Abstract
The purpose of the study was to establish the effect of organizational culture on the performance of SMEs in Uganda. A cross-sectional survey design was used to collect data from 112 hotels in Eastern part of Uganda. Out of which Ninety-six (96) hotels were retain for analysis. This study unlike majority of other studies included both managers and employees as participants. Denison cultural dimensions of involvement, consistency, adaptability and mission were used. Reliability of all the variables was tested using Cronbach’s alpha(α) for inter-item consistency reliability and specifically for organizational culture was established to be at α=0.92  The analysis of results confirmed that organizational culture positively influenced performance of SMEs by 12.4%. The organizational culture aspects that had significant effect on performance were found to be mission (β=0.329, sig=0.006) and involvement (β= 0.208, sig=0.042) traits. Consistency (β=0.120, sig=0.467 and adaptability (β=0.120, sig=0.181) traits were found to insignificant contributors to performance of SMEs. The study recommends that management encourages proactive involvement of employees in the decision making process and in addition particular attention should be paid to the process of strategic planning. The research was limited to one sector therefore future studies should consider studies in other sectors.

Keywords: Organizational culture, Involvement, Consistency, Adaptability, Mission, SMEs and Performance

Introduction
Organizational performance has been an area for both scholarly and practitioners concern. This is manifested by a number of extant literature and studies that focus on how it can be enhanced both at the micro-level and macro-level (Jing & Avery, 2008). The importance of organizational performance stems from the fact that lots of resources are invested in them. In addition as observed by Schumpeter (2003) growth of the business will also implicitly reflect the growth of a nation’s economic development. In a bid to understand and explain factors that account for business success or failure, a number of studied have been undertaken (Pesonen, 2003). In particular poor performance and high failure rates among SMEs have been an area for both scholarly and policy concern (OECD, 2004; Global Entrepreneurship Monitor (GEM), 2004; Neneh, 2012; Kze, Thiam & Seng, 2013). In Uganda for instance the failure rates are approximated at above 50
percent annual closure (Nangoli et al., 2013; Eyaa & Ntayi, 2010; Ernst & Young, 2011) with low levels of profits, sales growth and employee growth (Owonda, Okello & Okello, 2013; Turyahabwe et al., 2013; Kazooba, 2006). The concern for SMEs stems from the fact that they are considered to be engines for growth for all economies specially in emerging and developing economies where they account for over 70 percent of employment in private sector (Ankunda, 2010; Nugi, 2012, Ernst & Young, 2011), and account for more than 95 percent of all firms outside the primary agriculture sector (OECD, 2004).

Organizational culture as one of the determinants of performance has been posited to enhance firm’s performance by a number of scholars (Schein, 2009; Cameroon & Quin, 1999; Denison et al., 2004; Ogbonna & Harris, 2000; Luxenburg, 2011; Yilmaz & Ergun, 2008; Ahmadi et al., 2012), however, contradicting findings continue to emerging from empirical studies. This inconsistency is also compounded by different measures adopted for organizational culture in the various studies which make interpretation and comparisons difficult. In addition previous studies on the effect of culture on organizational performance have focused more on developed and emerging economies (You, Coulthard & Lazareric, 2010; Denison et al., 2004; Ogbonna & Harris, 2000; Yilmaz & Ergun, 2008; Durendez & Garcia, 2010; Yesil & Kaya, 2013; Hajipour & Ghanavati, 2012) while dearth empirical studies exist for developing economies like Uganda. As noted by OECD (2004), SMEs play a very critical role for less developed country as well as transitional economies and studies that continue to suggest ways in which their survival rates can be increased is critical.

This study was therefore conceived to make contribution on the current inconclusive debate on the effect of organizational culture on performance with a perspective from SMEs in developing economy.

The nature of the Hotel Industry in Uganda

Uganda had 458106 business establishments of which only 30 percent were SMEs by 2011 (Uganda Bureau of Statistics (UBOS), 2012). In terms of registered business only 26000 business were registered MSMEs, of which 17,300 accounting for 66.5 percent are SMEs that employ 5 or more people. The hotel sector accounted for 14% of total businesses. According to Mwaura and Ssekitooleko (2012), majority of hotels in Uganda are owned by indigenous people approximated at 95% (UBOS, 2012) and contributes to approximately 8 percent to national income. The Ministry of Tourism, wildlife and Antiquities (2014) reported that the contribution of hotels towards GDP was 5.2% which also indicated an increase of 12% compared to 2012. This shows the significant contribution of hotel sector just like the rest of SMEs. In terms of employment it accounted for 14% of total employment provided by Micro, small and medium size business in Uganda with an average employment of 8 persons per hotel. 14% of the registered hotels were found in Eastern part of Uganda, while Kampala accounted for 33.2 and central registered 26.4% (UBOS, 2012)

