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THE INFLUENCE OF AGE ON CULTURE AND EFFECTIVENESS

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ABSTRACT: *Age is associated with experience in many things. The paper examined the effect of age on corporate culture and organizational effectiveness in the Nigerian banking industry. A total of 388 managers were randomly drawn from a population of 13,339 managers of all the 24 banks in Nigeria. The instruments used for data collection were questionnaire and oral interview. A total of 320 copies of the questionnaire were retrieved and analyzed. Spearman's Rank Correlation Statistical tool was used to test the hypotheses. The findings revealed that age is significantly related to corporate culture and organizational effectiveness. Based on the findings we concluded that age have significant effect on corporate culture and organizational effectiveness. The study therefore recommends that Managers should cultivate adaptive culture that enables organizations to overcome the problems associated with different stages of organizational development.*

KEYWORDS: Organizational Age, Corporate Culture, Organizational Effectiveness

INTRODUCTION

The goals of organizations include growth and survival. However, several factors affect the achievement of these goals. The ability of organizations to cope, survive and make progress determines how effective they are. Organizations experience poor corporate productivity, grapple with low profitability; they struggle to maintain their market share, and suffer difficulties in expanding their market share. They strive for effectiveness and efficiency, the all time basics of all business problems.

Several researches on how to improve organizational effectiveness have taken place in the past two decades. The difference in performance is often related to the strategy adopted by an organization to achieve its objectives. It has also been argued that strategic group membership and associated collective behaviours are the primary sources of durable differences in organizational profitability and effectiveness (Caves and Porter, 1977; Porter, 1979). People today want increasing work-life balance and holistic approach to life. Managers in Nigerian banks do not focus properly on people management issues as they manage through the rules, systems and procedures. Consequently, unrealistic targets are set and effect on staff feelings and moral climate is often ignored. This results in increased resignations, poor customer services, unethical practices that lead to poor assets quality and loan losses, faulty recruitment and placement processes.

Over the past decade, not much has been written about age and the role it plays influencing the relationship between corporate culture and successful performance of organizations (Greiner, 1972; Adice, 1979; Kimberly et al. 1980, Hedberg, 1981; Quinn and Cameron, 1983, Daft, 2003). Little empirical evidence exists in developing countries, especially Nigeria. To bridge this gap in literature, this study examines the influence of age on corporate culture and organizational effectiveness. By exploring the effect of age on corporate culture and organizational effectiveness, organizations can enhance their competitive advantage and effectiveness.

LITERATURE REVIEW

Starbuck and Hedberg (2001) explain that older organizations resist dramatic reorientation; they find it hard to ignore their current knowledge and their current operating procedures because they build up explicit justification for their actions and they associate specific people with specific policies (Hedberg, 1981). Older organizations are prone to ignore learning based on their structure.

Organizations have life cycles (Kimberly et al, 1980; Adices, 1979; Miller and Friensen, 1984; Churchill and Lewis, 1983). Recent work on organization life cycle suggests four major stages characterize organizational development (Greiner, 1972, Quinn and Cameron, 1983). The stages are entrepreneurial stage, collectivity stage, formalization stage and elaboration stage. At the early stage, the emphasis is on creating a product and surviving in the market place. Organization is informal and non bureaucratic. Control is based on the owner's personal supervision.

Collectivity stage is associated with the development of clear goals and direction. Employees identify with the mission of the organization and spend long hours helping the organization succeed. Communication and control are mostly informal though few formal systems begin to appear. The goal is growth. Innovation is by employees and managers. It has major product or service with variations. The formalization state involves the installation and use of rules, procedures, and control systems. Communication is less frequent and more formal. Organization has line of products or services. Innovation is by separate group. The goal here is internal stability and market expansion. Elaboration stage involves the development of teamwork within bureaucracy. Organization has multiple product or service lines. Innovation is institutionalized Research and Development. Goal is reputation and complete organization. The transition from one stage to the next stage above is associated with crisis, which organizations must resolve to survive. At the entrepreneurial stage there is need for leadership. At the collectivity state, there is need for delegation. At the formalization stage, the problem is too much red tape. At the elaboration stage there is the need for revitalization. From the analysis of the stages of development, it is obvious that the age of an organization has influence on its culture and effectiveness. Employees tend to be more committed to the organization's mission at the collectivity stage. Growing organization move through stages of a life cycle, and each state is associated with specific characteristics of structure, control systems, goals and innovation. An organization with a culture that enable it overcome the problems associated with each stage may be more effective than one that does not have one.

