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Organisational culture and its effects on the performance of long-term insurance franchises in South Africa

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Organisational culture and its effect on the performance of long-term insurance franchises in South Africa

WITS BUSINESS SCOOL MBA THESIS

DECLARATION

I, Garth Nash, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Signed at: Pretoria

On the 31th day of March 2019

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Abstract

This study examines the relationship between organisational culture and its effects on company performance. Its makes use of different long term insurance brokerages at the Liberty Group, as these businesses are easily comparable and are affected by the same market conditions. The study firstly looks to define organisational culture, after that the different measures of organisational culture are examined.

The Denison organisational culture model was chosen as a fair representation of a businesses organisational culture. The model uses a survey to construct an organisational culture profile for each business. Surveys were sent out in order to build a profile for each operation. These profiles were then compared to the different company's performance using a regression type analysis. After analysing the returned surveys data it was decided to only evaluate companies with more than 35 consultants as the data was more normalised. 276 responses were recorded.

The study found some evidence of a link between organisational culture and performance; although, there were some limitations to the findings, this study definitely builds a case for further research in this area.

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Introduction

South Africa has an estimated population of 55 million citizens. With a current unemployment rate of 26.7%, South Africa is considered to have high unemployment (Trading Economics, 2018).Furthermore, in a recent global report on unemployment consisting of 61 different countries, South Africa was ranked last (IMD, 2017). High unemployment doesn't only affect the standard of living and level of crime in South Africa, but it also negatively impacts the growth of the economy as a whole. Raising the employment level expands the tax base significantly, which increases the ability of the government to sustainably fund state services, infrastructural development, and social protection. The National Development Plan (also known as the "NDP"), launched by the South African government in 2012, is a comprehensive blueprint for how the country can eliminate poverty and reduce inequality by 2030. One of the focal points of this plan is entrepreneurship, as this is seen to create jobs. The NDP aims to nurture and support entrepreneurs specifically in the SME (small and medium-sized enterprises) sector (National Planning Commission, 2011).

South Africa has around five and a half million small business owners, an estimated 70% of which are retailers and 30% are service providers. These small business organisations employ nearly 12 million people in South Africa (Global Entreneurship Monitor, 2011). South Africa, however, has a very high failure rate amongst SMEs relative to the rest of the world. According to a recent by SEDA(2016) the failure rate is estimated at 75%. A significant increase in the performance of these small business organisations would not only reduce the failure rate of these businesses, but also have a positive impact on the unemployment levels in South Africa. Furthermore, South Africa has in excess of 30 000 financial planners, 70% of which work for franchises- either independent or tied (FPI, 2016).This excludes all the administrative,

management and other support staff also employed by these businesses. All of these franchises fall into the SME space. These franchises face many of the same challenges as other small sales businesses. The success and failure of these businesses therefore plays a role not only in reducing unemployment, but also in reducing the failure rate of small businesses as a whole.

There are many different factors which influence a small organisation's performance. Some commonly identified factors are product differentiation, research and development, branding, and business environment and strategy (Nimaor, Trimetsoontorn, & Fongsuwan, 2014). However, even under similar market situations, some small business organisations still outperform their peers. The reason for this outperformance is not always easily distinguishable. An example and possible solution of this enigma has been illustrated in the Southwest airlines case study (Muduli & Kaura, 2011) where it was found that Southwest airlines' organisational culture was the main factor attributing to their outperformance of their peers. Furthermore, there is a well know quote by Peter Drucker which states, "Culture eats strategy for breakfast." (Schein, 1985 ,p. 15). This further highlights the generally accepted notion that organisational culture performs an essential role in the success of an organisation.

In order to further explore the concept of organisational culture, this study first defines what an organisation is, and which characteristics allow for its culture to exist.
An organisation is defined as, "A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organisations have a management structure that determines relationships between the different activities and the members, and subdivides and

assigns roles, responsibilities, and authority to carry out different tasks. Organisations are open systems they affect and are affected by their environment." (Business Dictionary , 2018, p. 1)The fact that organisations are made up of different people who are managed to pursue collective goals, suggests that there needs to be at the very least some level of cohesion in order to achieve these goals. Organisational culture is perhaps the most influential force of cohesion in the modern organisation (Goffee & Jones, 1998).

The notion of cohesion and the existence of organisational culture is further reinforced by the attraction-selection-attrition (ASA) framework whereby Benjamin Schneider finds that "the people make the place" (Schneider, 1987, pp. 187-201). The theory states that, firstly "individuals are attracted to organisations whose members are similar to themselves in terms of personality, values, interests, and other attributes. Secondly organisations are more likely to select those who possess knowledge, skills, and abilities similar to the ones their existing members possess. Lastly, over time those who do not fit in well are more likely to leave. Owing to these three factors, the personal characteristics of those who work for an organisation are likely to become more similar over time, leading to the consolidation of organisational culture" (Schneider, 1987, pp. 187-201). In addition to the ASA framework (Schneider, 1987), Barney's (1991) resource-based view will form part of the foundation of this research.

Taking the above into account it highlights the potential impact that organisational culture could have on performance and therefore this study aims to gain greater insights on whether organisational culture does indeed affect performance, particularly in the case of long-term insurance franchises.

Purpose

The purpose of this paper was to compare and contrast the effect of different cultural dimensions on the performance of long-term insurance franchises. The research formed a case study specifically focusing on the influence of these cultural dimensions on the performance of different South African long-term insurance franchises. This study measured different cultural dimensions of these small businesses in order to examine whether there is any correlation between certain organisational cultural dimensions and business performance. The study also attempted to establish if there are significant differences in organisational culture between these small businesses.

Furthermore, should there be substantial differences, the study would then investigate whether these differences have significant impact on the organisation's individual performance. Should this study find a direct link between organisational culture and performance, it could further promote the importance of the concept of organisational culture in the South African small business environment as a whole.

Literature Review

This review looks into three main aspects. It first establishes a basis for what is meant when the study refers to organisational culture. It then looks at literature relating to the relationship between organisational culture and performance. Lastly, once organisational culture has been defined and its potential relationship to performance in literature established, a few short summaries of proposed models of measuring organisational culture are outlined.

Organisational Culture

Organisational culture, also known as corporate culture, has many definitions in academic literature.

