

## Multicultural Education

Research Article

Homepage: [www.MC-caddogap.com](http://www.MC-caddogap.com)

## THE IMPACT OF ORGANIZATIONAL CULTURE ON PERFORMANCE OF SMES: A CASE STUDY OF SMES WITHIN UMHLATHUZE MUNICIPALITY

**Ayansola Olatunji Ayandibu (Ph.D)**

*Department of Business Management, University of Zululand*

**Makhosazana Faith Vezi-Magigaba (Ph.D)**

*Department of Business Management, University of Zululand, South Africa*

### ABSTRACT

This study investigates the impact of organizational culture on performance using SMEs within uMhlathuze Municipality in KwaZulu Natal Province of South Africa as a case study. The primary objective of the study was to evaluate the existing organizational culture within these Small Medium Enterprises (SMEs) and its impact on their performance. A quantitative research method approach was adopted with the aim of enhancing the robustness of the research findings. The study revealed that currently the SMEs are characterized by different leadership styles i.e. Autocratic, Authoritative, Pacesetter, Democratic, Coaching, Affiliative and Laissez-Faire leadership styles (those that are already operating as a corporate entity) which can positively or negatively affect strategy, innovation and provision of customised services for its customers. Further to that, the study also reveals that there is the absence of a roadmap that will collectively attain the SMEs main objectives of satisfying customers' needs and maximizing profit. The study recommends that a match of the organizational culture with business strategy and innovation should be designed and implemented with the intent of delivering superior performance within the SMEs operating in uMhlathuze Municipality. The study also recommends that leadership within these SME's sector should develop a strategic plan to articulate the business objectives and the indicators that will effectively reflect the organizational goals. The main limitation of this study was the reluctance to respond to the questions by some key respondents especially where the questions bordered on their responsibility and accountability.

### ARTICLE INFO

*Keywords:*

Organizational culture, SMEs, Organizational Performance, uMhlathuze Municipality, Innovation and Strategy and Organizational goals.

*Article History:*

Received: 22<sup>nd</sup> Feb 2021

Accepted: 17<sup>th</sup> Apr 2021

Published: 12<sup>th</sup> Jun 2021

© 2021 The authors. Published by CADDO GAP Press USA. This is an open access article under the Creative Commons AttributionNonCommercial 4.0

### 1. INTRODUCTION

Small, medium, and micro enterprises (SMMEs) play an important role in the economy of many countries (Olawale and Garwe, 2010; Ayandibu and Houghton 2017). According to Ntsika (2002), as cited in Olawale and Garwe (2010:729), "South African SMMEs contribute 56% of private sector employment and 36% of the gross domestic product". The small, medium, and micro enterprise (SMME) sector is furthermore a major contributor to technical innovation and new product development, in terms of employment, and economic development,

amongst other aspects. (Ergas and Orr, 2007).

The Statistics South Africa's Quarterly Labour Force Survey (2012), further stated that South Africa has a high unemployment rate of 24.5%: the economically active population unemployed. The best way to reduce unemployment is to increase the creation of the employment opportunities of small businesses, and it will promote small business development and advancement (Olawale and Garwe 2010). Gree and Thurnik (2003), as cited in Olawale and Garwe, (2010:729), also argued that the "creation of new SMMEs is a way to sustain existing SMMEs, thereby absorbing potential workers to make new businesses grow".

New SMMEs are seen as a solution to South Africa's economic. South Africa is an anomaly among developing countries. It is both a developed country with good infrastructure and also a country with huge social and economic problems. There is a wide gulf between recipients of development aid on the one hand and skilled professionals on the other hand. The economic prosperity of South Africa rests on the creation of SMMEs that will be sustainable. Also, although the public sector employs a growing number of job seekers in South Africa, which has solved some unemployment issues, increasing attention has been focused on entrepreneurship and new business start-ups, which have great potential in contributing to economic growth, development and job creation (Olawale and Garwe, 2010).

## 2. LITERATURE REVIEW

### 2.1 Organizational culture

Hofstede (1981) has argued that culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of values held together. Hofstede's (1981) classification of culture is well known on the basis of its relevance to national culture and its unique contribution to effective cross-culture management. This perspective applies to the social or national environment. (Senior & Swailes, 2010).

