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Introduction
CHAPTER 1

Introduction

1.0 Background of the study

The term organizational culture was first introduced casually in the literature of English language in 1960s as a synonym of climate. In 1979, this was used in the journal of Academic Science quarterly by Pettigrew. The term was practised to describe economic success of Japanese firm over American firm which was achieved by inspiring employees who were dedicated to common set of assumptions, esteem and conviction (Denison, 1984). The concept of organizational culture became widely applicable from 1980s. Recently, in the area of organizational behaviour and human resource management, the culture of organization has emerged as most important and popular concepts (Nazir, 2005; Ogbanna et al., 2000). Hofstede in 1980 defined the organizational culture as “the collective programming of the mind that differ the employee of one organization from another”. This consists of practices, values and shared beliefs that make organizations different from each other.

Schein (1985) identified various levels of organisational culture that comprise basic presumptions, embraced qualities and artefacts. In 1990, Denison explained organisational culture as "underlying values, beliefs and principles that serve as a foundation for an organizational management system, set of management practices and behaviour that both exemplify and reinforce those basic principles". Further, according to Mami Zadeh in 1994, this is a system comprises values and opinions which interact with human resources, control system and organizational culture to establish behavioural norms in the organization. However, there is a little harmony about definitions of organizational culture. Various approaches have adopted by several authors to study organizational culture.

Handy (1993) linked culture with a specific structure and design of organization. Culture can be analysed by behaviour-oriented perspective, which is a popular approach used by various authors such as Denison (2000) and Peters and Watenman (1982); while some basic dimensions related with organizational and national culture are recognised by (Hofstede, 1980) which are dedicated to the
disparity of organizational culture with national cultural groupings which ultimately influence the favourable outcome of organization.

Culture offers the glue that binds the organization by providing the rules, regulations and boundaries to behave while guiding and shaping the behaviours and attitude of employees within the organization. Schein (1984) asserted that organizational culture give meaning to group member’s daily lives, by providing guidelines and rules how to behave and most importantly it helps them to overcome their anxiety to deal with uncertain and unpredictable environment. It can be defined as the basic principle of behaviour consists of basic values, assumptions and norms of behaviour. In addition, many researchers argued that organizational effectiveness and success are not determined solely by the abilities and competencies of the personnel and management but the culture prevalent in organization also plays important role. Culture can be referred as a means of improving performance of an organization. According to Kotter and Heskett (1992), explained culture as “shared values and beliefs that shape the behaviour patterns of employees within an organization”. Therefore, organizational culture is the means of keeping employees incline towards achieving objectives of organization.

In this study, we attempt to find the connection between culture of organization and employee’s performance in government undertaking and private sector banks of Rajasthan. Here, in our research we are focusing on the comparison of perception of employees of public and private banks about organizational culture and employee’s performance. The present research will try to explore the linkage between culture traits and job performance by using moderator such as organizational commitment and individual readiness to change.

1.1 Research Experimental Background:

This study shows the association between the culture of organization and performance of the personnel in banking sector. Several researchers have been conducted in Indian and International context.
1.1.1 Research in Indian Context

Nazir & Lone (2008) have studied the linkage between culture and effectiveness. This research includes four index of organisational culture such as adaptability, involvement, consistency and mission. Findings reveal that mission was responsible for predicting overall performance, sales growth, profitability and worker satisfaction. Further it was found that adaptability predict effectiveness measures such as profit and new product development.

1.1.2 Researches on Organizational Culture in International Context

Amir Kabiri and Tehrani (2006) assessed Denison Organizational Culture Model in Social Security Organization and found no connection between the cultural elements, work performance and satisfaction of the workforce.

Yilmaz et al. (2008) conducted research entitled “Organizational culture and firm effectiveness: An examination of relative effects of cultural traits and the balanced culture hypothesis in an emerging economy” came up with a conclusion that mission is the most prominent in term of fostering overall firm performance.

