

ORGANIZATIONAL CULTURE AND PERFORMANCE:

**A CASE OF DIVISIONAL SECRETARIATS OF THE
GOVERNMENT OF SRI LANKA**

BY

**M.R.C.K.SENANAYAKE
(GS/MC/98/479)**

**Thesis submitted to the University of Sri Jayewardenepura
for the award of the Master of Science in Management**

**M.Sc. Management Programme
Faculty of Graduate Studies
University of Sri Jayewardenepura
Nugegoda**

2008

DECLARATION

The work described in this thesis was carried out by me under the supervision of Dr. H.M.A.Herath and report on this has not been submitted in whole or in part to any University or any other institution for another Degree/Diploma

.....*M.R.C.K. Senanayake*.....
M.R.C.K.Senanayake
Candidate

CERTIFICATION

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.



.....
Dr. H.M.A. Herath
Thesis Advisor/Supervisor

M.Sc. (Management Programme)
Faculty of Graduate Studies
University of Sri Jayewardenepura
Sri Lanka

2008

ACKNOWLEDGMENT

I am glade to express my sincere gratitude to all my lecturers who guided and encouraged me during my participation in the M.Sc. Management 98/99 Programme.

I am so much grateful to my supervisor Dr. H.M.A.Herath, who guided, encouraged and morally supported me continuously, understanding my difficulties, to complete this study successfully. Without his valuable guidance and continuous encouragement, it is definite that this study would not have been a success.

Also my heartfelt thanks offer to my lecturer of Research Methodology Dr. B.A.H. Bhdraarachchi for her valuable support.

A very special note of thanks is due to Mr. Duminda Kuruppuarachchi who gave me a great help for analyzing the data in this study.

Also my special thanks go to my Director Mr. A.Abeynayake for encouraging and releasing me from office work to carry out my studies.

Further, I appreciate and thank all my friends around me, for their help and encouragements given me to complete this study.

Finally, I dedicate this effort to my loving parents who were always behind me and pushed me to do this successfully.

ABSTRACT

Performance of the Sri Lanka public sector organizations during the recent past, is an arguable factor. According to various observers, many reasons have been viewed being resulting factors for low performance. In this study, it is assumed that the prevailing culture in the public sector sub national level organizations is quite important which influences the organizational performance. Accordingly, the main objective of this study was to investigate whether the Organizational Culture (OC) has a significant impact on the Organizational Performance (OP) with special reference to the Divisional Secretariats(DS) in Sri Lanka. In the meantime an attempt has been made to identify the pattern of the culture that prevails in the public sector sub national level organizations. For the achievement of objectives of the study, a conceptual framework was developed based on Denison's Organizational Culture Model. Four major organizational culture traits were identified and studied upon as Independent Variables.

An exploratory research design was adopted for the study. The sample was selected from 30 Divisional Secretariats (DS) in each of two provinces namely: Western and Central. For collection of data a survey questionnaire was developed and interviews were conducted basing on it. In order to fulfill the expected objectives of the study two hypotheses were formulated initially. After testing the validity and reliability of research variables, the two hypotheses were converted into three. Out of the three, the first two hypotheses were supported by the findings of the study, while the third one was not proved. Accordingly, analysis of data revealed that the Organizational Culture has a positive impact on the Organizational Performance.

Finally, having summarized the findings, this study concludes that the performance is highly influenced the culture in public sector organizations. It is further discussed that among the cultural variables, 'Involvement' is highly correlated with the organizational Efficiency while 'Bureaucracy' has a low level impact on the Performance in the public sector organizations.

As a recommendation for further studies, the researcher suggests selecting the sample representing operational levels in the organization considering the opinions of the general public who seek the services of those organizations.

TABLE OF CONTENTS

	Page
Acknowledgement	i
Abstract	ii - iii
Table of Contents	iv - vi
List of Figures	vii
List of Tables	viii
Abbreviations	ix
CHAPTER ONE : Introduction	01 - 10
1.1 Background of the Study	01 - 04
1.2 Research Problem	04 - 06
1.3 Research Objectives	06
1.4 Significance of the Study	06 - 07
1.5 Methodology	07 - 09
1.5.1 Sampling Design	08
1.5.2 Data Collection	08 - 09
1.5.3 Method of analysis	09
1.6 Chapter Organization	09 - 10
1.7 Limitations	10
CHAPTER TWO : Literature Review	11 - 28
2.1 Introduction	11
2.2 What does Organizational Culture Mean?	11 – 15
2.3 Types of Organizational Culture	15 – 18
2.3.1 Power Culture	15 - 16
2.3.2 Role Culture	16
2.3.3 Support Culture	16
2.3.4 Task Culture	16
2.3.5 The Hierarchy Culture	17
2.3.6 The Clan Culture	17
2.3.7 Task Culture	17
2.3.8 The Adhocracy Culture	18
2.3.9 Strong Culture versus Weak Culture	18 - 19

