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## Research Article

### Determinants of Organizational Performance of Select Thrift Banks

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## ABSTRACT

The impact of organizational performance plays a vital role in propelling both economy and stability. Over the years banks have been aggressive in expansion and merging to maximize their market presence in the country. And they have become interested in determining what factors affect organizational performance and what appropriate strategies to make in order to achieve productivity and profitability. This study investigated the influence of perceived organizational culture, job satisfaction, service quality, and organizational performance among clients and employees in thrift bank basis as for strategy enhancement. It was conducted among the four thrift banking institutions in the Province of Bukidnon, Northern Mindanao, Philippines. Quantitative descriptive research method was employed, four (4) survey questionnaires were the main data gathering tools complemented with key informant' interview to substantiate the result. Descriptive statistics, Pearson (r) and multiple linear regressions were used to organize the data. The result of the study showed that there is significant relationship between the organizational culture, service quality and organizational performance. However, job satisfaction appears to have no significant influence on the organizational performance. The study concluded that the higher level of service quality and strong organizational culture have significant influence to organizational performance.

**Keywords:** *job satisfaction, organizational culture, organizational performance, service quality*

## Introduction

In today's fast-paced world and increasingly competitive market of the banking sector, the gauge of how well an organization performs is vital in propelling the organization's effort

towards the attainment of its predetermined objectives. Banks have increasingly become more interested in determining the factors that affect organizational performance. It is by understanding these factors that the banks will be

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able to devise appropriate approaches that lead to improved performance and eliminate unfavorable effects.

To achieve long-term organizational performance, the Organizational Health Index Survey and Benchmarking data showed that up to 50% of performance correlates very particular on operational and financial performance. This will help leaders analyze the effect of company hones and culture on performance and make an action plan to move forward. However, many leaders overlook organizational performance because they lack a course to measure and improve it (McKinsey & Company, 2013).

Several studies show the impact of organizational culture on organizational performance (Kenny, 2012). Survey results also showed that 72% of corporate leaders acknowledged the importance of organizational culture to organizational performance, but only 25% identified beneficially organizational culture for their organization. When the organizational culture is weak, its existence is at risk because organization members have different values and beliefs that may work against the priority of management (Eaton & Kilby, 2015).

Job satisfaction, on the other hand, is also a critical factor that can affect organizational performance. Globally, only 59% of bank employees are satisfied with their jobs (Federal Employees Viewpoint Survey Result, 2013). In 2017 Job Happiness Index results showed Southeast Asia got an average of 4.77 ratings from six countries. Moreover, in the Philippines, the job satisfaction level was dropped from 5.25 in 2016 to its current rating of 4.97 on a 10-point scale (Jobstreet, 2017).

On the other hand, banks also cannot achieve their financial objectives if the customers are not satisfied with the operations and strategies that are in place (Dadzie, 2017). Though customer satisfaction is of the highest priority to the success of financial industries, however, there is stagnation in the ability of retail banks to improve customer experience. The customer experience index in the banking sector dropped from 72.7% in 2015 to 51.1% in 2018 (Capgemini & Efma, 2018). The satisfaction can be attainable only in the case that the perceived performance meets the customers' needs or it exceeds the customer expectation. If

the situation is not that, then the customer is not satisfied (Jeong *et al.*, 2016).

There was diverse literature on service quality but most focused on different industries other than banks (Daniel & Berinyuy, 2010). On the other hand, studies on job satisfaction were concentrated on work performance and loyalty (Lloyd, Boer, & Keller, 2015; Safaria, 2014). While several scholars from overseas have widely studied organizational performances (Dadzie, 2017; Pentareddy & Suganthi, 2015), limited literature were found on the organizational performance of the thrift banks. Further, there are no studies conducted yet probing the influence of organizational culture, job satisfaction, and service quality of employees and their organizational performance.

It is for this reason that the study has explored how organizational culture, job satisfaction, and service quality of the employees contributes to the organizational performance among thrift banks. The findings of this study are aimed to add to the limited literature on the organizational performance of thrift banks. The study sought to serve as basis of strategy enhancement of many banking institutions.

## Objectives of the Study

This study aims to determine the variables that influence the organizational performance of thrift banks. It attempts to determine what factors influence the most on organizational performance.