The origin of culture as an independent variable affecting an employee's attitudes and behaviour can be traced back more than 50 years ago to the notion of institutionalization (Hammonds, 2000, Judge, 2000). Institutionalization operates to produce common understanding among members about what is appropriate and fundamentally meaningful behaviour (Hall, 1987). Organizations as institutions tend to have acceptable modes of behaviour that are largely self-evident. Culture is an important force determining managerial attitudes and practices, and does influence the practice of management (Ukaegbu, 2001). Cultural differences may often affect management expectations and styles. Coping with other cultures and trying to understand why and how culture influences behaviour is one of the most crucial issues facing management. The impact of culture in organizations is becoming increasingly important. Effect can be positive, as evidenced in the cases of Wal-Mart, UPS, and South-West Airlines. Employees of South West airlines for example, actually accept lower wages than their industry counterparts in order to be part of the 'fun' working environment created by South West's people Department Motto: Hire for Attitude, Train for Skills. Cultures of obscurity and distrust, however, can have a negative effect on organization performance such as recently observed at Enron and WorldCom.

Although organizational culture had been the subject of social science research for some time (Pettigrew, 1979), the publication of In Search of Excellence (Peters and Waterman, 1982) called forth the intense concern of industrial leaders and managers. Subsequently, much research has indicated that organizations within an industry share distinct cultural values (Spender, 1989) and that culture performance relationship is far from universal (Denison, 1990; Denison and Mishra, 1995; Gordon and DiTomaso, 1992; Kotter and Heskett, 2011).

In order to achieve their goals, organizations are driven by their own kind of culture known as 'corporate culture', which has significant influence on member's attitudes and behaviours. Bateman and Snell (1999) observed that a company's culture provides a framework that organizes and directs people's behaviour on the job. Corporate culture impact individual behaviour on what it takes to be in good standing and directs the appropriate behaviour for each circumstance. Culture is an essential quality of excellent organizations (Peters and Waterman, 1982; Amah, 2010). Culture is viewed as the organization's DNA (Deoxyribonucleic Acid) – invisible to the naked eye yet powerful template that shapes what happens in the workplace (Davenport 1998). Corporate culture has been defined as "the way things get done around here" (Deal and Kennedy, 1992). This implies that the culture of one organization can differ from another even in the same industry. Schein (1985) defined corporate culture as:

> "The pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and integration that have worked well enough to be considered valid, and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems".

Based on this definition culture tends to serve two critical functions in organizations; (1) to integrate members so that they know how to relate to one another and (2) to help the organization adapt to the external environment. Internal integration refers to the collective identity members develop that enable them work together effectively. External adaptation refers to how the organization meets its goals and deals with outsiders. Culture helps guide daily activities of workers to meet certain goals. It enables organizations respond rapidly to customers' need or the moves of a competitor. Nickels et al (2011) further defined corporate culture as widely shared values within an organization that provide coherence and cooperation to achieve goals. This means that corporate culture glues employees together and also enable them cooperate towards the achievement of organizational goals.

CORPORATE CULTURE AND EFFECTIVENESS

In the early 1980s, a number of authors suggested extensive and causal relationships between corporate culture and performance (Ouchi, 1981; Peters and Waterman, 1982). However, the studies that gave rise to what Denison (1984) characterize as the 'strong culture hypothesis' have come under criticism for their measurement, sample inadequacies and/ or lack of comparison with less successful companies (Siehl and Martin, 1990). Subsequent studies have attempted to overcome one or more of these shortcomings by including a wider variance in performance, testing the same characteristic across all companies, and/or increasing sample size (Reynolds, 1986).

Others have related specific cultural practices to corporate performances. For example, Denison (1984) drawing on survey and performance data for 34 companies, showed that organizations that have participative corporate cultures and well organized work places have better performance records than those that do not. The results, presented in terms of return on investment and other financial indicators, indicated that companies with a participative culture reap a return on investment (ROI) that averages nearly twice as high as those in firms with less efficient cultures. The data presented provided hard evidence that the cultural and behavioural aspects of organizations are intimately linked to both short-term performance and long-term survival.

Denison (1990) drawing on data from the survey of organizations (Taylor and Bowers, 1972) found significant performance correlations with both consistency and performance for the organization of work, Emphasis on Human Resources and Decision making practices dimensions. Using the same instrument Hansen and Wernerfelt (1989) found similar relationships for Emphasis on Human Resources and Emphasis on Goal Attainment. In a separate study, Denison and Mishra (1995) reported significant correlations of Adaptability, involvement, consistency, and Mission with sales growth and return on assets. Based on surveys of management practices, Gordon (1985) reported that higher performing utilities scored higher than their less successful counterparts on Top Management Involvement, conflict resolution and Human Resource Development, while higher performing financial institution scored higher on Action Orientation, Venturesome, and Encouragement of initiative. Gordon and DiTomaso

(1992) found that among a sample of life insurance companies, Adaptability both as value and culture strength (i.e. the extent of agreement concerning practices), were related to subsequent growth in premiums and assets. Kotter and Heskett (2011) also reported that when compared to lesser performing firms, higher performing firms were characterized as placing a high value on customers, employees and stockholders.