Edgar Schein defines organisational culture as the "basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken-for-granted fashion an organisation's view of itself and its environment" (Schein E. , 2004, p. 18).Terrance Deal and Alan Kennedy define organisational culture as the taken-for-granted "ways we do things around here" (Deal & Kennedy, 1982). Gerry Johnson et al. in their book "Exploring Strategy", combine both these notions as organisational culture being "the taken-for-granted assumptions and behaviours of an organisation's members" (Johnson, Whittington, Scholes, Angwin, & Regner, 2017).

Kotter and Heskett (1992) argue that organisational culture consists of two levels, both of which are different from one another with regards to their visibility and resistance to change. At a more in-depth and less apparent level they believe "Culture refers to values that are shared by the people in a group and that tend to persist over time even when group membership changes". At a more obvious level they believe "Culture represents the behaviour patterns or style of an organisation that new employees are automatically encouraged to follow by their fellow employees (Kotter & Heskett, 1992, p. 13).

Kotter and Heskett (1992) also state that cultures are relatively steady over time, but they are never stagnant. Crisis occasionally compels a group to reassess some values or general business practices. New challenges can force a company to change the way things are done inside a business. Enough crises and staff turnover, combined with a deficiency of preserving mechanisms can abolish culture or make it much weaker. But on the other hand, culture can

be nurtured to be much stronger where there are lots of common beliefs, principles, behaviour patterns, and practices, and where the degrees of organisational culture are closely interrelated. A stable leadership structure, steady group membership, geographical concentration, smaller team size and substantial success all support the emergence of a strong organisational culture.

Martins and Martins (2003) define organisational culture as "a system of shared meaning held by members, distinguishing the organisation from other organisations" . In line with the above definition, Arnold(2005, p.8)suggests that "organisational culture is the distinctive norms, beliefs, principles and ways of behaving that combine to give each organisation its distinct character".

These two definitions advocate that organisational culture differentiates one organisation from another organisation. Therefore, "organisational culture is to an organisation what personality is to an individual" (Johnson G. , 1990, p. 228).

Taking into account the above definitions, a clear-cut difference can therefore be distinguished amongst those who consider culture as being a metaphor that permits for the grasping of organisations in terms of other complex entities such as the machine and the organism (Davidson, Coetzee, & Visser, 2007) and those who think of culture as an objective entity with personality (Van Der Post, de Coning, & Van Der Merwe, 1998).

Although there is no definitive agreement about the definition of organisational culture, the majority of researchers will agree it is holistic, created as a result of the past, linked to anthropological concepts, socially created, delicate and resistant to change.

Each one of these features has been acknowledged in literature in the last few decades (Hofstede, Neuijen, Ohavy, & Sanders, 1990).

Lastly it's also important to note that organisational culture is not only aimed at employees but also at a company's customers, and its definition has been found to encompass an organisation's

orientation to both its staff and customers (Thokozani, 2017). Apple Inc. loyal customer base is an example of how an organisational culture can both encompass the employees and also the customers. Sinek argues (2011) that many of their customers have bought into the Apple culture of "thinking differently" and to "challenge the status quo". This causes them to identify with the company's culture and what it wants to achieve, and consequently they become loyal to the brand. The customers buy more into why Apple does what it does, rather than buying into what the Apple products are capable of relative to their competitors (Sinek, 2011).

Organisational Culture and Performance

In order to achieve greater performance, organisations implement many different strategies, such as benchmarking, restructuring, sales and other staff incentives, implementation of new management systems and staff development. In spite of such efforts, countless organisations have not realised the expected results or are yet to achieve high performance (Jeuchter, Fisher ,& Alford, 1998). According to Kandula (2006), strong culture is a pertinent factor relating to good performance. Additionally, Kandula (2006) argues that because of differences in organisational culture, identical strategies do not achieve equal outcomes for two organisations even if they are in the same industry and in the same place. An encouraging and strong culture motivates an average employee to perform and over-achieve. While a destructive and weak culture might demotivate a brilliant employee to underperform and

result in negligible achievement. Therefore organisational culture plays a dynamic role and is directly related to employee performance.

Although a strong organisational culture is not the only factor that leads to superior performance, it adds significant value to the attainment of competitive advantage by firms. The office and work environment is more likely to be fulfilling and motivational when the members of an organisation can identify with their organisational culture, this in turn increases employee morale. Furthermore, this results in improved levels of co-operation, communication, and openness to new ideas and concepts (Johnson, 1996).

Kotter and Heskett (1992) note that extensive studies in the early 1990's on the effects of organisational culture on an organisation's performance had the following findings:

- Organisational culture may have a substantial influence on an organisations long-term economic performance. Organisations with cultures that emphasised and focused all the important managerial constituencies and leadership, from managers at all levels, performed better than those who did not share the same cultural traits by a considerable margin.
- In the future organisational culture will become an even more essential factor when determining the likelihood of success for a business.
- Businesses with organisational cultures that hinder long-term performance are not uncommon. Even in organisations that are full of rational and intelligent people, these cultures grow rather easily. Cultures that hinder changes to more suitable strategies and support unacceptable behaviour, grow slowly and quietly over a number of years. This often tends to happen when organisations are outperforming.

- While difficult to transform, organisational cultures can become more conducive to improving performance. Changes like this are complicated, slow, and require strong

leadership, which is something that is very uncommon, even from exceptional management. The business leaders must have an accurate idea of what type of culture will encourage increased performance- an ability that is at present difficult to find in the business community.

Criticisms to the link between organisational culture and performance.

Despite the findings above and the quantity of academic research on the link between performance and organisational culture, there is little statistical evidence supporting this relationship (Calori & Sarin, 1991). It was also found that a strong culture can help facilitate situations that are also destructive to an organisation and its performance. An example of this in recent times would be Steinhoff Pty Ltd, whereby a strong organisational culture of letting the CEO and CFO make all the decisions, enabled alleged fraud and accounting irregularities to take place (Stellenbosch University Business School, 2018). Also, it has been found that when a company has a strong destructive culture, it can become a large obstacle, which is difficult to change and can lead to under performance (Sorensen, 2002).

Resourced Based View

Barney's (1991) resource-based view forms part of the foundation of this research. This paper which explores whether organisational culture could have an impact on the performance of long-term insurance franchises supports this view. Barney's view argues that a firm's competitive advantage is a result of how the specific resources and capabilities of a firm combine.These resources should be Valuable, Rare, Inimitable and Not Substitutable (VRIN) (Barney, 1991).

This model has later been adapted to VRIO in order to better capture the way a company is organized, to more effectively exploit its resources (Barney & Hesterly, 2010).