A study has been carried out in South African banks by (Davidson, 2009). The results indicated that very few of the financial measures were associated with the traits of organizational cultural. It was found that culture traits such as agreement, vision, team orientation and client focus were associated with some financial measures. Consistency trait was the solely trait which was associated with financial measures.

Ahmad (2012) examined the linkage of organizational culture with performance management practices. This study reveals that mission and adaptability has positive correlation with performance management.

Zakari et al. (2013) conducted studies in two different countries Ghana and United State and it was found that mission is the utmost indicator of performance. The mere difference found between the Ghanaian and United State data was consistency trait. This trait was the last trait in United State data whereas it is second strongest indicator of performance.
Organizational culture has significant influence on individual performance stated by (Githui, 2015). The components of this research are: involvement, adaptability and consistency. Results revealed that involvement and consistency dimension have statistically significant moderate correlation with employee job performance and adaptability has utmost relation with employee job performance. Mousavi et al. (2015) revealed in their study that adaptability and involvement have negative effect on performance, thus this research does not correspond with the Denison (1995) organizational culture model, which indicates culture and performance of organization is associated positively.

Najafi et al. (2015) suggested that Denison’s organizational culture model promote the qualitative level of performance of employees in insurance companies. Adaptability has the most significant relation with employee performance and mission has the least significant relation with performance.

1.2 Statement of the Problem

Several researches have been carried out in the linkage between culture of organization and employee’s performance in many fields including organizational behaviour, international business and strategic management. Denison in 1990, argued that organization’s performance is associated to the value of culture that are usually shared and held. Further, Fey and Denison (2003) stated that organization’s performance relies upon how well the organizational culture esteems are held, either firmly or generally shared values of culture are commonly shared and held. Other researchers argued that organizational commitment can be improved by compatibility between organizational culture values and the individual employee values as stated by (Nazir, 2005).

Ogbonna (2000) stated that culture should have unique qualities which are not imitable, in addition strong and commonly shared to achieve higher performance. Burke et al. (2006) argued that a strong culture is not good to success if by being constant, leads to routines thereby yielding conformist attitudes. Further, Kotter (2009) focused on individuals should be given assignments that are consistent with their interest, strengths and opportunities for continuous learning and growth.
Fey & Denison (2003) stated that in spite of several researches on organizational culture but there is a little consensus and not much accepted linkage of organizational culture with job performance. The researches so far have revealed mixed findings that are sometimes contradictory and inconclusive. By keeping this in mind the questions as to how the culture of organization affects the individual performance is worthy of further research (Nazir & Mushtaq, 2008).

Furthermore, several empirical investigations have been conducted to prove the influence of organization culture on organization performance. But organization culture’s empirical investigation has not been much studied among the possible predecessors of individual performance (Lok & Crawford, 2004). It was found that employee performance has a positive impact of organizational culture.

Kandula (2006) emphasised that the good performance occurs due to a strong culture. Further he said that because of organizational culture difference same strategy for two different organizations in same industry and location same strategies do not brings similar findings. A significant positive culture motivates an individual to perform better and attain brilliantly while there is a not positive and weak culture demotivate an excellent employee to perform poor, do not yield good result and end up without any achievement. Thus, organizational culture plays main role in performance management (Ahmad, 2012). Organizations process, employees and its performance have great influence of organizational culture. In this way when representatives are committed and having indistinguishable values and norms according to organizations have, they could improve the performance to attain the overall goals of organization as contend by (Shahzad et al., 2012).

On the contrary, Collins (2009) argued that organizational culture relationship with performance is sensitive to the environment. Further he said strong culture yield more when firms operate in stable environment. On the other hand, weak culture in dynamic environment is proved good for firms.

This research sought to fill this gap by looking at the effects of organizational culture traits on employee job performance. This research is intended
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to provide further insights into the area of culture and performance by providing more evidence related to culture of organization and job performance. This study therefore explore the linkage of culture with performance using the organizational culture model developed by (Denison, 2006) looking at the effects organizational culture traits and employees performance.