Being part of an organization entails being part of its culture. Stoner et al (2001) stated that "how we do things around here" has a profound impact on the performance of an organization. They argue that today's organizations face the challenge of adopting an organizational culture that is not only flexible, but also sensitive to the many cultural differences that organization members face both within and between societies. Culture is linked to performance through the adoption of specific and consistent modes of behaviour throughout an organization. Organizational effectiveness can be defined as the ability of an organization to fulfill its mission by achieving its objectives through a combination of sound management, strong governance and a continuous rededication to assessing and achieving results.

Kotter and Heskett (2011) reported that culture has a strong – and increasing – impact on the performance of organizations. Their study has four main conclusions; first, that corporate culture can have a significant impact on a firm's long-term economic performance. Second, corporate culture will probably be an even more important factor in determining the success or failure of firms in the next decade. Third, those corporate cultures that inhibit strong long-term financial performance are not rare; they develop easily, even in firms that are full of reasonable and intelligent people. Fourth, that although tough to change corporate cultures can be made more performance enhancing. From their findings, it is obvious that corporate culture has strong influence on organizational effectiveness. The influence could be positive or negative. The study also shows that corporate culture can also be used to enhance performance.

Kotter and Heskett (2011) also discovered that some corporate cultures are adaptive while others are not. They argue that firm's culture must be adaptive to prevent the inhibition of long-term financial performance, which may occur even in the presence of reasonable and intellectual people. Johnson (1993) reported how a customer – oriented, personable culture at Family Dollar contributed to the company's $1.2 billion in sales for 1992. He argued that strong culture could help build the financial success of a firm. In the same way, the financial success at the Limited Incorporated is attributed to its culture that emphasizes relationship – between the company, employees, and customers (Wexner, 1992).

Kotter and Heskett (2011) reported several cases where cultural changes have led to periods of renewed financial performance. They pointed out that many of the companies involved were in the middle of cultural changes. They claimed that a critical element in successful culture change is leadership from the top. The founders / leaders tend to take charge of the culture. A culture that encourages the training of employees together yearly at Family Dollar is attributed with the keeping of employees connected to one another and increased productivity (Stoner et al, 2001). Culture is reinforced constantly through the creation of stories, heroes, rites, slogans and ceremonies (Robbins, 2003; Daft, 2003; Stoner et al, 2001). The founder of Body shop Anita

Roddick is reported to have used a strong corporate culture built on social activism to establish a successful organization (Stoner et al, 2001). Although some large organizations embrace some of the new rules, in general it is easier for small, new businesses to develop this type of culture from the start than for large, established organizations to change an existing culture (Stoner et al, 2001). A strong healthy culture helps organization adapt to external environment where as an unhealthy culture encourages an organization to march resolutely in the wrong direction (Daft, 2003). From the foregoing the following hypothesis was derived.
Ho_1: There is no significant relationship between age and the influence of culture on organizational effectiveness.

RESEARCH METHODOLOGY

This co relational study was conducted as a cross-sectional survey. The study units for data generation were managers in the banks and the micro-level of analysis was adopted. The population of the study was 13, 339 managers of all the 24 banks in Nigeria and the sample size of 388 managers was determined using the Yaro Yamen's formula (Baridam, 2001). After cleaning, 320 copies of the instrument were used for the analysis. In selecting the respondents the simple random sampling technique was adopted. Age – A six –item size scale was developed for this study. The dependent variable, corporate culture and organizational effectiveness were measured by adaptability, mission, involvement, consistency, profitability, productivity, and market share. Adaptability -Thirteen- item adaptability scale was developed. Mission- A nine-item mission scale was developed for this study. Involvement –A seven- item involvement scale was developed for this study. Consistency – A thirteen – item consistency scale was developed. A five-item profitability scale was developed for this study. A two-item productivity scale and a seven-item market share scales were also developed for the study. The measures all used a 5-point Likert scale- (ranging from 1-strongly disagree to 5-strongly agree. For test of reliability of the scale, the following Cronbach's alpha coefficients were obtained: Age (0.50), Adaptability (0.73), Mission (0.70), Involvement (0.73), Consistency (0.79), Profitability (0.72), Productivity (0.76), and Market share (0.73). Spearman's Rank Correlation Statistical tool was used to test the hypothesis. The result as presented was obtained.