Recent studies have found organisational culture can be seen as a resource in itself (Burman, 2006), in the way that an organisation's culture can be seen as, Rare, Valuable, Inimitable and Not Substitutable. This study also found that the authors of Mastering Strategic Management, a highly regarded open source textbook, argues that Southwest airlines' organisational culture is an illustration of the resource-based view in action (University of Minnesota, 2016). Alternatively, it can be argued that the employees are the resource whereby under the recent adaptation VRIO, the organisational culture would fall under the 'O". The "O" in this model stands for organisation, whereby it looks at the company's ability to organise a resource. Due to the cohesion benefit of organisational culture mentioned above, along with the ASA attributes, it can be argued that a company's culture can affect their ability to organise a resource.

Organisational Culture Frameworks and Models

There are many different suggested frameworks used to measure organisational culture. This study summarises the most common frameworks below:

The Organisational Culture Profile (O'Reilly, Chatman, & Cadwell, 1991):

In the organisational culture profile, culture is represented by seven distinct values as seen below.



Figure 1: The Organisational culture profile. Source: open.lib.umn.edu .

Innovative culture is flexible, adaptable and experiment with new ideas; these organisations are characterised by flat hierarchy and titles and other status distinctions tend to be downplayed.

- Aggressive culture values competitiveness and outperforming competitors; by emphasising this, it often falls short in corporate social responsibility.
- Outcome-orientated culture emphasises accomplishments, great results and action as vital objectives.
- Stable culture is predictable, governed by rules and complex. Aiming to coordinate and align individual effort for greatest level of efficiency.

- People-orientated culture values equality, a supportive environment and respect for each employee's rights. People are their greatest asset.
- Team-orientated culture is collaborative, emphasises cooperation among employees capable of helping each other when needed.
- Detail-orientated culture emphasises precision and pays attention to details.

Outside focused model (Deal & Kennedy, 1982):

This model is constructed around two facets, feedback and risk. By risk it is referring to the amount of risk associated with the organisation's operations. By feedback it refers to how long it takes to get feedback on whether the organisation's/employees' decisions or strategies were successful. It argues that the business environment in which an organisation functions is the most important influence on organisational culture.

The authors define four different types of organisations as seen in the figure below.



Figure 2: Deal and Kennedy's model of organisational culture. Source: http://www.open.edu

- The bottom left quadrant, Work-hard, play-hard has a quick feedback and low risk resulting in pressure coming from the amount of work instead of uncertainty; fast actions leading to fast results.
- The top left quadrant is the Tough guy and macho culture which has quick feedback/reward and high risk, which causes pressure due to high risk and possible loss/gain of reward. They are fixated on the present instead of the long-term future.
- The bottom right quadrant is the Process culture which has slow feedback/reward and low risk, this causes little pressure or stress, dull work, the comfort zone; issues and stress comes from politics inside the system and due to their own doing, it allows for development of administrative inefficiencies and other ways of sustaining the current state of affair. It is fixated on security of the future and the past.
- The top right quadrant is the Bet-your-company culture which has slow feedback/reward and high risk, causing stress due to the high risk and long wait before finding out if their decisions were successful and worth it; the long term view is selected, but a lot of time and energy is put into ensuring that things go as expected.

The four Culture-Archetypes of the Competing Values Framework (Cameron & Quinn, 2011):

Cameron and Quinn (2011) built an organisational culture assessment method that differentiates between four culture types. This method was based on the existing foundations of the competing values framework.

Competing values produce opposite poles such as flexibility and discretion vs. stability and control, and also internal, focus and integration vs. external focus differentiation. These four opposite poles were established to have the most influence in creating and supporting organisational performance.



Figure 3 The Four Culture-Archetypes of the Competing Values Framework. Source www.researchgate.net

The polarities construct a quadrant with four types of culture:

- Hierarchically orientated culture emerges in the relatively stable environment; clear lines of decision making authority, standard policies and procedures, control and accountability mechanisms are valued as the keys to success.
- Market orientated culture emerges when the external environment is hostile rather than benign, the organisation is in the business of increasing competition , success is defined in terms of result, profit, market share and penetration.
- Clan orientated culture is a team-orientated approach with underlying assumption that employee growth and collaboration are the best way to manage the environment. Customers are regarded as partners. A big focus of the organisation is to creating and empowering a benevolent working climate. Management's main aim is to encourage workers and increase their involvement, commitment and loyalty.

• Adhocracy orientated culture fosters adaptability, flexibility and creativity if uncertainty, ambiguity and information overload are typical; the glue that holds these organisations together is commitment to dynamism, experimentation and innovation (Kessler, 2013).

Denison's cultures assessment model (Dennison, 1995):

Similar to Cameron and Quinn, Denison's culture assessment model is also based on the competing values framework. However, where Cameron and Quinn proposed classification on the basis of the ratio between focusing on the external or internal environment, Denson's model is based on four cultural traits. The Denison model serves as a foundation for the cultural development activities, and

is based on four traits of effective organisation integrated in to a common framework what allows to measure these traits simultaneously.

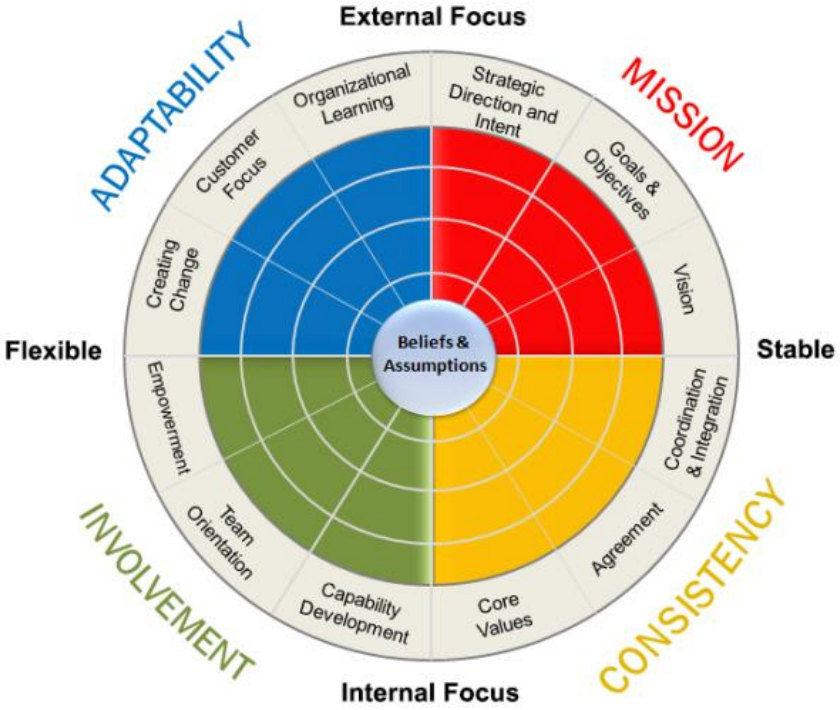


Figure 4 Denison's Organisational Culture Model (Dennison,2000). Source: www.felixglobal.com