## Methods

The study used a quantitative research design that employed the descriptive method. Quantitative research methods emphasized objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys or by manipulating pre-existing statistical data using computational techniques (Babbie, 2010). The study used quantitative data in most of the variables. However, future findings corroborated the result drawn from the substantial interviews to gain deeper and broader understanding of the study. The study was conducted among the four thrift banking institutions in the Valencia City, Bukidnon, Northern Mindanao, Philippines. Convenience sampling

method was used and the sample size was determined using Cochran's (1963) equation to yield a representative sample for proportions of a large population. Four (4) survey questionnaires were the main data gathering tools complemented with key informant' interview to substantiate the result. Descriptive statistics, Pearson (r) and multiple linear regressions were used to organize the data.

Ethical conduct was considered prior to the conduct of the study. The researcher ensured that the purpose of the study, its benefits and risks as well as the duration of the participation were properly disclosed to the participants to obtain accurate and objective findings. The right of confidentiality of the information was made clear to the participants as well as the primary data storage to ensure the utmost protection.

## Results and Discussion

Table 1 presents the relationship between the dependent variable *organizational performance* and independent variables, namely *organizational culture*, *job satisfaction*, and *service quality*. The results indicated that the variables were positively correlated and were statistically significant with *p* values of  $<.01$ . The organizational performance was found significantly related to organizational culture and service quality. It further reveals that organizational performance is significantly associated with organizational culture ( $r=.359$ ,  $p<.01$ ). Likewise, organizational performance and service quality are related ( $r=.479$ ),  $p<.01$ ). However, organizational performance and job satisfaction were found not significant ( $r=.267$ ,  $p<.01$ ).

Hence, the effect of level of job satisfaction is not a predictor of organizational performance in terms of the financial perspective and goal attainment. The study results are supported by the study of Bakotic (2014), which confirmed the conclusions of different papers dealing with this matter regarding the existence of an insignificant correlation between employees' job satisfaction and organizational performance in both directions. Quedraogo & Leclerc (2010) revealed that organizational performance results directly from an aggregate sum of individual performance and indirectly from job satisfaction. The study of Gutam (2016) further supported that salary, nature of work, training & remuneration, training & development opportunities, working conditions, and performance appraisal are factors of satisfaction. The study reveals a positive but not significant impact of job satisfaction to organizational performance.

There was also an evidence as shown in the study of Cheema & Abbas (2017) which concluded that there is a significant relationship between organizational culture and organizational performance. This finding is supported by Lee & Gaur (2013), and Neffke & Henning (2013) in their studies emphasizing that strong organizational culture is essential to the management and unifies diversified company cultures in the attainment of their target performance. Pinho, Rodrigues, & Dibb (2014), and Simoneaux & Stroud (2014), in a case study, concluded that a strong culture is a driving factor for organizational performance.

Table 1. Pearson's *r* values Showing Relationships Between the Dependent Variable Organizational Performance and the Independent Variables

Dependent Variable	Independent Variables	Mean	Pearson's <i>r</i>	P-value	Interpretation
Organizational Performance <i>Mean</i> = 2.44	Organizational Culture	2.99	.362**	.000	Significant
	Job Satisfaction	3.05	.267**	.893	Not Significant
	Service Quality	3.31	.479**	.000	Significant

The study looked carefully at whether organizational culture, job satisfaction, and service quality influence organizational performance among employees in thrift bank institutions. Table 2 presents multiple linear regression analyses between the independent variables of organizational culture, job satisfaction, and service quality and the dependent variable organizational performance. suggests that organizational culture and service quality can predict organizational performance. The adjusted  $R^2$  value further has indicated that 30.0% of the indicators in the thrift banks' organizational performance explained by a linear relationship with organizational culture and service quality.

The overall model tested was highly significant with  $F = 38.766$ ,  $p=0.000$ . The null hypothesis was rejected; the independent variables are taken as having a moderate relationship combined organizational culture and service quality can influence organizational performance among employees in the thrift banking institutions of this study. However, job satisfaction ( $p$ -value=0.893) was found to have no significant influence on organizational performance.

The regression analysis further showed that the tolerance values of two predictors, namely organizational culture (.554) and service quality (.665), did not reach 1.00; therefore, there is no volition multicollinearity. These also implied that the independent variables do not predict each other. The model is significant with  $F= 36.236$ ; with  $P=0.000$ , thus;

$$\text{Organizational Performance} = -1.392 + (0.554 * \text{Organizational Culture}) + (0.665 * \text{Service Quality})$$

Among the two variables, service quality is the best predictor as reflected by its standard coefficient of 0.665 at a significance level of

.000 compared to organizational culture, which has a lesser standard coefficient of 0.554 at a significance level of .000. Specifically, this infers that tangibility, reliability, responsiveness, assurance, empathy, power distance, collectivism, and Confucian work dynamics best influence organizational performance.