Dennison (1990) noted that organizational culture consists of standards, philosophies, policies and principles that are management control mechanisms to reinforce the expected work behavior of workers in corporate organisations. His investigation of the relationship between organizational culture and firm effectiveness/efficiency found that participatory culture organisations outsmart most organizations with other types of culture. Van der Post, de Coning, and Smith (1998) used the dimensions of the organizational culture survey (OCS) dimensions to investigate the relationship between organizational culture and business effectiveness in South Africa. The results of the study showed that there is positive relationship between organizational culture and employee performance of the organization.

Schein (1992) described organizational culture as a set of basic expectations formed, taught or developed by a group of people in order to address the challenges of the external world and internal assimilation. This suggests that new staff members are taught organizational values, norms, beliefs and principles to guide and shape the attitude and behavior of employees. By the same token, Baddah (2017) argues that HR practices ought to ensure that training programs, recruitment and other HR activities motivate all stakeholders to commit to change and build trust, while still retaining their commitment to organizational culture.

Hofstede (2001) noted that corporate culture differs from one organisation to another, based on its operating habits. This shows the complex essence of the corporate culture and also indicates that the style of cultural component embraced by management would have a direct influence on the operation of the organisation and its efficiency. Furthermore, Yusoff (2011) notes that, considering variations in meaning and calculation, culture is a major problem that defines how the individual blends into an organizational environment. For the purposes of this paper, organizational culture can be defined as the common norms, beliefs and ideals that influence employee attitudes and actions in order to achieve organizational goals and objectives.

### 2.2 Organizational performance

The primary goals and objectives of corporate enterprises are to increase profits and reduce costs, as well as enhance financial and human capital efficiency (Anantharaman & Paul, 2003). A few studies have used economic variables to calculate corporate outcomes/performance, such as profitability, return on sales, return on assets, return on equity, return on investment, earnings per share, market share, stock price, gross profit, liquidity and operating productivity (Kotter & Heskett, 1992; Deshpande and Farley, 1999). On the other hand, Katou and Budhwar (2010) used variables such as effectiveness, efficiency, development, satisfaction, innovation and quality

of goods/services to measure organizational performance. This study measures organizational performance using the approach of Katou and Budwhar (2010).

### *2.3 Human resource development policy*

The connection between human resource creation and success was based on the philosophy of human resources and the resource-based approach. The foundation of human capital in 1776 was related to the emergence of classical economics. It was first advanced by Adam Smith in 1776 and reinvigorated by Theodore W. Schultz in 1961, and postulates that education and training are an investment in individuals. They contend that skills and knowledge are a form of capital, and that this capital is an end to "deliberate investment."

HR development policy encompasses expectations, values and philosophies that direct the development of human resources in order to influence employee perceptions and job habits that eventually affect organizational outcomes (Thang et al., 2010). Wright and Snell (1998) reported that HR development policy would improve competence and affect the attitude and actions of staff and maximize organizational outcomes.

Atiku (2014) found that there is a connection between organizational culture and HR development policies in the Nigerian banking sector. Ojo (2010) observed that cultural values are positively correlated with the efficiency of commercial banks in Nigeria without clarifying the cultural aspects that were positively correlated with the efficiency of commercial banks in Nigeria. Entrepreneurial culture also made a statistically significant contribution to HR development policy in the study by Atiku (2014). Similarly, it was found that there have been substantial positive relationships between cultural values and HR outcomes, which underscore the need for a deliberate convergence of evolving business strategies and core values to strengthen co-workers/organizational conduct in the Nigerian banking industry (Atiku et al., 2014). Cultural values should then be expressed by HR development policies in order to increase organizational performance and ensure a competitive edge.

The results of the studies listed above reinforce the principles of human capital theory, which stresses the current value of historical investment in schooling, training and human resource development (Aliaga, 2001). Investments in learning and growth at the operational level have also increased the diverse skills of staff, contributing to better business results based on empirical evidence in the Nigerian banking industry. These findings from a study conducted by Atiku, Chitakunye and Fields (2014) showed that sufficient investment in training affects the productivity of employees and serves as a precedent for corporate success.

### *2.4 Human resource outcomes*

Human resource outcomes/performance are categorized as staff skills, behaviors and job behavior (Katou & Budwhar, 2010). Guest (1997) noted that increased corporate efficiency should be predicted where all HR results are reached. The findings of the analysis conducted by Atiku (2014) showed that there is a favorable association between HR development policy and HR outcomes. This submission can be related to the empirical evidence presented by Ojo (2009) on the effect of value systems on the job outcomes of employees in the Nigerian banking sector. The study also revealed that there is a positive and statistically significant relationship between corporate culture and employees' work, as well as a positive and statistically significant relationship between corporate values and HR outcomes in the Nigerian banking industry (Atiku, 2014). Therefore, both organizational culture and HR development policy exert the most influence on HR outcomes through employee attitudes (Atiku & Fields, 2015).