- Mission – Direction, Purpose and Blueprint: defining a meaningful long-term direction for the organisation. "Do we know where we are going? "
- Adaptability – Pattern, Trends and Market: translating the demand of business environment into action. "Are we listening to the market place?"
- Consistency – Systems, Structure and Processes: defining the values, systems and processes that are the basis of a strong culture. "Does our system create leverage?'
- Involvement – Commitment, Ownership and Responsibility: building human capital, ownership and responsibility/ "are our people aligned and engaged?'

Summary of findings and rational for choice of framework:

Although there is a lot of published research connecting organisational culture to performance, there is still little statistical proof supporting this link (Van Der Post, de Coning, & Van Der Merwe, 1998).

Research was done recently in South Africa on the link between organisational culture and its effect on performance by Davison, Coetzee, and Visser (2007). This study found an indication of the existence of a link between organisational culture and performance. However, the study's data set was too small to draw any significant conclusions. Davidson et al. (2007) furthermore suggested that if the study could be repeated and the same links were found between organisational culture and performance, it would contribute towards a greater understanding of the relationship (Davidson et al., 2007).

Therefore this study wishes to expand on the ground work done by Davidson et al. and further investigates whether the relationships between organisational culture and performance revealed their research hold true in South African long-term insurance franchises.

Furthermore, this paper investigates if there are possibly stronger relationships between organisational culture and performance in different underlying and less obvious subsets such as customer segment and type of product/service provided.

When investigating globally on the quantitative research published linking organisational culture to performance, the studies performed by Dennison (1990) are the most extensive. While a substantial amount of studies have been completed with the use of the Denison's Survey, only a few studies have been conducted of this kind in South Africa. This paper therefore attempts to find out if a relationship between organisational culture and performance is present in South African long-term insurance franchises.

The research that has been completed linking corporate/organisational culture to business performance, varies between the methods used to measure performance across the different business organisations. This is not surprising as performance metrics are usually designed to be appropriate to the specific organisation's objectives (Lim, 1995). Just as Davidson et al. (2007) used the Denison Organisational Culture Survey in order measure organisational culture, this study will also use this method. However, due to the reasons mentioned above, this research uses performance measure appropriate to the organisations' objectives being studied.

Therefore an additional objective of this research was to find an appropriate method for the measurement of performance of the small business organisations studied in order to have a measurement that is comparable across the different long-term insurance franchises participating in this study.

The performance measures of the businesses which are being compared and contrasted against one another need to be universal and appropriate to all the different organisations' different objectives. Therefore due to the fact that the objectives of the businesses studied need to be aligned, this suggested that in order to get a truly comparable result, the nature of these businesses needed to be the either the same or very similar.

Taking into account these two prerequisites- universal performance measures and similar business natures, this study suggests that an appropriate sample group would be Liberty Group's long-term insurance franchise business units. These units consist of different small long-term insurance sales franchises affiliated to Liberty Group which are measured by predetermined and accurate performance metrics and also operate a business of the same/similar nature and objectives.

The common business objectives were one of the limitations of research in Davidson et al.'s (2007) study as some of the business units were cost centres and did not share common objectives.

However, this study proposes to overcome this limitation by only looking at the franchise businesses. Taking the above into account, the following set of issues were dealt with in this particular study:

- Is there a specific organisational culture profile that is dominant across South African long-term insurance franchises?
- How can the organisational performance of South African long-term insurance franchise businesses be measured and what are their critical aspects?

- Is there sufficient evidence to support a link between the performance of South African long-term insurance sales franchises and their organisational culture profile? If yes, what is the nature and implications of this relationship?
- Does customer segment and product mix have an influence on the relationship between organisational culture and performance?

Research Design

Research Approach

Quantitative methods were used when approaching this research. The study made use of online questionnaires to gather the data required. The quantitative approach was cross-sectional in nature as this approach is seen by some experts as a good method for establishing a cause and effect relationship between different variables (Field,2009). A regression type technique was used along with an ANOVA in order to determine whether organisational culture has a statistically significant impact on performance.

Research Method

Research Participants

The population consisted of 1365 consultants who are tied representatives of Liberty Group franchises which operate in seven regions across South Africa. These consultants are based across 82

different operations. The size of the operations range from 2 – 112 consultants. These

operations

have unified performance metrics and product offerings. The sample population of 1365 does not include administrative and other support staff who are not registered as tied agents of Liberty Group. They will however form part of the final population in their own subset being split between managers, administration and human-resources population sets In total 276 surveys were completed, with 52 different participating franchises , this gave an average of 5 responses per company , however the larger franchises had more responses on average than the smallest ones. After taking out the smaller franchises with few responses, we were left with 37 different companies and 154 responses.

Data collection strategy

An online survey was distributed to all the different operations, the participation of this survey was encouraged by management of the Liberty Group as they have a vested interest in the outcome of this study. Qualtrics was used to distribute this survey. Also, all operations heads were contacted before the survey was sent out and continuous follow up was maintained.

Measuring Instrument

Based upon methods used in previous successful studies of this nature in South Africa by Davidson et al.(2007) . Organisational culture was used as the independent variable, and it was quantified by making use of the Denison Organisational Culture Survey (Denison, 1990).

Performance was the dependent variable. It was measured by making use of the Liberty Group's operational performance framework, consisting of 6 different performance metrics.

Denison's Organisational Culture Survey

The Dennison's organisational culture questionnaire (Dennison D. R., Corporate culture and organisational effectiveness, 1990) consists of 60 questions which are then quantified on a 5 point Likert scale. This scale is split up into four different organisational culture dimensions (involvement, adaptability, consistency, and mission). The performance of an organisation can be substantially influenced by these different cultural dimensions. This survey was founded on more than 20 years of studies which consisted of in excess of one thousand organisations and over forty thousand employees.