The regression model further revealed that for every one unit of change in perceived organizational culture, there is a corresponding increase of 0.554 or 55.4% in organizational performance. For every unit of change in the perceived influence of service quality, there is also a corresponding increase of 0.665 or 66.5% in organizational performance. The data also implied that the high level of the organizational culture and the significant influence of the service quality, the more the employees will tend to achieve organizational performance.

The demonstrated influence of the independent variables on dependent variables finds support within various studies, on study regarded that the combination of corporate products and services is the critical factor in creating new economic value.

Service quality is the major success factor in organizational performance (Sheng & Chen, 2010). Odeny (2016) also found that service quality significantly influenced and plays a vital role in business performance. On the other hand, the study of Ahmid and Shafiq (2014) cited that all the dimension of the culture influences the different perspective of organizational performance. Finally, Rogstadius et al. (2011); Atkinson, (1964); Vroom (1964) on job satisfaction found that increasing the level of extrinsic motivation (i.e., pay and allowances) increases the worker's willingness to accept a task, which leads to faster completion time but does not influence nor predict on expected performance.

Table 2. *Multiple Regression Analysis between Organizational Culture, Job Satisfaction, and Service Quality*

Predictor Variables	Unstandardized Coefficients		Standardized Coefficients <i>Beta</i>	t	<i>p</i>	Tolerance
	<i>B</i>	Std. Error				
Constant	-1.392	.412		-	.001	
				3.382		
Organizational Culture	.554	.101	.287	5.471	.000	.554
Job Satisfaction	.019	.141	.039	.137	.893	
Service Quality	.665	.093	.431	7.120	.000	.665

Notes: R<sup>2</sup> = .301 (p < .05), F-value = 38.766 p-value=0.000

## Conclusions and Recommendations

Higher levels of service quality and the strong influence of organizational culture pave the way for an attainable organizational performance. High levels of tangibility, responsiveness, reliability, assurance, and empathy can ultimately improve organizational profitability, including organizational achievements and enhanced managerial practices that service quality and the significant influence of organizational culture.

The significant influence of service quality on organizational performance suggests that improving culture levels among the employees would be a favorable effect on achieving the goals and objectives of the organization towards productivity and profitability.

Even if job satisfaction may have a weaker influence on organizational performance, these factors also co-vary with service quality and organizational culture. The strong association implies that service quality is significantly related to the organizational culture considered as the motivation that contributes to the service quality of thrift bank employees. Thus, the thrift bank, first and foremost, having the most influence as service quality, indicates the need for thrift banks to review and assess their position and layout effective strategies to strengthen their service quality to achieve organizational performance.

Based on the findings and conclusion presented in the study, these are the following recommendations:

**Top Management:** Top management may review their strategies on improving service quality to enhance the bank performance. They may also design various team-building activities and other events that can enhance the camaraderie that will create a strong organizational culture that will improve its organizational performance.

**Managers/Supervisor:** The manager/supervisor may administer an assessment on the individual & branch performance to assess the quality of services that the staff provided. They may also initiate an informal talk or survey to valued clients and ask about their feedback on the services they experience from the employees and may allow clients to give their feedback/suggestion/comment through comment box/email/ or phone messages. The manager may also conduct/suggest to top management/human resource management an activity that will create a positive impact on organizational culture (branch outing/training, branch tour, etc., annual banking summit, etc.) a good investment that will help to enhance organizational performance.

**Bank Employee:** Bank staff may help achieve branch performance by aligning personal goals to the goals and objectives of the company. The bank staff may allow constructive feedback/coaching for better services and actively participate in the training and development seminar of the company to strengthen its operations through customer experience satisfaction. Bank employees may improve more if

he/she adopts the strong culture of the company and may share the values and beliefs that help to enhance performance.

*Academic Institutions.* Academic institutions may benefit from the findings. It helps them assess their business-related programs that will suit the demand of different organizations and the significance of the quality of services delivered. It is a strong influence to achieve organizational performance. It may also include the importance of culture in an organization to better prepare the learners for their future career pursuits. Furthermore, academic institutions may also integrate activities that may provide management strategy enhancement opportunities to the students.

*Future Researchers.* The thoughts presented perhaps used as reference information in conducting new researches or trying out the validity of other related findings. This study will also serve as the cross-reference that will give them the background of factors affecting the organizational performance of banks. The findings can also contribute to providing a deeper understanding of the extent of influence of organizational culture, job satisfaction, and service quality on organizational performance in various banks or organizations.

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