Problem Statement

SMEs continue to face high failure rates in terms of those that close annually in Uganda, (Nangoli et al., 2013; Eyaa & Ntayi, 2010; Ernst & Young, 2011). Some reports approximate the rate of collapse in Uganda to be above 50 percent annually (UIA, 2008; Badagawa, 2011). A number of studies have identified poor supervision by managers, lack of business management, entrepreneurship and managerial incompetence in terms of skills, knowledge and experience as some of the internal causes of SMEs failures in Uganda (Nangoli et al., 2013; Odeng, 2011; Ernst & Young, 2011). However, dearth studies have considered the effect of organizational culture on organizational performance within developing economies and more so within the SMEs (Oju, 2010) unlike developed and emerging economies (e.g. Denison & Mishra, 1995; Hajipour & Ghanarati, 2012; Yilmaz & Ergun, 2008). This paper makes contributions in a number of ways. First the study triangulates the prepositions of resource-based view and dynamic capabilities theory in understanding the relationship between organizational culture and performance of SMEs. Secondly, a number of previous studies have considered mainly single respondents in terms of managers, this study used both managers and employees in the study to minimise the common method bias associated by single respondents.
Thirdly, organizational culture studies and its contribution to organizational performance have largely focused on developed and emerging economies (see You et al., 2010; Denison et al., 2004; Ogbonna & Harris, 2000; Yilmaz & Ergun, 2008; Durendez & Garcia, 2010; Yesil & Kaya, 2013; Hajipour & Ghanavati, 2012 and few on developing economies (Oju, 2013). Lastly, empirical findings continue attracting inconsistent and contradictory results on the relationship between organizational culture and performance. This means that the debate is inconclusive and need for further research in this area.

Theoretical review

A number of theories have been used to understand the competitive advantage as well as survival of the firm. In particular resources based view (Barney, 1991) and dynamic capability theory (Teece, Pisano & Shuen, 1997) have been widely used. Under resources based view, a firm is able to attain sustained competitive advantage once it possesses valuable, rare, non-imitable and non-substitutable resources (Barney, 1991). The ability of a firm to achieve a sustained competitive advantage will be based on how these resources are used to undertake internal integration while at the same time ensuring external adaptation. As pointed out by Menon and Mohanty (2008), the success or failure of firms operating within the same environment is contingent on how they use the resources. They argue that for small firms, their ability lies in their creativity in terms of using the available resources left open (‘interstices’) by larger firms to gain competitive advantage so as to attain success.

On the other hand, Teece et al. (1997, p. 516) defines dynamic capability as the “firm’s ability to integrate, build and re-configure internal and external competences to address the rapidly changing environment through achieving congruence”. The main aim of achieving congruence is to attain competitive advantage, and enhanced organizational performance (Teece & Pisano, 1994). Teece et al. (1997) argue that intangible assets that are normally not reflected in the financial statement like organizational culture tend to possess the dynamic capabilities that if effectively utilized and harnessed will help firms realize competitive advantages. This shows the importance of organizational culture as not only a unique resource but also a dynamic competence. Therefore SMEs that are resource constraint can try and achieve organizational success, and sustain their business by focusing on building winning culture since as noted by Teece et al. (1997) it is one resource that cannot be bought in the market.

Literature Review

The Concepts of SME and Organizational Performance

SMEs definitions differ across the globe. Within the context of developed countries there are considered as firms that employee between less than 250 and 500 employees (OECD, 2004) depending on the country. In Uganda a small enterprise employs a workforce of 5-50 workers and or has an annual sales turnover of a maximum of Ugandan shillings 360 million and total assets of maximum of Ugandan shillings 360 million; while medium enterprise is one with 50-100 employees and or has an annual sales turnover of more than Ugandan shillings 360 million and total assets of more than Ugandan shillings 360 million (Kasendeke & Opondo, 2003; Ernst & Young, 2011).

SMEs performance continued to decline not only within Uganda but across various economies. Organizational performance has been defined by Gekonge (2005) as the organization’s ability to attain its goals by using resources in an efficient manner. It is also the comparison of the value created by the firm against expected value to be received by the owners as a result of investment undertaken (Herath & Rosli, 2013). In brief performance of an organization is the difference between sum invested and return received as a result of the investment. For SMEs, performance measures are important as they provide parameters against which success or failure can be assessed (Esuh, 2012). This means setting clear indicators against which to assess success or failure which can either be financial or non-financial in nature. As argued by Abu-Jared et al. (2010) financial measure for instance profitability tend to provide more objective measures, however as posited O’Regan and
Ghobadian (2007), incorporating non-financial measures with financial measures facilitate the surveying of performance in several areas simultaneously.