The cultural dimensions are measured by the questionnaire in three indices each as shown in figure 5 below. The framework differentiates on opposite poles the contrast between external focus and internal focus and between stability and flexibility of an organisation's culture. An example of this would be; adaptability and mission who have beliefs and assumptions which tend to be more externally focused, whereas involvement and consistencies beliefs and assumptions tend to be more internally focused.

This difference in foci between the organisations is in line with Schein's (1990) argument that organisational culture grows as an organisation learns to manage the twin challenges of adapting to your externalities while still having to integrate internally. Furthermore, adaptability and involvement describe traits which are more conducive to an organisation which is flexible or has a larger capacity to change, however, mission and consistency have a greater chance of supporting an organisation's ability to be more predictable and stable over time.

Also, this framework suggests that in order for an organisation's culture to be truly valuable and have the best influence, it should focus on all of the different aspects and not just an either this or that aspect type decision (Dennison & Mishra, 1995).

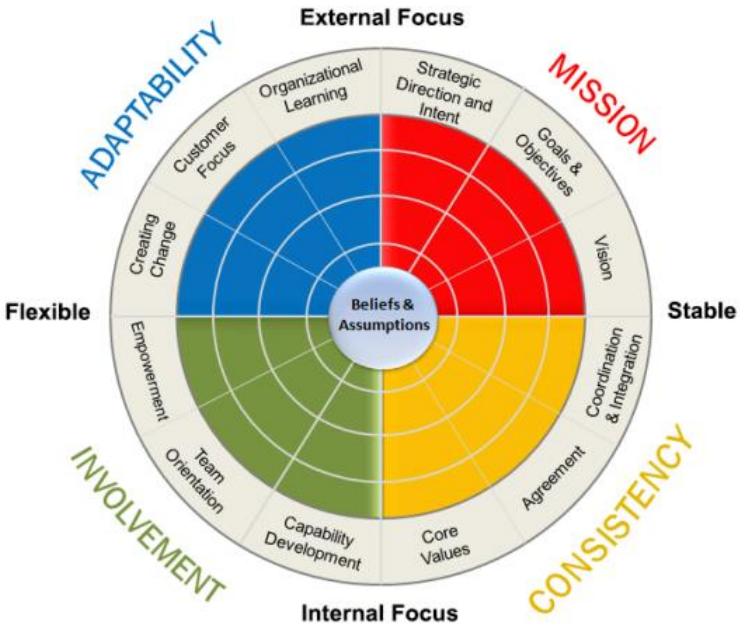


Figure 5 Denison's Organisational Culture Model (Dennison, 2000). Source: www.felixglobal.com

The dimensions and subsets are defined in the following manner (Dennison D. R., Understanding the Model, 2000):

- Involvement – Commitment, Ownership and Responsibility: building human capital, ownership and responsibility/ "are our people aligned and engaged?' It is split up into 3 different subsets:
  - Empowerment: Employees can be self-manged, can take initiative and have authority over their own work. This enforces a feeling of ownership and duty towards the organisation.

- Team Orientation: The importance of working together towards a mutual objective to which all members can feel responsible for, is emphasised. The organisations goals are achieved through teamwork.

- Capability Development: Employee growth and development is essential to the organisation in order to maintain a competitive advantage. The organisation spends a lot time and money ensuring the employees are competent and capable.

- Consistency – Systems, Structure and Processes: defining the values, systems and processes that are the basis of a strong culture. "Does our system create leverage?" It is split up into 3 different subsets:
  - Agreement: The organisation can agree on issues that are key to the success of the business. This speaks to an organisation's ability to handle disagreements and how quickly they can settle disputes.
  - Co-ordination and integration: Various departments and utilities can work as a team in order to accomplish the same task. This speaks to how well different areas can work together on a single objective.
  - Core values: The employees share the same set of values which produces a powerful and unified sense of identity and also a distinct set of goals.

- Adaptability – Pattern, Trends and Market: translating the demand of business environment into action. "Are we listening to the market place?" It is split up into 3 different subsets:

- Creating Change: Flexibility and change are easily achieved by the organisation. The business is able to rapidly adjust to changes in the market and business environment and also predict possible changes in the future.
- Customer Focus: The business has a good knowledge of their customers' needs and requirements and makes changes accordingly as these needs evolve. They also try to predict future changes in customer needs.
- Organisational learning: The business gathers, analyses and interprets indicators from the business environment and transforms them into opportunities that promote understanding, innovation and employee skills.

- Mission – Direction, Purpose and Blueprint: defining a meaningful long-term direction for the organisation. "Do we know where we are going? "
  - Vision: The business has a common vision of what and where it wants to be in the future. The organisation personifies core values and gains the employees belief and support, while offering guidance, leadership and direction.
  - Strategic Direction and Intent: The business wants to stand out amongst its peers. Clear strategic objectives deliver the company's purpose while effectively communicating how all members can support this.
  - Goals and Objectives: The organisation's objectives and goals can clearly be connected to the businesses strategy, mission and vision. This also gives the employees a clear route to follow with regards to their work.

The outcomes of the questionnaire are plotted around a circle (see above figure 5). The organisation's scores in this model are shown in a percentile and quartile manner. These scores are also then compared to a norm group that consists of five hundred organisations.

The archive/database of norms consists of large number of different businesses globally. These businesses range from small to large, and operate in many different industries such as finance, tech, mining, manufacturing, personal services and even retailers.
The higher the quartile score the better the performance of the organisation with 1st quartile being the worst and 4th quartile being the best (Denison, 2000). When looking at the results of an organisation it is vital to find out in which dimensions and subsets it is strong and in which it is weak as a well-rounded score with a good overall percentile in all the different quadrants is desired. The culture profile is shaded from inside towards the outer border. The more it is shaded, the greater the effectiveness of its organisational culture is said to be.

Mishra and Denison (1995) conducted a criterion-related study which surveyed over seven hundred senior executives from a range of different business sectors. Their findings were evaluated against different effectiveness metrics that included both objective and subjective measurements. These measurements focused on growth of sales, levels of profit, quality, overall satisfaction and effectiveness. The finding were that the traits on the stability side of the model (consistency and mission) were the best for forecasting profitability and the traits on the flexibility side of the model (adaptability and involvement) were best at forecasting growth on sales. In later research by Denison (2000) in which sixty organisations were studied, Denison found a positive correlation between all of the four different traits and return on assets, however it was also revealed that a few of the traits had a stronger relationship to organisational effectiveness metrics other than return on assets (Denison, Links to performance , 2000).