1.3 Banking Sector: An Overview

Banking in many economies has truly been substantially more directed than different sectors. Dissimilar to different sectors, the fall of banks can have economy major effect as the installment framework gets disturbed. Such directions has been more strict in creating economies where governs on banking exercise have been forced to achieve social and monetary target of improvement. In this manner there have been stringent governs on financing costs and stringent governs relating to branch authorising, coordinated credit program and mergers (Caprio et al., 1997).

Banking industry is the backbone for any economy and is the main indicator to analyze the economic development of a country (Gauba, 2012). Banking sector in India has a tremendous canvas of history, which covers the customary banking practices from the time frame of Britishers to the reform time frame, nationalization to privatization of banks also, now expanding number of foreign banks in India. Thus Banks in India has been through a long journey. Banking sector in India has likewise accomplished new heights with the evolving times (Goyal & Joshi, 2012). According to Khanna & Kaushal (2013) without effective banking system no country can have good economy.

1.3.1 Definition of Banks

As indicated by the Section 5(c) of the BR Act “a banking company is a company which transact the business of banking in India”. Additionally Section 5 (b) of BR Act explains banking as, ‘accepting, the purpose lending or investment, deposit of money from the public, repayable of demand or otherwise, and withdrawal, by cheque, draft, order or otherwise.’ This definition points the three primary activities of a commercial bank which distinguish from the other financial
institution. These are (i) keeping up inflow account including current accounts (ii) issue and pay cheques and (iii) gather cheques from the customer of bank.

1.3.2 History of Indian Banking System

In the year 1786 General bank of India was set up which was first bank of India. The East India Company set up Bank of Madras (1843), Bank of Bombay (1840) and Bank of Bengal (1809) as autonomous unit and these units were known as presidency banks. In 1920 Bank of Madras, Bank of Bombay and Bank of Bengal were merged and a bank of private shareholders, the imperial bank of India and mostly European was set up. Allahabad bank and Punjab National Bank came into existence in 1865 and 1894 respectively. During 1906 to 1913, Canara bank, Bank of Mysore, Central Bank, Bank of India, Indian Bank and Bank of Baroda were established. In 1935 Reserve Bank of India came into existence (Naidu & Chandraiah, 2013).

Khanna & Kaushal (2013) stated that Indian Banking Industry began in the principal decade of eighteenth century as The General Bank of India appeared in the year 1786. The journey of Indian saving money framework from 1786 till today is separated into various stages:

- From 1786-1969, first stage of Indian banks.
- After 1991, modern period of Indian managing banking system with changes.

1.3.2. Phase one

The general bank of India was built up in 1786 as the main bank of India. And after that later Bank of Hindustan was begun. The East India Company set up Bank of Madras (1843), Bank of Bombay (1840) and Bank of Bengal (1809) as autonomous unit and these units were known as presidency banks. In 1920 Bank of Madras, Bank of Bombay and Bank of Bengal were merged and a bank of private shareholders, the imperial bank of India and mostly European was set up. Allahabad bank and Punjab National Bank came into existence in 1865 and 1894 respectively.
During 1906 to 1913, Canara bank, Bank of Mysore, Central Bank, Bank of India, Indian Bank and Bank of Baroda were established. In 1935 Reserve Bank of India came into existence.

During the primary stage the development of banks was moderate and these banks were intermittently failure amid 1913 to 1948. To control activities and functioning of commercial banks, the government of India brought banking companies act 1949, which has been later known as Banking Regulation Act 1949. As the Central Banking Authority RBI vested extensive power for the supervision of banking in India.

1.3.2. Phase two

The government of India took major steps to reform Indian banking industry after autonomy. The Royal Bank of India is nationalized in 1955, which offered broad banking services, particularly in semi urban and rural area. To deal with money exchange of the Union government and state government, the legislature constituted State Bank of India to go about as a standard specialist of the RBI. In 1959 seven banks were nationalized which were owned by princely states and they became subsidiary of State Bank of India. Fourteen business banks and seven more banks were nationalized in 1969 and 1980 respectively in the second stage. In India 80 percent of the saving money division went under the government possession.