### *2.5 Impact of organizational culture on organizational performance.*

It has been established that core values that are sufficiently versatile to withstand internal and external differences add more to the economic success of companies (Kotter and Heskett (1992). Based on the four cultural dimensions adapted from Desphande and Farley (2004), two cultural dimensions have been defined as internal responsiveness to variations in the business environment (bureaucratic and consensual cultures), whereas the other two (competitive and entrepreneurial cultures) have been developed in order to be mindful of variations in the external business environment.

They often act as an answer to opportunities and challenges to a sustainable competitive advantage in the business environment. The suggested route begins with clear communication of corporate values via HR development policies at the individual, team and organizational levels, leading to HR outcomes that include

variables such as enhanced employee skills, job attitudes and excellent work behaviour, and resulting in the required organizational performance (Atiku, 2014).

After reviewing sufficient literature on strengthening of organizational performance, it was evident that most researchers have considered businesses based on a certain list received from the Chamber of Commerce of various countries and provinces; while some researchers have travelled within a certain area only, obtaining data (Mazanai and Fatoki 2012). In this study, “strategy, innovation, and performance management” of various small, medium and micro organisations within the Municipality will be considered. Understandably, there are many factors that could lead to SMMEs' not performing well, such as lack of training/education, lack of access to finance, insufficient government support, economic recession, location of business, high interest rates, inexperience regarding the venture, amongst other factors (Mazanai and Fatoki 2012; Ayandibu and Houghton 2017). However, how do these SMMEs manage to use strategy and innovation despite these problems to reduce their challenges? Strategic innovation would be researched on in other to help small businesses to tackle the challenges that small businesses do face.

### 3. METHODS

#### 3.1 Population

The target population of the study consisted of 389 formal registered SMMEs within the uMhlathuze Municipality in KwaZulu Natal Province of South Africa. This was arrived at using Cochran approach of sample size. The Cochran approach states that where population is unknown, minimum of 384 respondents should be considered.

#### 3.2 Sample

SMMEs was selected using cluster random sampling whereby the business sector was regarded as a cluster. Examples of these sectors can be cleaning, Farming, Consulting and Property.

#### 3.3 Research Instrument and Data Collection Procedure

The research design adopted was quantitative methods; and the research strategy that was used were questionnaires. The questionnaire consisted of ten sections ranging from demographics, general information, innovation sources, competence, capacity, status, management, strategy, to challenges and barriers. The questionnaire also consisted of sections relating to the roles of competition, customers and government.

The main focus of the data analysis is on understanding the themes and patterns emerging from the underlying information, the data collection being quantitative. Data was collected, analysed, and interpreted, in an iterative process. This inductive procedure conforms to the whole approach. Issues revealed in the beginning of the research guided the later data collection, testing and analysis. For the data analysis and interpretation, a broad style of system tools has been employed (Creswell 2009). Questionnaires require collation of data, codification of data, and statistical analysis of the data. After obtaining the results, interpretation, and analysis of the results were conducted. Verifying and sharing of findings were be conducted after all the research had been completed, in order to provide adequate feedback to the existing and new small and micro businesses on how they might improve their day-to-day services / activities.

#### 3.4 Data Analysis

Descriptive statistics are a summarisation, observation and description of the characteristics of a data set (Malhotra, 2015; Vanlalhrati and Singh, 2015). Furthermore, Johnson (2014) exalts descriptive statistics for its ability to distil the complexities of raw data to small manageable patterns. He says such an ability as crucial to “reveal any peculiarities of the data that will shape further analysis” (p.288). On its own, descriptive statistics do not answer questions (make inferences).

Exploratory factor analysis (EFA) was conducted for 24 variables using principle component analysis for determining the number of factors to retain with varimax rotation. Next, the factorability and multicollinearity assumptions were tested by examining the correlation matrix. To assess the factorability of the data, Pearson

correlations were calculated to determine the intercorrelations for each variable. According to Tabachnick and Fidell (2013), correlation coefficients should exceed 0.30 in order to justify comprising the data into factors. All variables had at least one correlation coefficient greater than 0.30 and appear suitable for factor analysis.