The internal consistency reliabilities published by Denison (1998) in which the indices were each measured by five items were acceptable. The reliabilities of the Cronbach alpha range between 0.62 and 0.82.The construct validity of the survey was tested by using a confirmatory factor analysis to establish whether the index configuration suited a framework that treated the 12 indices as the observed measures and the 4 traits as latent variables. Reasonable validation for the framework was found (Denison, 1998), however it was discovered that the traits inter-correlated significantly. Two reasons for this inter-correlation were given. Firstly, Denison argued that the different traits share a substantial over-lap, this was due to the fact that they do not measure different traits as the framework implies. Secondly, Denison reasoned that high scores on all the indices implied an effective culture and visa-versa.

Liberty Groups Performance Framework

This study made use of the same metrics that Liberty Group applies when measuring the performance of their franchises. This method was decided on as these metrics are generally accepted by the industry as a good indication of a long-term insurance franchise's performance.

There are 5 main quantitative metrics, along with a 6th qualitative metric:

1. **Growth in production credits** (PCR's). A company's PCR's are calculated by taking into account the premium of business written and multiplying this by the length of the policy contract, up to a maximum length of 25 years. For example, if a client who is 40 takes out a retirement annuity investment of R1000 per month and it matures in 15 years when he is 55, this business would generate 180 000 PCR's (R1000 X 12 Months X 15 years).

Alternatively if a 20 year old client takes out a life cover policy for R200 per month this would generate 60 000 PCR's (R200 X 12 Months X 25 Years(This is the max length regardless of years to policy maturity). This is the same for Lump sum investment business, where a R100 000 lump sum would therefore attract 100 000 PCR's, as this is a once off and not a recurring payment there will be no multiplication.

2. **Growth in number of validating consultants.** Although most consultants are paid commission and are not earning a basic salary, there is still a desk cost to the franchises to provide them with services such as phones, office space, board rooms etc. If the revenue generated by the consultant is below the desk cost, a consultant is said to not be validating. Therefore the growth not just in number of consultants but rather number of validating consultant is an indicator of good business growth. The minimum validation criteria is different depending on the tenure of the consultant (tenure will be looked at in more detail in point 6 below).

3. **Percentage of performing employees /Ratio of validating consultants.** This metric is based on the same principle as the above metric, however the ratio of validating consultants plays an important role when measuring the performance of older most established businesses as they may be bringing on 10 new validating consultants however they could have 20 consultants who are not validating, therefore the ratio of existing validating to non-validating consultants is seen as vital to the performance of a franchise.

4. **Lapse Rate.** Due to the long term revenue nature of life insurance companies , the long term flows are important to a company's sustainability , as although the commission are paid upfront to the consultants , this cost must be recouped over the life of the product .Therefore should a contract be broken , these commissions etc would have to be paid back by the franchise and consultant. Therefore the higher the lapse ratio the worse the actual performance of the company as the business written in one year , falls off the books in the next year and creates a liability for the business. The bigger this number the bigger the potential liability and the greater the amount of new business that must be written in order to mitigate the effect of these lapses.

5. **Advisor quality code (AQC).** This was a new metric introduced by Liberty Group in 2013. This metric gives liberty an indication of the quality and profitability in each advisor's business. The AQC model basically takes the number of PCR's on a 12 month rolling period along with Gross ACR's (accumulated production credits is a metric representing the consultants total existing business on the books), and this gives a score out of 10 points. This score is added to another quality score which is also out of a maximum of 10 points. These two scores are then added together to give a total score out of 20. The higher the score the better your ACQ rating is. A summary of this is available below in figure 6.

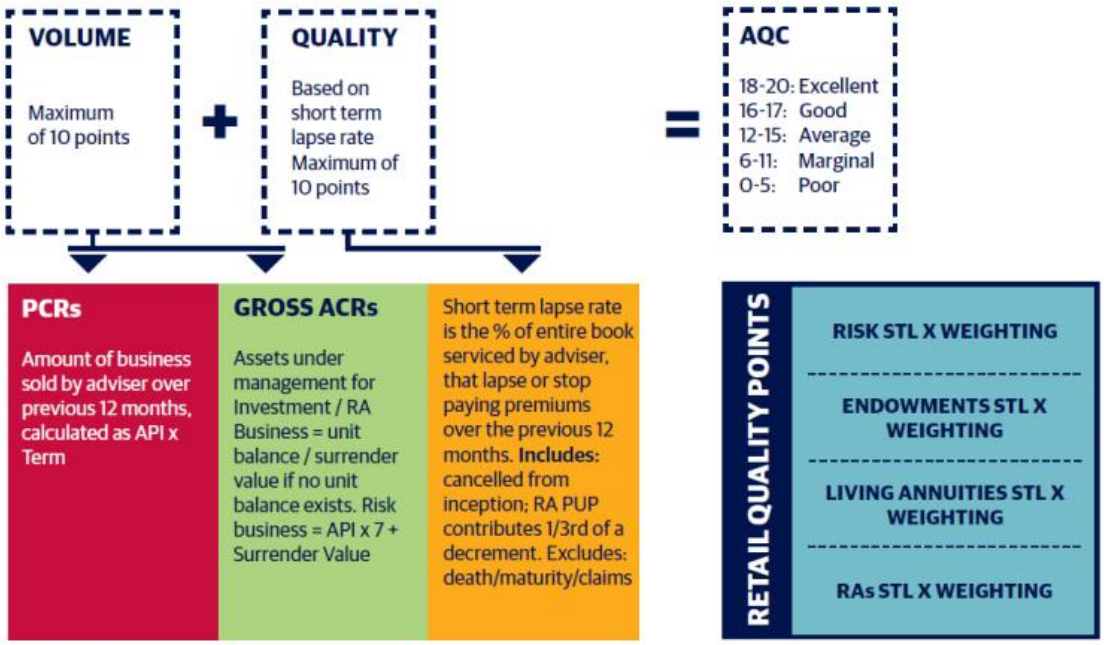


Figure 6 Liberty AQC Model. Source: www.blueprintonline.co.za

6. Consultant Tenure. All consultants at Liberty group are grouped by tenure, from A in their first year up to E after 5 years. Consultants who still have active broker codes but are not active in the business are given a tenure of F. An indication of a healthy franchise is a balanced ratio of different tenure consultants. For example, too many A and B consultants could indicate that a franchise cannot sustain consultant growth and consultants are leaving. However too many E consultants and too few A consultants could indicate that the company is not recruiting new employees at an acceptable rate, or that it is having issues with recruiting.