RESEARCH RESULTS AND FINDINGS

Frequencies and descriptives were used in our primary analysis which focused on the study demographics and univariate analysis respectively. The results show that 57.1% of the respondents were males while 42.9% were females. 23.8% of the respondents have spent 0-9 years on their jobs while 30.6% have spent between 10 and 20 years. 46.6% of the respondents have spent over 20years on their present employments. On educational qualification, we had the following distribution: 60.3% HND/BSc, 39.7% Masters. 23.1% were single while 76.9% were married.

The result of the univariate analysis is shown in Table 1. The mean scores (x) obtained for Age in Nigerian banks is weighty (x= 3.5). This means that the banks have good age to enable them have a good culture that has impacted on their performance. The mean scores for corporate culture variables (adaptability, 4.29, mission, 3.9, involvement, 4.3 and consistency, 4.1) is also high.

Table 1: Descriptive Statistics of Study Variables.

	N	MEAN	STANDARD DEVIATION	SKEWNESS	
	Statistics	Statistics	Statistics	Statistics	Standard error
Age	320	3.5151	.47181	.005	.136
Adaptability	320	4.2974	.25037	-.475	.136
Mission	320	3.9916	.60377	2.795	.136
Involvement	320	4.3491	.30931	-.150	.136
Consistency	320	4.1207	.42054	-.558	.136
Profitability	320	4.4012	.45070	-.352	.136
Productivity	320	4.2438	.44039	.291	.136
Market share	320	3.9232	.49134	-212	.136

Source: SPSS Output on the analysis of Research Data**.**

The mean score of profitability (x= 4.40) also shows that the age and corporate culture in the banks is associated with the high level of profitability. In other words, the age and the existing culture have led to a high level of profitability in the banks in Nigeria. The mean score of productivity (x=4.24) also shows that the age and culture in the banks have positively impacted on the banks level of productivity. Similarly, the mean score of banks market share is high (x=3.9) as a result of the age and the corporate culture. Satisfied customers help to advertise their respective banks leading to increase in market share.

Table 2: Partial correlation Coefficients

```
Controlling for..    AGE
          ORGNEFF    CORPCUL
ORGNEFF       1.0000      .5008
         (    0)    (  317)
          P= .       P= .000
CORPCUL        .5008     1.0000
          (  317)    (    0)
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P= .000 P= .
(Coefficient / (D.F.) / 2-tailed Significance)
" . " is printed if a coefficient cannot be computed
Source: SPSS Output on the analysis of Research Data.

DISCUSSION

This hypothesis states that age of organization does not significantly affect the influence of corporate culture on organizational effectiveness. We found that the age of organization significantly affects the influence of corporate culture on organizational effectiveness. Starbuck and Hedberg (2001) explain that older organizations resist dramatic reorientation; they find it hard to ignore their current knowledge and operating procedures because they build up explicit justification for their actions and they associate specific people with specific policies. We discovered that older banks have embarked on one form of reorientation or the other to remain relevant in the market.

Recent work on organization life cycle suggests four major stages characterize organizational development (Greiner, 1972; Quinn and Cameron, 1983). The transition from one stage to the next tends to be associated with crisis, which organizations must resolve to survive. Different characteristics are exhibited at the different stages of development. From the analysis of the stages of development, it is obvious that the age of an organization has significant influence on its culture and effectiveness. Each state tends to be associated with specific characteristic of structure, control systems, goals and innovation. An organization with a culture that enables it to overcome the problems associated with each stage may be more effective than one that does not have. In other words, a bank that has a strong leadership that delegates, and employees that are committed to the mission of the organization may do better than one that does not have. Most of the banks are over ten years old (see appendix 1) which means they may be in the latter stages in their development. Age of bank positively affects the influence of corporate culture on organizational effectiveness.

For the research question that says “How does age affect the influence of corporate culture on organizational effectiveness?” Our finding indicates that age of organization positively affects the influence of corporate culture on organizational effectiveness. The positive influence of corporate culture on organizational effectiveness increases with the age of bank.

CONCLUSION, IMPLICATION AND RECOMMEDATIONS

Older organizations that are unable to respond to change are not as effective as those that are able to respond to change quickly. The positive influence on corporate culture on organizational effectiveness increases with increase in age in organizations that are responsive and flexible. Managers should cultivate adaptive culture that enables organizations to overcome the problems associated with different stages of organizational development.

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Appendix 1

Number of Years Organization Has Been In Operation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0 -10	73	22.7	22.8	22.8
11 - 20	98	30.4	30.6	53.4
21 -30	69	21.4	21.6	75.0
31 - 50	9	2.8	2.8	77.8
51 and above	71	22.0	22.2	100.0
Total	320	99.4	100.0	
Missing System	2	.6		
Total	322	100		

Source: Research Data 2009