2.4	Factors Affecting the Organizational Culture	19
2.5	Assessing Organizational Culture	20 – 21
2.5.1	The Ouchi Framework	21
2.5.2	The Peters and Waterman Approach	22
2.5.3	The Denison's Organizational Culture Model	22 - 23
2.6	Measuring the Organizational Performance	23 - 25
2.7	Performance of Sri Lanka Public Sector Organizations	25 - 27
2.8	Relationship between Culture and Organizational performance	27 - 28
2.9	Summary	28

CHAPTER THREE : Conceptualization and Methodology **29 - 43**

3.1	Introduction	29
3.2	Conceptual Framework	29 - 31
3.3	Definitions of Concepts and Variables	31 – 37
3.3.1	Organizational Culture	31 - 32
3.3.2	Dimensions of Organizational Culture	32 - 35
3.3.3	Organizational Performance	35 - 37
3.4	Operationalization	38
3.5	Methodology	38 - 42
3.5.1	Sampling	39
3.5.2	Data Collection	39 - 40
3.5.3	Data analysis	40 - 42
3.5.4	Statistical Techniques Employed for the study	42
3.6	Summary	43

CHAPTER FOUR : Divisional Secretariat **44 – 49**

4.1	Introduction	44
4.2	Background	44 - 46
4.3	Functions of the Divisional Secretariats	47
4.4	Structure of a Divisional Secretariat	48 - 49

CHAPTER FIVE : Data Presentation, Analysis and Discussion 50 - 66

5.1	Introduction	50
5.2	Background of Respondents	50 - 54
5.2.1	Age wise Distribution of Respondents	51
5.2.2	Civil Status of Respondents	52
5.2.3	Respondents' Level of Education	52 -53
5.2.4	Respondents' Length of Service	53 -54
5.3	Statistical Analysis	54 - 63
5.3.1	Validity of the Research Variables	54 - 57
5.3.2	Reliability of the Research Variables	57 – 59
5.3.3	Overall Status of the Independent and Dependent Variables	59 – 62
5.3.4	Relationships among the Research Variables	62 - 63
5.4	Discussion of the Findings	64 - 66
5.4.1	Findings on Personal Data	64
5.4.2	Findings on Statistical Analyses	64 - 65
5.4.3	Findings on Observations	66

CHAPTER SIX : Conclusions and Recommendations 67 - 71

6.1	Conclusions	67 - 69
6.2	Recommendations	70 – 71

References

Appendix	I	Questionnaire
Appendix	II(a)	Results of Factor Analysis: Involvement
Appendix	II(b)	Results of Factor Analysis: Adaptability
Appendix	II(c)	Results of Factor Analysis: Consistency
Appendix	II(d)	Results of Factor Analysis: Bureaucracy
Appendix	II(e)	Results of Factor Analysis: Organizational Culture variables
Appendix	II(f)	Results of Factor Analysis: Organizational Performance
Appendix	III(a)	Results of Reliability check: Organizational Culture variables
Appendix	III(b)	Results of Reliability check: Organizational Performance variables
Appendix	IV	Regression Analysis
Appendix	V (a)	Photographs
Appendix	V (b)	Photographs

LIST OF FIGURES

	PAGES
Figure 2.1 Edgar Schein's Levels of Culture	13
Figure 2.2 External Environment of Organization	19
Figure 2.3 The Denison's Organizational Culture Model	23
Figure 2.4 System Perspective Analysis	24
Figure 3.1 Conceptual Framework	30
Figure 3.2 Sample Design	39
Figure 4.1 Decentralization Structure of Administration of Sri Lanka	45
Figure 4.2 Organizational Chart of Divisional Secretariat	48
Figure 5.1 Age-wise Distribution of Respondents	51
Figure 5.2 Civil Statuses of the Respondents	52
Figure 5.3 Respondents' Level of Education	53
Figure 5.4 Respondents' Length of Service	53
Figure 5.5 Revised Conceptual Framework	59
Figure 5.6 Illustration of Mean values of Independent Variables	60
Figure 5.7 Illustration of Mean values of Dependent Variables	61