Results

Although the whole survey was completed by the applicants, section one was chosen as the section to be measurement as this section dealt with organisational culture as a whole, whereas the other sections looked at internal dynamics, impact of the environment on culture, culture drivers etc. Section one consisted of twenty-four questions, six questions each measuring one of the four quadrants (Adaptability, Mission, Involvement, and Consistency), with two questions relating to each subset of each quadrant. The questions were constant sum questions. The advantage of this is that constant sum allowed for a proper discrimination among the stimulus without consuming too much time.

It's also important to note that using the other sections were considered, however the multicollinearity was so high between the questions that there were few working clusters and no useable cultural characteristic could be specifically measured by these clusters. This further supported the use of section one exclusively in this study.

Three performance metrics were ultimately decided on once the survey was completed. Advisor Quality Code was dropped as a measure due to Liberty group reweighting its measurements at the time of the study Also, tenure and growth in validating consultants were not analysed as it seems to be encompassed into percentage of productive employees as the results for this were already weighted by tenure and validating criteria. The three metrics therefore found to be usable were; average growth in production credits, lapse ratio, and percentage of performing employees.

When analysed as a broad group of companies from small to large, only percentage of performing employees was found to be normally distributed in terms of the Jacque- Bera, Shapiro- Wilk and Doornick Chi-Square tests at a 5% significant level.

However, when companies with over 35 consultants were analysed alone, all three metrics were found to be normal. A possible reason for this is that smaller companies have large variances in their performance data due to their low bases and this can skew the data extensively. Furthermore, a second issue with the smaller companies is that they also had fewer responses on average than the larger companies, and in some cases having a single person representing a whole business. Therefore, when leaving these small companies as part of the study, the extreme nature of the two above factors seemed to rule out any relationship between the culture measurements and performance, and no acceptable R Square and P values were found. For the larger companies the data set was checked for large variances in scores for different participants in each company, however no significant differences were found between participants therefore the mean score was taken to be a fair representation of the company's profile.

Using the more stable and normally distributed companies with 35 consultants in each, the following findings were obtained (table 1).

Table 1 – Normality Testing of Performance Data

Lapse Rate					
Normality Test	**Score**	**C.V.**	**P-Value**	**Pass?**	**5.0%**
Jarque-Bera	0.26	5.99	87.9%	TRUE	
Shapiro-Wilk	0.92	#N/A	39.9%	TRUE	
Doornick Chi-Square	1.94	5.99	38.0%	TRUE	
Percentage of Performing Employees					
Normality Test	**Score**	**C.V.**	**P-Value**	**Pass?**	**5.0%**
Jarque-Bera	0.93	5.99	62.8%	TRUE	
Shapiro-Wilk	0.94	#N/A	55.5%	TRUE	
Doornick Chi-Square	2.49	5.99	28.8%	TRUE	
Average Production Growth					
Normality Test	**Score**	**C.V.**	**P-Value**	**Pass?**	**5.0%**
Jarque-Bera	0.98	5.99	61.3%	TRUE	
Shapiro-Wilk	0.90	#N/A	24.0%	TRUE	
Doornick Chi-Square	1.79	5.99	40.9%	TRUE	

From a normality-testing point of view, the data seemed to pass all the tests for each variable.

From a multicollinearity point of view, the multicollinearity would be 100% due to the constant sum nature of the question. To overcome this however, multiple tests were run each with a different variable left out. The findings as seen below (table 2) were that no significant multicollinearity problems were present.

Table 2 – Multicollinearity test between the four different factors

Multicollinearity test					
Variable	**Tol.**	**R^2**	**VIF**	**Present?**	
1	43.1%	56.9%	2.32	FALSE	
2	70.2%	29.8%	1.42	FALSE	
3	53.3%	46.7%	1.87	FALSE	
Multicollinearity test					
Variable	**Tol.**	**R^2**	**VIF**	**Present?**	
1	53.2%	46.8%	1.88	FALSE	
2	28.7%	71.3%	3.48	FALSE	
3	40.5%	59.5%	2.47	FALSE	

A regression analysis across the different data sets provided the following (table 3):

Table 3 – Regression analyses of all data together

Linear Regression Analysis			
	Percentage of Employees performing	***Production Growth***	**Lapses**
Regression Statistics			
R Square	83.3%	91.2%	72.7%
Adjusted R Square	66.5%	82.4%	45.4%
Standard Error	0.08	5.68	0.05
LLF	12.97	-25.90	16.88
AIC	-7.93	69.80	-15.76
SBIC	-17.15	60.59	-24.98
Observations	9	9	9
P Value	7.5%	2.2%	18.3%
F	0.0266	4.97	10.83
Significance @ 5%	FALSE	FALSE	TRUE

A R Square value was calculated across all the different performance metrics, the R Square result is the proportion of the variance in the performance that is predictable from the changes in the different organisational culture profiles.

The R square value was high for all the different performance metrics, however, only in production growth were the results statistically significant at a 5% confidence level. At 7,5% level, the results are significant in two of the three performance measures. The P value measures the level of marginal significance, a low P Value (usually 5% or less) is a good indicator of statistical significance. An ANOVA was used to determine the P values, F score and statistical significance. The P value measures the level of marginal significance. The F statistic is a ratio of 2 different measure of variance for the data.

An interesting observation made, however, was that the higher the company scored on a relative base in Involvement and Mission than its peers, the better its performance was and inversely the lower the relative score in Consistency and Adaptability, the better the company's performance was. Consequently, two different regression analyses were run; the first with performance being dependent on Involvement and Mission, and the second with performance being dependent on Consistency and Adaptability.

The results were as follows:

Table 4: Regression Analyses of Involvement and Mission

Linear Regression Analysis			
Involvement and Mission	***Production Growth***	***% of Performing Employees***	***Lapse Ratio***
Regression Statistics			
R Square	74.0%	74.7%	57.3%
Adjusted R Square	65.3%	66.2%	43.1%
Standard Error	7.98	0.08	0.05
LLF	-29.96	11.93	15.70
AIC	65.92	-17.86	-25.39
SBIC	64.31	-19.47	-27.00
Observations	9	9	9
P Value	1.8%	1.6%	7.8%
F	8.54	8.85	4.02
Significant @5%	TRUE	TRUE	FALSE

Table 5: Regression Analyses of Adaptability and Consistency

Linear Regression Analysis			
Adaptability and Consistency	**Production Growth**	**% of Employees Performing**	**Lapse Rate**
Regression Statistics			
R Square	90.8%	83.3%	71.0%
Adjusted R Square	87.7%	77.7%	61.3%
Standard Error	4.74	0.06	0.04
LLF	-25.28	13.79	17.44
AIC	56.56	-21.58	-28.88
SBIC	54.95	-23.19	-30.48
Observations	9	9	9
P Value	0.1%	0.5%	2.4%
F	29.65	14.92	7.35
Significant @5%	TRUE	TRUE	TRUE

From the above it can be seen that both pairs of explanatory variables produce a relatively high R Squared value across all the different performance metrics. This low P value / high R^2 combination indicates that changes in the predictors are related to changes in the response variable and that the model to some degree explains a lot of the response variability.