Organizational Culture

Schein (2009) defines organizational culture as “a pattern of shared tacit assumptions that has been learnt by a group as it solves its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problem.” It is also consider as those values, beliefs and assumptions that are held by members of an organization, and which facilitate shared meanings and guide behaviour at varying levels of awareness in the organization (Denison & Mishra 1995; Moon, Quigley & Marr, 2011). Hofstede (2011, p.3) one of the earliest scholars on organizational culture refers to it as “the collective programming of the mind that distinguishes the member of one group or category of people from the other.” It is clear from the submission of these scholars that organizational culture is the way members of the same entity decide to undertake their activities in a manner that sets them apart from other firms; while at the same time creating what is normally referred to as firm’s identity. It therefore, entails firm’s values, norms, beliefs, consistent actions and way of behaviour that is not only identical to an individual but permeated to the entire organization (group). It also represents the firm’s ideologies in terms of internal interactions and external relations.

Organizational culture has mainly been study from two perspectives, that is phenomenal approach which focuses on nature of culture, ways to study culture, managing and changing culture (Schein 1992; Hofstede, 1986, 1990; Kotter & Hesket, 1992); and from the functionalist approach (Denison & Mishra, 1995; Cameroon & Quinn, 1999) that focuses on the culture-performance relationship (Liu, 2013; Zakaria, Poku & Ansah, 2013). Schabracq (2007) notes that functional approach is based on what culture wants to achieve as it is the means to survival, and problem solving mechanism aimed at the attainment of set goals. Drawing from the cultural dimensions as proposed by Denison and Mishra (1995), organizational culture is seen as the organizational way of life that can be manifested through certain types of behaviour or what they refer to as traits. These traits can be classified as involvement, consistency, adaptability and mission. These traits as noted by Marcoulides and Heck (1993) are adopted in solving problems and thus making them functional culture. In understanding the functional role of the various traits

Denison, Nieminin and Kotrba (2012) submits an organizational can adopt internal orientation types of culture that include involvement and consistency or focus on external focus as represented by adaptability and mission traits. However, as noted by Denison et al. (2004) and Yilmaz and Ergun (2008) organizations need to attain a balance of the two focus if they are to record superior performance.

The first trait is under Denison model is involvement culture. This is seen as that trait that allows the personal engagement of employees within the organization, and also reflects flexibility. This is attained through empowerment in terms of independence and freedom in managing their work; team building and cooperation among employees; and continuous investment in enhancing employees skills (capacity development) in order to stay competitive and meet the on-going needs of the business (Denison et al., 2012). Involvement trait is argued to help with the implementation of decisions within the organization since it provides for inclusion of everyone in the firm (Ahmad, 2012; Imam et al., 2013), which is vital in attainment of set goals and objectives and this leads to enhanced performance. Thus it was hypothesized that H1a: Involvement culture has a significant positive influence on performance of SMEs.

The second trait that also reflects internal orientation and stability is consistency culture. This is normally seen as representing strong culture as it advocates for core-value, agreement and, coordination and integration within the organizations (Denison et al., 2012). Core-value will create that sense of identity among employees as it reflects the norms and values that guide the behaviour of every member of the organization. On the other hand agreement is aimed at generating consensus on a number of issues in order to attain collective
responsibility. In term of coordination and integration this ensures that the left hand knows what the right hand is doing. This helps to create synergy among the various sub-systems within the organization. It is believed that consistency culture signifies a strong culture that is crucial for those firms that want to achieve superior performance (Ogbonna & Harris, 2000), thus it was assumed hypothesized that H1b: Consistency culture has a significant positive influence on performance of SMEs.

The third trait has advocated for by Denison and Mishra (1995) is adaptability culture. This trait reflects the ability of the firm to respond and adapt to changes within its external environment as shown by the employees’ ability to understand what customers want, learn new skills and change in response to demand. It also signifies the level of flexibility within the organization. In accordance to Denison et al. (2012), this trait is manifested through three indices namely creating change, customer care and organizational learning (for details refer to Denison & Mishra, 1995). Denison et al. (2006) argue that some organization may become the least adaptable to changes in the business environment, despite having a stable and integrated internal system. This may cause conflict between internal integration and external adaptation. They further contend that an organizational that is able to receive and interpret and act on the information received from the external environment to enhance business success is referred to as an adaptable organization. As pointed out by Imam et al. (2014), adaptability improves the organization’s ability to cope with volatility in the environment through innovations, market development as well as cushioning on threats, which promotes its survival, growth and development (Baker, 2002). We thus hypothesized that H1c: Adaptability culture has a significant positive influence on performance of SMEs.