Reliability testing was done to assess the consistency of responses among a group of questions. This is also referred to as internal consistency or inter-item reliability. Cronbach's alpha coefficient is commonly used to measure reliability. The purpose of this test is to determine if a group of questions all measure the same construct, concept, or idea. This test is used when creating a composite score to ensure that all of the items that make up the composite score are consistent with each other. The Cronbach reliability test calculates the reliability coefficient alpha ( $\alpha$ ), which indicates the degree of consistency among the items. George and Mallery (2010) suggest the following guidelines for evaluating  $\alpha$  values: .9 excellent, .8 good, .7 acceptable, .6 questionable, .5 poor,  $\leq .5$  unacceptable. The Cronbach reliability test assumes that the items being tested measure a single construct (i.e., the construct is unidimensional), and that observations are independent of each other.

A CFA model was conducted to determine whether the variables adequately describes the data. There are a variety of ways to measure if the CFA model adequately describes the data. The Chi-square statistic is the most popular statistic used to measure model fit. Besides the Chi-square statistic, fit indices are also used to help researchers determine if the factor analysis model fits the data properly. However, this test is sensitive to sample size, which causes the test to almost always reject the null hypothesis and indicate a poor model fit when the sample size is large (Hooper et al., 2008). Along with the Chi-square goodness of fit test, the following fit indices were used to assess the model fit: root mean square error of approximation (RMSEA), comparative fit index (CFI), and standardized root mean square residual (SRMR).

Fit indices for the CFA model were treated as follows, CFI values  $\geq 0.90$  (Bentler, 1990), RMSEA values  $\leq 0.08$  (Browne & Cudek, 1993), and SRMR values  $\leq 0.06$  (Hu & Bentler, 1999) as indicating a reasonable model fit. All analysis were performed with SPSS AMOS 25.0 (J. L. Arbuckle, Amos Development Corporation, Crawfordville, FL, USA) (Arbuckle, 2017). Maximum likelihood estimation was performed to determine the standard errors for the parameter estimates..

To achieve identification, the variance were fixed of the latent factors to 1, allowed the loadings to be estimated freely. Unidimensionality was achieved when all measuring items have acceptable factor. Convergent validity was achieved when all items in a measurement model are statistically significant and verified by computing the Average Variance Extracted (AVE) for every construct. According to Hu & Bentler, 1999 the value of AVE should be 0.5 or higher to achieve the Convergent Validity.

## 4. RESULT FROM THE STUDY

### 4.1 Demographic Data

This section covered the participants' level of education, gender and age. The personal data helped contextualise the findings and the formulation of appropriate recommendations.

#### *Level of Education*

Of the 389 participants, the median category were matric qualification with 39.8% while only 1.1% of participants had a qualification of an honour's degree or higher.

**Table 1:** Frequency Table for Q1 Variable

Variable	<i>n</i>	%
Level of Education		
Below matric	141	36.2
Matric	155	39.8
Diploma	60	15.4
Bachelor's degree	29	7.5
Honour's degree	3	0.8

Variable	<i>n</i>	%
Masters	1	0.3
PhD	0	0.0
Total	389	100

*Note.* Due to rounding errors, percentages may not equal 100%.

### Gender

Of the 389 participants, males were the most frequently observed category with 51.09%.

**Table 2:** Frequency Table for Q2 Variable

Variable	<i>n</i>	%
Gender		
Males	202	51.9
Females	187	48.1
Total	389	100

*Note.* Due to rounding errors, percentages may not equal 100%.

### Age

Of the 389 participants, 42.2% is between the age group of 41-50 years.

**Table 3:** Frequency Table for Q3 Variable

Variable	<i>n</i>	%
Age		
21-30	46	11.8
31-40	96	24.7
41-50	164	42.2
51-60	80	20.6
61-70	3	0.8
Total	389	100

*Note.* Due to rounding errors, percentages may not equal 100%.

### 4.2 Reliability and Validity

Although variables should be intercorrelated with one another, variables that are too highly correlated can cause problems in EFA. To assess multicollinearity, the determinant of the correlation matrix was calculated. A determinant that is  $\leq 0.00001$  indicates that multicollinearity exists in the data (Field, 2013). The value of the determinant for the correlation matrix were greater than 0.00001, indicating that there is no multicollinearity in the data.

The Kaiser–Meyer–Olkin (KMO) test was used to determine the appropriateness and adequacy of the study sample size. Kaiser and Rice (1974) suggests 0.50 as the threshold for KMO, whilst the values below 0.50 is considered Merde meaning unacceptable, values in the 0.50's considered Miserable, values in the 0.60's are considered Mediocre, values in the 0.70's are Middling, values in the 0.80's are considered Meritorious and values in the 0.90's are considered Marvelous (Field, 2013).  $KMO = 0.88$  ('Meritorious' according to Kaiser & Rice, 1974).

