people.

Job Performance

Several empirical studies highlighted that the individual job performance have directly and indirectly contributed towards the achievement of organizational objectives. Employee's job performance refers to the ability of employees to attain organizational goals by using resources efficiently and effectively (Daft, 2000). The job performance of employees is considered as a multidimensional construct. Murphy (1989) identified four dimensions of work performance, namely task behaviors, interpersonal behaviors, downtime behaviors, and destructive/hazardous behaviors. Borman and Motowidlo (1993) supposed two comprehensive dimensions as task performance and contextual performance. Viswesvaran and Ones (2000) and Rotundo and Sackett (2002) identified three broad dimensions of job performance: task performance, organizational citizenship behavior, and counterproductive work behavior. The study of Borman and Motowidlo (1993) measures the job performance with two dimensions: task performance and contextual performance.

Task Performance

It refers to the accomplishment of tasks within an incumbent's job description. Task performance can also be regarded as the proficiency with which employees perform activities that are formally recognized as part of their jobs. Nowadays, the aspects of task performance such as innovation and customer-oriented behavior are considered critical for enhancing performance of any business organization.

Contextual Performance

It refers to the ability of employees to engage in activities that contribute to the overall well-being of the organization. Contextual performance includes voluntarily performing additional works, cooperating and helping others, persevering with enthusiasm and extra determination to complete assignments successfully, defending the organization's goals, and adhering to organizational policies even when this is inconvenient. The abilities and skills of employees mainly relate with task performance while personality and related factors contribute to contextual performance.

Previous Studies on Organizational Culture and Job Performance

Numerous researches evidence the influence of organizational culture on firm performance as a consequence of people's behavior since organizational culture create an expectation for employees to behave in a certain desired way. Several studies have linked the organizational culture with the different aspects of organizational performance (Joseph & Kibera, 2019; Oberföll, Adame, & García, 2018; Ahmed & Shafiq, 2014; Ogbonna & Harris, 2000). Ogbonna and Harris (2000) examined the relationship between organizational culture and performance of registered British companies with the moderating effect of leadership style. The study applied four dimensions of organizational culture, namely competitive culture, innovative culture, bureaucratic culture and community culture. The results proved that two externally oriented cultures - innovative and competitive cultures had a direct effect on firm performance whereas internally oriented bureaucratic and community cultures were not directly related to performance. Ahmed and Shafiq (2014) studied the effect of organization culture on organizational performance using Hofstede's four cultural dimensions. They found that all culture dimensions have effects on different perspective of organizational performance of telecom companies in Pakistan.

Oberföll, Adame, and García (2018) investigated the relationship between organizational culture and organizational performance in German multinational companies operating in Mexico. In their study, organizational culture is measured with Hofstede's five dimensions such as power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, and long-term vs. short-term orientation while organizational performance is measured with financial performance and operational performance. The results supposed that low power distance, collectivism, femininity shows significant positive relationship with operational performance in terms of job satisfaction. Joseph and Kibera (2019) conducted the study on influences of organizational culture on performance of MFIs in Kenya. The study applies four types of organizational culture that include market, hierarchical, clan, and adhocracy cultures and the firm performance are categorized into marketing performance and financial performance. The results highlighted that organizational culture has a significant influence on financial performance of MFIs. The researchers supposed that organizational culture is a major source of sustainable competitive advantage in the microfinance industry.

Conceptual Framework of Study

To fulfill the research objectives, based on the reviews of several literatures including previous studies, this study develops a holistic conceptual framework incorporating dimensions of organizational culture and measures of job performance of employees. (Figure 1).

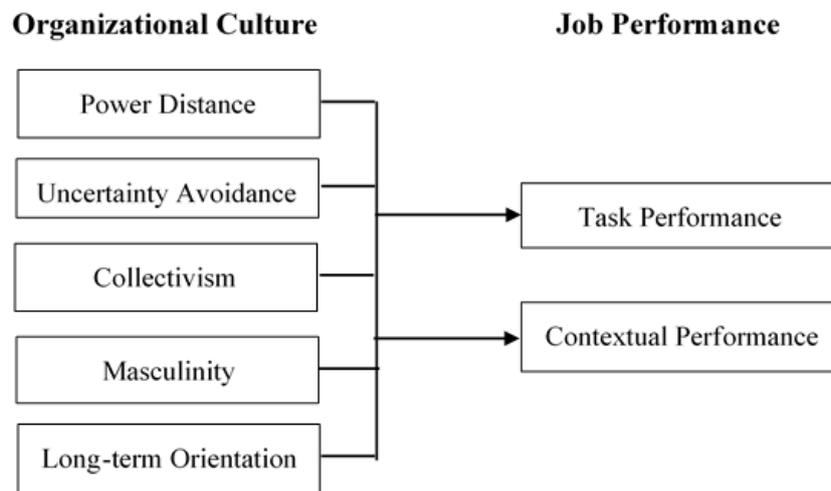


Figure 1: Conceptual Framework

Source: Adapted from previous studies

Methodology

To examine the influencing cultural dimensions on job performance of employees, the study is conducted based on the responses of 160 staff who are working in selected eight microfinance firms in Yangon. This study applies two-stage random sampling method in which eight microfinance firms are randomly chosen among 84 microfinance firms

in Yangon and 20 staff from each microfinance firm are randomly selected as the respondent. The data are collected from altogether 160 selected respondents with structured questionnaire during December 2019.