The fourth trait is mission trait that communicates organization purpose and direction, and reflects external focus and stability (Denison et al., 2012). The mission culture consist of strategic direction and intent that provides how each person is to contribute as well as how the organization intents to conduct its affairs in a competitive environment; goals and objectives that spell out direction on how the vision, mission should be attained by linking them to the set strategies; and the vision that gives the desired future state that employees needs to works towards. As noted by Denison, vision capture the mind of members of the organization and gives them direction and something to hope and work towards. It is therefore hypothesized that H1d: Mission culture has a significant positive influence on performance of SMEs.

Whereas Denison’s Model emphasis both internal integration and external focus, Yilzman and Ergun (2008) observes that organizations face challenges of trade-off between internal integration and external focus in realizing organizational performance. In addition there is contradiction between top-down direction and bottom-up influence as reflected by emphasis in mission and involvement traits respectively (Denison et al., 2006). As observed by Cordes, Richerson and Schwesinger (2010) in order to achieve adaptability organizations need to break away from traditional coordination mechanism that reflects consistency; and therefore an organization will face a challenge of finding balance between flexibility and stability culture in some cases.

Organizational Culture and Organizational Performance

A number of research and scholars submit that organizational culture possesses the ability to enhance organization performance, create competitive advantage and define the boundaries of the organization in terms of scope of information processing (Luxenburg, 2011; Raudan et al., 2008, Ogbonna & Harris, 2000). This is achieved as a result of unique quality of culture put forward by resources based view theory (Barney, 1991) and its ability to help the organization to anticipate or adapt to environmental changes as proposed by dynamic capability and contingency theories (Ubius & Alas, 2009; Teece et al., 1997; Donaldson, 2006). Baker (2002); Ahmadi et al. (2012) posit that organizational culture can be categorized as either strong or weak. Strong cultures are the ones associated to superior performance owing to strongly shared values among employees (Raudan et al., 2008). However, where the organizational culture is not able to achieve congruence with the environment, then it will not be in position to help the firm realize competitive advantage (Raudan et al., 2008; Ahmadi et al., 2012). In addition weak culture can act as a de-motivator even to an outstanding
employee, leading to underperformance and overall poor organizational performance (Ahmad, 2012). The question that one needs to answer is which of the culture aspects can be considered to provide more superior performance. As already alluded the conflict between internal integration and external focus as caused what Cameron and Quinn (1999) terms competitive cultures. This means that organization need to profiling clearly what aspects of culture will provide better returns depending on the environment they operate in.

A number of studies have been undertaken to establish the relationship between organizational culture and performance of organization (Denison & Mishra, 1995; Marcoulides & Heck, 1993; Cameron & Quinn, 1999; Yilmaz & Ergun, 2008; Fey & Denison, 2003; Ogbonna & Harris, 2000; Raduan et al., 2008). A study undertaken by Ogbonna and Harris (2000) in UK revealed mixed effect of organizational culture dimensions on organizational performance with a conclusion that organizations that emphasized external focus performed better than those with internal focus. However, Denison, Leif and Ward (2004) comparative study reported a strong positive relationship between organizational culture traits, both internal and external focus traits and organizational performance. Similar results as Denison et al. (2004) were found in Russia by Fey and Denison (2003) who found a positive relationship between organizational cultural traits and performance in Russian firms. The study though noted that emphasis on internal focus was the most important determinant of performance, a seeming contradiction to Ogbonna and Harris findings and recommendation. Important to note though is that these studies used different dimensions of culture.

In another study undertaken by Yilmaz and Ergun (2008) in Turkey, the results showed that there was a positive relationship between organizational culture and firm’s effectiveness. However, the imbalance between the various cultural traits had both positive and negative impact on the various measures of performance. Within the SMEs sector, a study undertaken by Yesil and Kaya (2013) among SMEs in Turkey showed that organizational culture had no significant effect on firm financial performance of SMEs. Similar results were obtained in SMEs in Iran (Hajipour & Ghanavati, 2012) that revealed that there was no significant relationship between organizational culture and financial performance. The two studies both used Cameron and Quin (1991) cultural dimensions of clan, adhocracy, market and hierarchy culture. Within African context, a study undertaken in South Africa by Davidson and Coetzee (2007) in an investment bank reported that only few traits of organizational culture were positively linked with financial performance. Contrary to Davidson and Coetzee (2007) a similar study undertaken by Zakari and Ansah (2013) in 9 banks in Ghana showed that there was positive relationship between organizational culture and performance.