Eigenvalues were obtained for each factor in the data. Four factors had eigenvalues over Kaiser's criterion of 1 and were retained (Devellis, 2016). In turn the four factors combined explained 67.91% of the variance. The

factor loadings were interpreted by taking the absolute value of each loading and implementing the criterion suggested by Comrey and Lee (2013). Values greater than .71 are considered excellent, values between .63 and .71 are very good, values between .55 and .63 are good, values between .45 and .55 are fair, and values between .32 and .45 are poor. Tabachnick and Fidell (2013) also recommend that .32 should be the minimum threshold used to identify significant factor loadings. Other items with poor loadings were deleted. The corrected item-total correlation measures whether items are all measuring the same underlying construct by relatively highly correlation coefficients as shown by the data in the table below.

**Table 4:** Exploratory factor analysis of measuring instruments.

Item	Item Factor Loadings				Corrected item
	1	2	3	4	Total Correlation
Q15_4	.866	-	-	-	.797
Q15_5	.856	-	-	-	.795
Q15_3	.855	-	-	-	.783
Q15_2	.852	-	-	-	.790
Q15_1	.843	-	-	-	.787
Q15_6	.813	-	-	-	.724
Q18_6	-	.832	-	-	.758
Q18_5	-	.825	-	-	.766
Q18_4	-	.797	-	-	.757
Q18_3	-	.782	-	-	.734
Q18_2	-	.728	-	-	.727
Q18_7	-	.704	-	-	.687
Q18_1	-	.444	-	-	.544
Q14_2	-	-	.855	-	.776
Q14_3	-	-	.812	-	.756
Q14_5	-	-	.770	-	.744
Q14_1	-	-	.761	-	.637
Q14_4	-	-	.727	-	.667
Q14_6	-	-	.712	-	.659
Q25_3	-	-	-	.831	.772
Q25_5	-	-	-	.797	.707
Q25_4	-	-	-	.785	.705
Q25_2	-	-	-	.776	.741

Q25_1	-	-	-	.701	.655
Cronbach's $\alpha$	.932	.900	.888	.880	-
Eigenvalues	7.593	4.495	2.461	1.750	-
Variance (%)	31.683	18.730	10.254	7.292	-

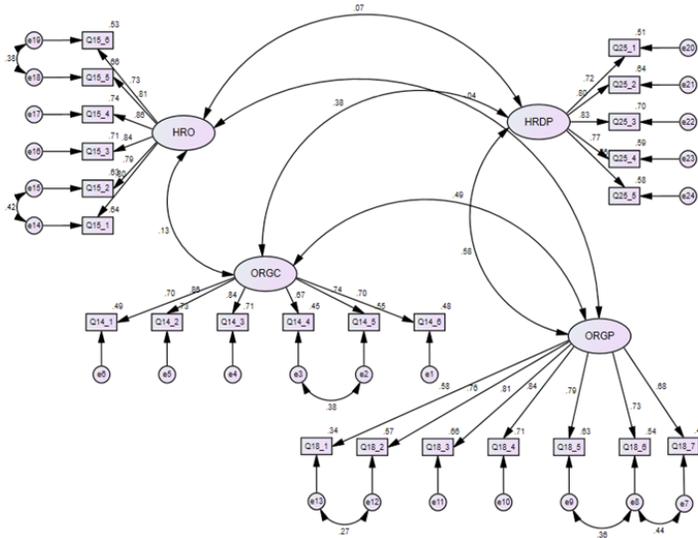
Table 4 illustrates items retained for the four factors. Factor 1 which represents human resource outcomes accounted for 31.683% of variance with an eigenvalue of 7.593. Factor 2 which represents organizational performance accounted for 18.730% of variance with an eigenvalue of 4.495. Factor 3 which represents organizational culture accounted for 10.254% of variance with an eigenvalue of 2.461. Factor 4 which represents human resource development policy accounted for 7.929% of the variance with an eigenvalue of 1.750. The four-factor model accounted for 67.914% of total variance in the data.

All items retained in the factor loadings have loadings more than 0.40, that meets the criterion suggested by Comrey and Lee (2013). The sample size of 389 is adequate as per the KMO test of 0.88. The Bartlett test of sphericity is significant at  $p < 0.001$ , which justified why the EFA was performed.