1.3.2. Phase three

Stage three has presented numerous facilities and products in banking industry as the piece of the procedure. In 1991, a committee chaired by M Narasimham recommended to liberalize the banking practices, which were followed up too. Presently, there are huge numbers of banks of other countries along with ATMs in India. Net saving money and telephone managing an account are acquainted with give acceptable administrations to clients. The whole frameworks are all the more snappy and advantageous. Time is given more significance to cash exchange. Indian money related framework has demonstrated a major ordeal of versatility. It is shielded from emergencies activated by external microeconomic
stuns, which other East Asian nations as often as possible endured. This is a direct result of an adaptable swapping scale administration, high remote trade save; there isn't yet completely convertible capital record, and there is constrained foreign trade exposure for banks and their clients.

### 1.3.3 The Banking Structure in India

According to Khanna & Kaushal (2013) banking structure involves unscheduled and scheduled commercial banks. Scheduled banks are those that incorporated into second schedule of RBI Act, 1934. These banks consists State Bank of India and its 8 associates, 19 nationalized bank, 32 private banks, 45 foreign banks, regional rural and cooperative banks. SBI was the first bank that was nationalized in July 1, 1955, under the SBI Act of 1955, preceding the nationalization of other Indian banks. In 1959 the nationalization of seven State bank subsidiaries occurred. After Indian bank’s nationalization, initially the branches of open part banks ascended to 800 % and later tremendously bounced by 11000 %.

### 1.3.4 Scheduled Banks in India

According to Gauba (2012) scheduled banks consist of scheduled cooperative banks and scheduled commercial banks. Schedule commercial banks are eighty in number which representing higher than three fourth of banking system.

For the evaluation of performance of banks, the RBI divided banks such as foreign banks, private sector banks, regional rural banks, public sector banks and local area banks.
Figure 1.1: Scheduled Banks in India

**India's Centralised Bank**
- RBI

**Scheduled Banks in India**

**Scheduled Commercial Banks (152)**
- Public Sector Banks (21)
  - SBI associated banks were merged on 1st April, 2017

**Scheduled Co-operative banks**
- Private Sector banks (20)
- Foreign Banks in India (43)
- Regional Rural banks (64)
- Local Area Banks (4)

**Nationalized banks**
- Allahabad Bank
- Andhra Bank
- Bank of India
- Bank of Baroda
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Indian Bank
- Indian Overseas Bank
- IDBI Bank
- Oriental Bank of Commerce
- Punjab & Sindh Bank
- Punjab National Bank
- State Bank of India
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank
1.3.5 Public Sector Banks

Gauba (2012) stated that in this type of banks maximum stake held by the Government of India (GoI). There are 27 government undertaking banks working in India. They consist of SBI and its 6 associate banks such as State Bank of Bikaner and Jaipur and State bank of Indore etc. 19 nationalized banks such as Allahabad bank, Canara Bank and IDBI bank Ltd. Especially in provincial territory public banks have had the lead influence in branch improvement.

1.3.6 Private Sector Banks

In private sector banks greater part of share capital is hold by private individual. Not every single private bank was nationalized in 1969 and 1980. The private banks which were nationalized are altogether known as the old private banks and incorporate banks namely the Lord Krishna Bank Ltd and Jammu and Kashmir bank Ltd., etc. Amid the post nationalization period 5 entry of private bank was however restricted. RBI, in July 1993 allowed the private area to go into the banking system for banking change process and a measure to instigate rivalry in the banking sector. This brought about the making of new arrangement of private division banks, these new arrangements of banks are on the whole known as the new private area banks. There are 23 banks are working in India by the end December 2015.

1.4 Rational of the Study

The Organizational culture is becoming more imperative day by day. Increased competition, merger, globalisation and acquisition have made requirement of coordination and integration among organizational units. Notwithstanding embrace outer and inner changes organizational culture has turned out to be more critical to accomplish its organizational objectives. To achieve organizational objectives employees plays vital role and they are important assets of an organization. Human resources are backbone of organization in today’s world. Organizational culture is the workplace which really motivates human resource to perform well.