The organizational culture is measured with 26-items Five-Dimensional Scale developed by Yoo, Donthu, and Lenartowicz (2011). The questionnaire for task performance is designed with 7-items scale and for contextual performance is measured with 10-items scale adopted from Koopmans, Bernaards, Hildebrandt, Buuren, Beek, and de Vet (2014). All questionnaires are structured as self-administered questionnaire with 5-point Likert Scale ranging from 1 (strongly disagree) to 5 (strongly agree). To identify the overall perceptions of respondents, the scoring system designed by Sarrafzadeh, Martin, and Hazeri (2010) is applied: Mean 1–1.44 = strongly disagree, mean 1.45–2.44 = disagree; mean 2.45–3.44 = do not know; mean 3.45–4.44 = agree; and mean 4.55–5 = strongly agree on the factors describing organization culture and job performance.

Out of 160 questionnaires fully filled for and returned, 148 valid questionnaires are used for the analysis. The analyses are conducted by using SPSS 22.0 software including reliability analysis and descriptive statistics for comparison of employee perception on organizational culture. Reliability of the measured variables is examined by using Cronbach's α . The multiple regression analysis is also applied to examine the influencing cultural dimensions on job performance of employees.

Findings

The demographic profile of respondents is presented in Table 1. The majority of respondents between the age of 26 and 35 years old whereas around two-third of respondents are female. Regarding educational background, about 96 percent are graduated in which 12.16 percent possesses post-graduate education and only 4 percent have high school level education. In terms of position, nearly 70 percent of respondents are working in operation level. The majority of respondents (68.92 percent) have length of service less than 2 years.

Table 1 Demographic Profile of Respondents

Demographics Variables		Frequency (N=148)	Percentage
Age	25 or younger	41	27.70
	26 – 35 years	75	50.68
	36 – 45 years	24	16.22
	46 – 55 years	6	4.05
	Older than 55 years	2	1.35
Gender	Male	52	35.14
	Female	96	64.86
Education	High Scholl	6	4.05
	Graduate	124	83.78
	Post-Graduate	18	12.16
Position	Operation Level	103	69.59
	Middle Level	45	30.41

Service Year			
Less than 1 year	50		33.78
1 to 2 years	52		35.14
2 to 3 years	18		12.16
3 to 4 years	12		8.11
4 to 5 years	8		5.41
Over 5 years	8		5.41

Source: Author

The mean values, standard deviation and Cronbach's α values of the variables are described in Table 2. Since Cronbach's α value of all variables are greater than 0.70 criterion, the measurement scales and items composed the scales can be considered reliable.

Table 2 Descriptive Statistics

Variables	Mean	Std. Div.	Cronbach's α
Organizational Culture			
Power distance	4.04	.79	.811
Uncertainty avoidance	4.12	.73	.839
Collectivism	3.92	.71	.876
Masculinity	3.84	.72	.827
Long-term orientation	3.98	.69	.914
Job Performance			
Task Performance	4.20	.70	.892
Contextual Performance	4.03	.74	.878

Source: Author

As presented in Table 2, the organizational culture of MFI is characterized with high uncertainty avoidance, moderately high-power distance and long-term orientation, and relatively low level of collectivism and masculinity. To determine the influencing cultural dimensions on employees' job performance, the mean values of task performance and contextual performance are separately regressed with the mean values of five cultural dimensions: power distance, uncertainty avoidance, individualism/collectivism, masculinity, and long-term orientation. The results of the analysis are presented in Table 3.

Table 3 The Influencing Cultural Dimensions on Employees' Job Performance

	Task Performance				Contextual Performance			
	B	SE	β	VIF	B	SE	β	VIF
Power Distance	.427**	.060	.453	2.267	.135**	.058	.196	2.086
Uncertainty Avoidance	.311**	.059	.320	1.954	.136**	.058	.206	2.171
Collectivism	.213**	.069	.191	1.984	.188**	.054	.273	1.787
Masculinity	-.075	.059	-.078	1.761	-.021	.066	-.030	1.965
Long-Term Orientation	.142**	.066	.140	1.983	.002*	.062	.102	2.058
R ²	.269				.276			

Adj. R ²	.264		.258
F-Statistics	63.926**		56.061**

Source: Author

Note: ** Significant at 1% level, * Significant at 5% level

Since the values of adjusted R-squares are around 26 percent in both models, the regression models can moderately explain about the variation of dependent variables. Moreover, it ensures the validity of the models as the overall significance of the model, F-value, is highly significant at 1 percent level in both models.