### 4.3 Measurement Model

IBM SPSS Amos was used to conduct the CFA. The purpose of the CFA is to confirm the structure of the constructs. Figure 1 illustrates the results of the model fit indices for the CFA model. The model fit indices (measurement model as shown below) indicated CMIN/df value of 2.938 and RMSEA value of 0.071 which was within the acceptable threshold. In addition the composite reliability and validity was conducted to establish the reliability of the constructs in the measurement model.

Figure 1: Hypothesised four-factor model



CMIN = 705.144; df = 240;  $p < 0.000$ ; CMIN/df = 2.938; GFI = 0.868; AGFI = 0.835; NFI = 0.891; IFI = 0.925; TLI = 0.913; CFI = 0.925; RMSEA = 0.071.

The validity of the research instrument was achieved using AVE. The AVE was applied to ensure the convergent validity of constructs. The values of AVE revealed that the loading for each construct is more than the acceptable level of 0.50. This implies that each of the constructs with explained over 50% of its item variance. The Fornell and Larcker (1981) criterion was applied to ensure discriminant validity of all constructs. This was achieved by comparing the cross-loading of all constructs with the square roots of AVE as depicted by values of the diagonal in Table 58. In addition, discriminant validity is denoted as AVE values greater than MSV values ( $AVE > MSV$ ). The MSV values ( $AVE > MSV$ ) show that all constructs in this article did not violate discriminant

validity (Bagozzi et al., 1991).

**Table 5:** Reliability analysis, convergent and discriminant validity assessment.

	CR	AVE	MSV	MaxR(H)	ORGC	ORGP	HRO	HRDP
<b>ORGC</b>	0.887	0.569	0.238	0.901	<b>0.754</b>			
<b>ORGP</b>	0.897	0.558	0.333	0.908	0.488	<b>0.747</b>		
<b>HRO</b>	0.917	0.649	0.016	0.921	0.127	-0.043	<b>0.806</b>	
<b>HRDP</b>	0.884	0.604	0.333	0.888	0.385	0.577	0.072	<b>0.777</b>

Note: All correlations are significant at  $p < 0.05$ . Diagonals are the square roots of AVE. CR, AVE and MSV.

Furthermore the fitness indexes for each construct achieved the required level. Table 6 reports the goodness-of-fit indexes for each of the constructs namely ORGC, ORGP, HRO and HRDP.

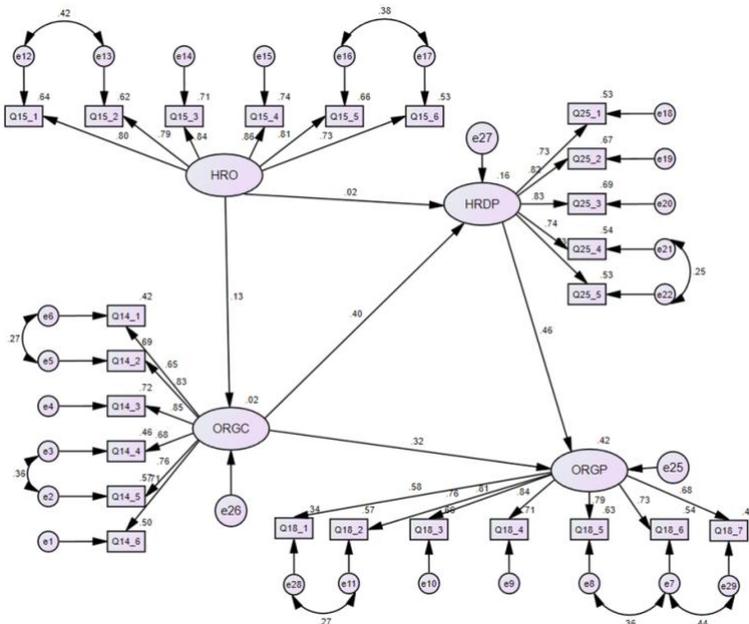
**Table 6:** Confirmatory factor analyses: fit indexes for constructs.

Model	$\chi^2$	df	CFI	RMSEA	SRMR
<b>ORGC</b>	11.02	4.000	0.993	0.067	0.022
<b>ORGP</b>	33.094	10.000	0.986	0.077	0.028
<b>HRO</b>	16.092	6.000	0.994	0.066	0.018
<b>HRDP</b>	12.596	4.000	0.991	0.074	0.023

#### 4.4 Structural Model

The structural model explains the importance of human resource outcomes/development policy and organizational culture on organizational performance presented in figure 2.