In spite of the plenty of concentrates on organizational culture over the most recent couple of decades, there is no generally acknowledged causal connection
between organizational cultures, individual performance. The outcomes of various studies resulted in blended information about the impact of organizational culture on individual performance that is contradictory and uncertain.

In view of these conflicting outcomes, here in our work we are focusing on the direct and indirect impact of organizational culture on work performance.

1.5 Research Questions

This study investigated the connection of culture of organization and individual performance. Furthermore, the influence of organizational commitment and readiness for change on the association of culture of organization and employee performance is investigated. Researcher has developed research questions from the review of existing literature to limit the scope of the study. The first question focused on the relationship of organizational culture traits and employee performance. Research Questions 2 and 3 highlighted the impact of moderator (Organizational commitment and readiness for change) on the linkage of organizational culture employee performance. Research Question 4 addressed the employee’s perception about employee performance. Finally, Research Question 5 and 6 indicated employee’s perception about performance of public and private bank and organizational culture traits in public and private banks. These six research questions guided this study:

1.5.1 What is the relationship of traits of organizational culture with job performance?
1.5.2 How does organizational commitment influence the organization of traits of organizational culture and employee work performance?
1.5.3 How does readiness for change influence the connection of organizational culture traits and employee performance?
1.5.4 What is the difference in the perception of employees about employee performance on the basis of gender?
1.5.5 What is the difference in the perception of employees about job performance of workforce on the basis of types of banks?
1.5.6 What is the difference in the perception about organizational culture traits on the basis of types of banks?
1.6 **Research Objectives**

Following objectives were framed to fulfil the need of the study:

1. To analyse the association of traits of organization culture and employee performance.
2. To examine the impact of *organization commitment* as moderator in the relationship of organization culture traits and employee performance.
3. To analyse the impact of *individual readiness for change* as moderator in the connection of organization culture traits and employee performance.
4. To compare the perception about job performance on the basis of gender variables.
5. To compare the perception of employee about job performance on the basis of types of banks.
6. To compare the perception of employee about organizational culture on the basis of types of banks.

1.7 **Scope of the Study**

As far as scope of the study concerned, for organisational culture and employee performance. It covers 5 public sector banks and 5 private sectors banks functioning in Rajasthan. This study has been conducted in Jaipur only. The reason for selecting Jaipur as the sample area because Jaipur is capital of Rajasthan and most populated city.

This research will play an important role to understand the traits of organisational culture in public and private banks of Rajasthan. It will help to understand the impact of organisational culture on employee performance.

It will provide a comparative picture of perception about employee performance in public and private sector banks.

Organizational culture influences organizations in many ways, from the overall organizational performance to other areas such as market performance, financial performance, and employee job satisfaction among others. Our research is limited to the organizational culture traits and how these traits are influencing
employee job performance through moderators (Organizational commitment and individual readiness to change).

1.8 Organization of Thesis

The thesis is organized in five chapters which include tables, figures, analysis, findings, conclusions, limitations and recommendations.

Chapter one is **introduction** which comprises background of research, statement of the problem, the discussion about Indian banking system, rational of the study, research questions, objectives of the study, scope of the study and the organizations and contents of the research.

Chapter two is **Review of literature** covers different studies related to organizational culture and its elements, organizational culture and performance, organizational commitment and its elements, readiness for change and its elements.

Chapter three is **Research methodology** presents how the conceptual framework for this research is developed on the basis of knowledge gained from review of literature. The chapter also presents research design and sample design. This chapter also presents data collection procedure and quantitative methods (Sample and statistical tools analysis).

Chapter four **Data analysis and interpretation** illustrates application of several statistical tools such as Correlation, Hierarchical Multiple Regression and MWU test.

Chapter five includes **Conclusion, limitations and suggestions** presents conclusion on the basis of the analysis and interpretation from the gathered data.

**Bibliography**

It includes list of all the sources for conducting the present research.

**Annexure**

This consists of questionnaire used in the study.