LIST OF TABLES

			PAGES
Table	2.1	The Ouchi Framework	21
Table	2.2	Cultural Values that led to successful Management Practices	22
Table	3.1	Characteristics of Cultures	32
Table	3.2	Operationalization of Concepts Target Variables and Measures	38
Table	5.1	Background of Respondents	50
Table	5.2	Respondents by age	51
Table	5.3	Civil Status of Respondents	52
Table	5.4	Level of Education of the Respondents	52
Table	5.5	Length of Service of the Respondents	53
Table	5.6	Component Matrix(a) - Involvement	54
Table	5.7	Component Matrix(a) – Adoptability	55
Table	5.8	Component Matrix(a) – Consistency	55
Table	5.9 (a)	Component Matrix(a) – Bureaucracy	55
Table	5.9 (b)	Component Matrix(a) - Revised Bureaucracy	56
Table	5.10	Component Matrix(a) - Organizational Culture	56
Table	5.11	Component Matrix(a) - Organizational Performance	57
Table	5.12	Reliability Statistics-Organizational Culture	57
Table	5.13	Reliability Statistics-Organizational Performance	58
Table	5.14	Descriptive Statistics of Independent variables	60
Table	5.15	Descriptive Statistics of Dependent variables	61
Table	5.16	Pearson Correlation Results for OC and OP Scores	62
Table	5.17	Pearson Correlations Results for combined variables of Organizational Culture and Organizational Performance	63

LIST OF ABBREVIATIONS

OC	-	Organizational Culture
OP	-	Organizational Performance
TQC	-	Total Quality Culture
PCOC	-	Personal, Customer Orientation, Organizational & Culture
AR	-	Administrative Regulations
FR	-	Financial Regulations
DS	-	Divisional Secretariat

CHAPTER ONE

Introduction

“Corporate Culture will probably be even more important in determining the success or failure of firms in the next decade”

John Kotter and James Heskett

1.1 Background of the study

The World has become more competitive. New technology has emerged and modern management practices have been introduced everywhere to meet the needs of new era. No organization can survive without functioning efficiently and effectively. The private sector is essentially required to function effectively, since its ultimate goal is profit maximization and growth. Therefore, the private organizations are expected to fit into the changing environment and compete with others.

The Public sector situation is somewhat different. There are two major categories of organizations of the Sri Lankan public sector, the production-oriented corporations and the service-oriented Departmental bodies. Some government corporations focus on profit and growth leading to competition with the private sector, while the Departments focus on carrying out their functions with no competition. Emerging trends show that most of the commercialized public sector organizations - government owned or government collaborated such as, Ceylon Petroleum Corporation and State Banks are profit-oriented and compete with the private sector organizations operating in the same product/service sector. These organizations continuously adopt new technologies and strategies for building up their image in the market both local and global for survival.

On the other hand, service oriented government departments having no worries on their survival. They follow the rules and procedures with bureaucratic structures and function with a low level of efficiency and less effectiveness. Hence, these public sector organizations are quite distinct from the private sector. “In the present context, Sri Lanka is burdened with one of the largest public services in Asia”(Iqbal M.C.M,2002). It is well - known that most of the public sector organizations show less efficiency and poor performance being rigid in nature and of burdened with losses, ineffectiveness and inefficiency. Especially, the regulatory organizations at sub national level which closely communicate with people do not function satisfactorily.

Finding an exact reason for the failure is rather difficult. According to many observers, the major contributory factor for the prevailing state of the public sector organizations is political interference. Lack of proper training, dedication, and attitudes of the staff as well as absence of adequate remuneration etc. are other factors. In spite of said shortcomings, the importance of the public sector still remains high, because of its rational - reason for existence. People obviously expect quality service from the public sector organizations.

It is clear that there is a very close relationship between the public sector organizations and politicians of Sri Lanka for former, being always affected by political changes. This can be observed during the elections and post election periods. Policies and activities of most of the national level¹ public sector organizations are determined by the government politicians and would always change depending on the political party that comes into power. Hence, especially the national level public sector organizations face difficulties in maintaining stability.

¹ The organizations established by the central government to carry out its responsibilities countrywide.

As a result of identification of the backward state of the public sector, various reforms have been introduced by the Governments which ruled the country during the last few decades. The reforms are: Public Administration Circular No. 44 of 1990 which enabled early retirement of public officers is one. 2. The independent Public Service Commission was established under the 13th Amendment² with a view to improve the public sector. This Amendment also shows a number of anomalies relating to the public service. Article 55(1) of the Amendment is read thus: “the appointment, promotion, transfer, disciplinary control and dismissal of public Officers shall be vested in the commission”. But at the same time, Article (3) reads:

“Notwithstanding the provisions of paragraph 1 of this Article, the appointment, promotion, transfer, disciplinary control and dismissal of all Heads of Departments shall vest in the Cabinet of Ministers who shall exercise such power after ascertaining the views of the commission”.

Accordingly, the public sector would again continue to be influenced by politicians. Therefore, it is revealed that political interference still continues and disturbs in carrying out the mandated role of public sector organizations.

It is noted that no significant improvement was shown by the public sector organizations, in spite of such changes that have been made. It remains in the same pathetic situation. This means that, the remedial steps taken so far have not been fruitful and have not made a significant impact.

“In short, the public sector organizations in their structure and functioning have been unable to come to terms with the problems they were instituted to resolve”(Nanayakkara,1992).

² The 13th Amendment to the constitution of Sri Lanka on 14th November 1987.