**Figure 2:** Structural Model



CMIN = 676.199; df = 239;  $p < 0.000$ ; CMIN/df = 2.829; GFI = 0.875; AGFI = 0.843; NFI = 0.895; IFI = 0.930; TLI = 0.918; CFI = 0.929; RMSEA = 0.069.

The model fit indices presented in figure 2 suggest an acceptable fit to the sample data. The standardized direct effect of human resource outcomes on human resource development policy  $\beta .02$ ,  $p = .684$ . Empirically,

human resource outcomes does not have a statistically significant effect on human resource development policy. The standardized direct effect of human resource outcomes on organizational culture  $\beta$  .13,  $p = .027$ . Statistical a unit increase in the standard deviation of human resource outcomes results in a .13 increase in organizational culture. There is a positive relationship between human resource outcomes and organizational culture in smme's in the municipality. The standardized direct effect of organizational culture on human resource development policy  $\beta$  .40,  $p < .0001$ . The standardized direct effect of organizational culture on organisation performance is  $\beta$  .32,  $p < .0001$ . The standardized direct effect of human resource development policy on organisation performance is  $\beta$  .46,  $p < .0001$ .

### 5. DISCUSSION OF RESULTS

This section presents a discussion of the results in light of the extant literature. The study initially revealed that human resource outcomes do not have a statistically significant effect on human resource development policy. This finding is in contrast with the findings of Atiku (2014) who found that there is a positive relationship between HR development policy and HR outcomes.

The next finding of the study reveals that there is a relationship between organizational culture and human resource development policy. This finding is in line with similar studies (Atiku, 2014; Ojo, 2010) which found that a relationship exists between organizational culture and HR development policies.

The study further revealed that there is a standardized direct effect of human resource development policy on organisation performance. This result finds support with the study of Atiku, Chitakunye and Fields (2014) who argue that consensual and entrepreneurship culture should be properly communicated through learning and development policy. This implies that consensual and entrepreneurial cultures are crucial for business sustainability in the knowledge-based global economy because they drive businesses towards improving organizational performance.

The next main finding of the study highlights the positive relationship between human resource outcomes and organizational culture in SMME's in the municipality. This extends Atiku and Fields (2015) contribution to the body of knowledge on corporate values as strategic action to position or shape employee attitudes towards influencing HR outcomes. The results from the study finally indicated the impact of organizational culture on organisation performance. These findings are consistent with Van der Post et al. (1998) and highlight the importance of organizational culture in the South African context.

### 6. CONCLUSION

The aim of this study was to investigate the impact of organizational culture on performance using SMEs within uMthlathuze Municipality in KwaZulu Natal Province of South Africa as a case study. The primary objective of the study was to evaluate the existing organizational culture within these SMEs and its impact on their performance. The study revealed that currently the SMEs are characterized by different leadership styles i.e. Autocratic, Authoritative, Pacesetter, Democratic, Coaching, Affiliative and Laissez-Faire leadership styles (those that are already operating as a corporate entity) which can positively or negatively affect strategy, innovation and provision of customized services for its customers. Further to that, the study also reveals that there is the absence of a roadmap that will collectively attain the SMEs main objectives of satisfying customers' needs and maximizing profit.

### 7. RECOMMENDATIONS

The study recommends that a match of the organizational culture with business strategy and innovation should be designed and implemented with the intent of delivering superior performance within the SMEs operating in uMthlathuze Municipality. The study also recommends that leadership within these SME's sector should develop a strategic plan to articulate the business objectives and the indicators that will effectively reflect the organizational goals. The main limitation of this study was the reluctance to respond to the questions by some key respondents especially where the questions bordered on their responsibility and accountability.