The only statistic that was observed with low significance was Involvement and Missions ability to predict lapse ratio, however these figures still had an R Squared value of above 55% and a P value of 7.8% indicating that there may still be some statistical significance.

From this we can see that the companies with a higher relative score in Involvement and Mission would have a positive impact on their performance, and companies with a lower relative score in Adaptability and Consistency would have a positive impact on their performance.

Conclusion

From the results it can be concluded that there definitely appears to be an indication that organisational culture has an impact on the performance of South African Long-Term Insurance Franchises. It would be recommended that companies should focus on Mission and Involvement traits such as ensuring that a company's employees are aligned and engaged and that the employees know where they are going. As seen in the figure 7 below.

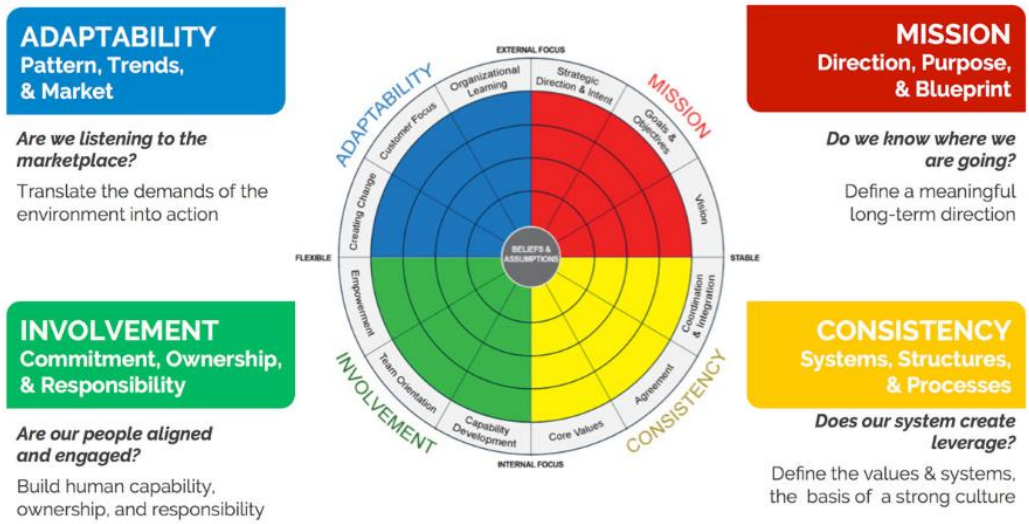


Figure 7 Denison Organisational Model , Source: http://drdickbuckles.com/services/organizational-culture/

It's important to note that although a lower score on Consistency and Adaptability was related to increased performance, this could be a result of the constant sum nature of the questions as well as the relative strength of Mission and Involvement rather than the weakness of Adaptability and Consistency. Drawing from findings from the study, a management team in this industry with limited time seeking an area to focus on could focus on the subsets of Mission and Involvement such as Empowerment, Team Orientation, Capability Development, Vision, Goals and Objectives etc. However, due to the limited nature of results, it would be recommended that further research be done before any definitive conclusions can be drawn. Although the results of this study are in no way fully conclusive, it does highlight the potential linkage between organisational culture and performance and warrants the need for further investigation in future studies as some evidence of a possible link between organisational culture and performance was found.

However the fact that this study builds upon the resource based view that organisational culture is Rare, Valuable, Inimitable and Not Substitutable, may present some problems in itself. As even if one may know which cultural characteristics cause performance, it is only one half of the battle won, the other half is if culture can be adapted? and if so how would an organisation achieve this?

Limitations of study

Concerning the literature review, the following limitations were found:

- There is no generally accepted definition of organisational culture, and there appears
  to be little consensus on what the notion means and how it should be observed or measured.
- There are a wide variety of organisational culture models each with its own set of cultural traits and sub categories.
- There are very few valid and reliable instruments available to measure organisational
  culture.
- The research on the relationship between organisational culture and financial performance rarely makes use of the same culture model and the same performance measures. It thus becomes difficult to compare results from one study with the next.

Concerning the results the following limitations were found:

- The fact that the results were limited to larger companies, gives a smaller subset and not a true indication of the effect on the South African Insurance Franchises as a whole.
- The performance data was limited to a three year period therefore it can be skewed due to a short term tough economic climate.

- The research was conducted with a single organisation, therefore it cannot be generalised to other insurance companies.
- The Denison organisational culture survey was made up in an American context, as a result no data exists for the validation of its measures in South Africa.
- The constant sum nature of the questions may drive focus from one element to another in a relative basis but may be close to one another in absolute terms.

Concerning the study the following delimitations were set:

- It was decided to only look at owner run franchises and not company owned ones.
- The study was focused only on tied franchises and not independent, in order to produce comparable results.
- Small businesses with less than 20 consultants and few responses were not used for the purpose of this study.

Recommendations for future studies

It is recommended that only section one of the Denison survey be sent out as this is the only section that focuses exclusively on organisational culture in the four quadrants. The rest of the sections tend to focus on internal dynamics and impact of the environment on organisational culture. The recommended section has only six questions which will likely increase the response rate as this section takes no more than four minutes to complete as opposed to the original 15 minutes.

It is also recommended that the research be done over a longer period, at least five years, whereby the survey would be taken in each of the five years to observe if the change in culture over time affects the growth. I would also suggest that other organisational culture models be tested and compared with the current results in a different organisational context.

Future studies should focus on companies who have 20 employees or more and have been around for at least 2 years as new companies and smaller ones seemed to skew the performance results.

A focus on brokerage franchises out of the Liberty group is recommended to get a more generalised result as the performance metrics used are industry standard. It is also recommended that future studies aim for at least 10 responses per company as this also helps to achieve an even distribution of the data.

Appendix

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