As described in the Table 3, all cultural dimensions except masculinity have significant effects on both dimensions of employees' performance. Among them, only the coefficient of long-term orientation shows the effect on contextual performance of employees at 5 percent significant level while other cultural dimensions have positive effects on both types of performance at 1 percent significant level. The results demonstrate the different degree of importance of cultural dimensions between task performance and contextual performance of employees in MFIs in Yangon.

Discussion

The study is conducted with the purposes of examining the extent of different cultural dimensions and their influences on job performance of employees in MFIs in Yangon. The results on the perception of respondents on organizational culture show that uncertainty avoidance is the most prevalence in MFIs. It is the natural reason for microfinance firms as they have to take calculated risks in order to assure the repayment of borrowers. This finding highlights the importance of looking at the characters of prospective borrowers, their business performance, level of poverty, and environmental factors, as well as utilizing local community knowledge of the loan officers. The second dominant cultural dimension in MFIs is found to be power distance. High power distance suggests that the requirement of clear instructions and strict rules and procedures in the operations of microfinance firms.

High power distance also reflects the nature of Myanmar since Myanmar people normally show obedience and follow the instruction of the superiors. Moreover, moderately high long-term orientation score suggests the value and believes of Myanmar people that hard-working and enthusiastic efforts at present can improve their returns/benefits in the future. Moreover, this result suggests the situation of microfinance firms as they have to give priority on long-term survival of their business with the influx of local and international MFIs in recent years. The lowest score in Masculinity among cultural dimensions also reflects the nature of Myanmar people with the characteristics of caring other people and valuing human relations, and affiliations in the society matters. These results are consistent with the reports of Scribd.com on Hofstede's cultural dimensions score for Myanmar (2019).

The results of regression analysis reveal that, among five cultural dimensions, power distance dimension has the largest effect on task performance followed by uncertainty avoidance, collectivism, and long-term orientation, in order. On the other hand, collectivism shows the largest effect on contextual performance of employee, followed by uncertainty avoidance, power distance, long-term orientation, and, in sequence. The results of this study align with the findings of previous studies. The study

of Ahmed and Shafiq (2014) in telecom industry of Pakistan found that power distance, collectivism, and masculinity have significant relationships with different perspective of organizational performance. Moreover, the findings of this study are consistent with the study of Ozigbo (2013) conducted in listed services industries in Nigeria. The study found that power distance, uncertainty avoidance, individualism and masculinity have significant positive relationship with financial performance of the firm.

The study suggests that apart from the masculinity dimension, all cultural dimensions are the determinants of job performance of employees in MFIs in Yangon. Power distance is the most influencing factor on task performance whereas collectivism has the largest effect on contextual performance of the employees. Regarding task performance, the significant effect of power distance reflects the importance of direct instruction and strict supervision for accomplishment of their task. On the other hand, collectivism can enhance the unity, support effective teamwork, and promote coordination among organization members that can certainly improve the contextual performance of the employees.

Moreover, the study highlights that uncertainty avoidance is the second largest influencing factors on both task performance and contextual performance of employees. It can be natural reason for microfinance firms as they need direct instructions and strict supervisions to ensure that the funding received goes to productive programs and avoid corruption.

Implications

For practical implication of microfinance firms in Myanmar, the study suggests that in order to sustain organizational competitiveness, employee performance can be enhanced through instilling organization culture relevant to the nature of microfinance businesses. The task performance can be enhanced by inculcating power distance while contextual performance can be supported by nurturing collectivism culture in the organization. Uncertainty avoidance also have the effect on both types of work performance in accordance with the natures of MFIs, it is need to be cautious since it can stifle the creativity and innovation of organization members.

In conclusion, microfinance firms in Myanmar can enhance job performance of their employees through designing and promoting strong and healthy organizational culture with appropriate cultural dimensions in order to improve the overall performance of the organization and thereby, sustain their competitiveness in highly contested market environment.

Limitations and Recommendations for Future Research

The main limitation of this study is a lack of geographical coverage because this study is conducted only in Yangon Area. Conducting the research with a larger sample size and wider geographic area will be worthwhile to generalize the influencing cultural dimensions on organizational performance of microfinance firms in Myanmar. Another possible extension of this study is to investigate the organizational culture on different cultural dimensions such as competitive culture, innovative culture, bureaucratic culture and community culture. Moreover, future researchers can explore the effects of cultural dimensions on organizational identity, engagement and commitment of employees towards the improvement of organizational performance.

Conclusion

The results of this study contribute to literature as well as practical implications. As for literature, the study proves the importance of organizational culture on job performance of the employees. The result proposes that for improving job performance in terms of task and contextual performance, power distance, uncertainty avoidance, and collectivism are the most important cultural dimensions.

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