### References

1. Aliaga, A. O. (2001). Human capital, HRD and the knowledge organization. Aliaga AO (Eds.).
2. Anantharaman, R. N., & Paul, A. K. (2003). Impact of people management practices on organisational performance: Analysis of a causal model. *International Journal of Human Resource Management*, 14(7), 1246-1266.
3. Atiku, S.O. (2014), The relationship between organisational culture and performance: A case of the banking sector in Nigeria, (Unpublished doctoral thesis), University of KwaZulu-Natal, Durban, South Africa.
4. Atiku, S. O., Chitakunye, P., & Fields, Z. (2014). Consensual and entrepreneurial culture: insights from organisational culture and human resource development policy in Nigerian banks. *Mediterranean Journal of Social Sciences*, 5(20), 101-101.
5. Atiku, S. O., & Fields, Z. (2015). Structural determinants of human resource outcomes in the Nigerian banking industry. *Journal of Contemporary Management*, 12(1), 815-837.
6. Ayandibu, A.O. and Houghton, J., (2017) External forces affecting Small businesses in South Africa: A case study. *Journal of Business and Retail Management Research (JBRMR)*, 11(2), pp 54-68.
7. Baddah, A. (2017). The influencing factors of organisational change management: a literature review. *Ahi Evran Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 1(1), 42-58.
8. Bagozzi, R. P., Yi, Y., & Phillips, L. W. (1991). Assessing construct validity in organizational research. *Administrative science quarterly*, 421-458.
9. Comrey, A. L., & Lee, H. B. (2013). *A first course in factor analysis*. Psychology press.
10. Creswell, J. W. (2009). *Research design: Qualitative, quantitative, and mixed methods approaches*. London, Sage Publications, Incorporated.
11. Dennison, D. R. (1990). *Corporate culture and organizational effectiveness*. New York: John Wiley.
12. Deshpande, R., & Farley, J. U. (1999). Corporate culture and market orientation: Comparing Indian and Japanese firms. *Journal of International Marketing*, 111-127.
13. DeVellis, R. F. (2016). *Scale development: Theory and applications*. (Vol. 26). Thousand Oaks, CA: Sage publications.
14. Ergas, H. and J. Orr (2007). "SME trends and achievements." Report prepared for Telstra Business. CRA International, Project(D10971-01).
15. Field, A. (2013) *Discovering Statistics using SPSS*, 4th edn. London: SAGE.
16. Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics.
17. Hofstede, G. (1981). Culture and organisations. *International Studies of Management and Organisations*, 4, 15-41.
18. Hofstede, G. (2001). *Culture's consequences: comparing values, behaviours, institutions and organizations across nations* (2nd Ed. ed.). Thousand Oaks, CA: Sage.
19. Johnson, D. E. (2014). 14 Descriptive statistics. *Research methods in linguistics*, 288.
20. Kaiser, H. F., & Rice, J. (1974). Little Jiffy, Mark IV. *Educational and Psychological Measurement*, 34, 111-117.
21. Katou, A. A., & Budhwar, P. S. (2010). Causal relationship between human resource management policies and organisational performance: Evidence from the Greek manufacturing sector. *European Management Journal*, 28, 25-39.
22. Kotter, J. P., & Heskett, J. L. (1992). *Corporate culture and performance*. New York: : The Free Press.
23. Ojo, O. (2009). Impact assessment of corporate culture on employee job performance. *Business Intelligence Journal*, 2(2), 388-397.
24. Ojo, O. (2010). Organisational culture and corporate performance: Empirical evidence from Nigeria. *Journal of Business Systems, Governance and Ethics*, 5(2), 1-12.
25. Olawale, F., & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *African journal of Business management*, 4(5), 729.
26. Malhotra, N. K. (2015). *Essentials of marketing research: A hands-on orientation*. Essex: Pearson.
27. Mazanai, M. and O. Fatoki (2012). "Access to Finance in the SME Sector: A South African Perspective." *Asian Journal of Business Management* 1: 58-67.
28. Schein, E. (1992). *Organisational culture and leadership*. San Francisco, CA: Jossey-Bass.
29. Senior, B., & Swales, S. (2010). *Organisational change* (4th ed.). England: Financial Times Prentice Hall.
30. Statistics South Africa. (2012). *Quarterly labour force survey*. Statistics South Africa.
31. Tabachnick, B. G., & Fidell, L. S. (2013). *Using multivariate statistics* (6th ed.). Boston, MA: Pearson.
32. Thang, N., Quang, T., & Buyens, D. (2010). The relationship between training and firm performance: A literature review. *Research and practice in human resource management*, 18(1), 28-45.
33. Yusoff, F. W. (2011). *Organisational Culture and its Impact on Firm Performance: Case Study of Malaysian Public Listed Companies*. Paper presented at the International Conference on Management.
34. Van der Post, W. Z., de Coning, T. J., & Smith, E. V. (1998). The relationship between organisational culture and

- financial performance: Some South Africa evidence. *South African Journal of Business Management*, 29(1), 30-41.
35. Vanlalhriati, C., & Singh, E. N. (2015). Descriptive Statistics in Business Research. *International Journal of Advanced Research*, 1409-1415.
  36. Wright, P. M., & Snell, S. A. (1998). Towards a unifying framework for exploring fit and flexibility in strategic human resource management *Academy of Management Review* 23, 756–772.