The review of empirical studies shows that the debate on the effect of organizational culture is still inconclusive. In addition depending on the context and dimensions of culture used in a study, the findings seem to provide contradictory findings. Within SMEs in particular the studies reviewed used clan, adhocracy, market and hierarchy culture and none used Denison culture dimensions. It therefore shows the importance of undertaking further studies using different dimension if the findings can be compared and applied within general context.

Methodology

The study used a positivist approach adopting explanatory-quantitative research design. According to Neuman (2007), quantitative research relies on positivist approach that follows a linear research path as well as placing emphasize on precisely measuring variables and testing hypothesis. Specifically, a cross-sectional survey design was used. As pointed out by Saunders et al. (2007); and Sekaran and Bougie (2013) cross-sectional survey strategy is a popular and common strategy in business and management studies.

The targeted study population were 184 SMEs in hotels sector from seven selected districts in the Eastern Uganda. The sampling frames were got from Tourist officers/commercial officers for each district. A sample of 123 hotels was selected through proportionate stratified sampling technique as recommendation by Krejcie and Morgan (1970) at 0.05% precision level. An addition of 10% to cater for non-response rate as recommended Andy (2012) making the total sample of 140 hotels. At the individual level manager were selected purposely
while the employees were selected using simple random sampling technique. The inclusion of employees unlike previous studies was to avoid common method bias associated with single respondents (Ogbonna & Harris, 2000; Yilmaz & Ergun, 2008). Purposive sampling technique was used to select the managers of the various SMEs while simple random sampling was used to select the employees having obtained the list from the managers. A minimum of two employees and a maximum of five employees were selected from each of the organizations (Yilmaz & Ergun, 2008). Questionnaires from 112 organizations were received, indicating a response rate 80%. In terms of usable questionnaire, only questionnaires from 98 firms were found to be accounting for 87.5% of the returned questionnaires after data cleaning which included checking for and removing outliers, 96 hotels were retained for data analysis.

In terms of measurement, organizational cultural traits were adopted from Denison’s Organizational Culture Survey (Denison & Mishra, 1995; Fey & Denison, 2003). Denison’s model has four traits of involvement, consistency, adaptability and mission traits, each composed of three component indexes, thus making 12 component indexes. Each of the 12 component indexes is measured with five items (Denison & Fey, 2003). All the 60 items are anchored on five-point Likert scale with anchors strongly disagree (=1) to strongly agree (=5). For the measurement of firm performance, the managers were asked to assess their firm’s average performance for the last 3 years on each of the performance criterion. Each of the first six items captured a different aspect of performance while the seventh item was used to assess the overall organization performance. All the seven performance items were anchored on five-point scale at greatly reduced (=1) to greatly improved (=5).

Results and Analysis

Psychometric properties of the four traits of organizational culture were assessed using cronbach alpha test. Alpha coefficient ranged from 0.75 for involvement, 0.72 for consistency, 0.70 for adaptability and 0.80 for mission. Organizational culture as a variable recorded $\alpha = 0.90$ and performance recorded the highest $\alpha=0.92$. In addition principal component factor analysis was used to identify factor that explained the variance in each of the cultural traits. In order to extract factors for data analysis, dimension reduction using Principal Component Analysis (PCA) was undertaken for all the dimensions of organizational culture. Dimension reduction was undertaken for Involvement trait and its indices that include empowerment, team orientation, capability development; Consistency and its indices that included core value, agreement, coordination and integration; Adaptability and its indices that included creating change, customer focus and organizational learning; and Mission and its indices that included strategic intent, goals and objectives and vision. The principal factor analysis was used to extract the factors for the each of the subscales. All the assumptions of Principal Factor Analysis (PCA) were met as put forward by Andy (2012). The scales also met the sampling adequacy test as shown by KMO and Bartlett’s test that were above the minimum of 0.50 (Andy, 2012). The extracted factors were used for statistical analysis. One factor was extracted for involvement that accounted for 59% of the variations; one factor was also extracted for consistency that accounted for 52% of variations in it; one factors accounting for 58% variations in adaptability was extracted; and also one factor accounting for 69% variations in mission was extracted.

Finding on demographic nature of the respondents revealed there were more male (56.7%) compared to female (41.4%) working in hotel sector. In terms of age the majority of the respondents representing 56.7% were below 30 years; on the other hand educational levels revealed that majority of the respondents accounting for 35.4% respectively were certificate and diploma holders; managers represented a total of 36.6% while employees were 63.4% of total respondents; majority of respondents accounting for 68.3% had worked in the organization for a period of less than 5 years; small business were the highest in number making up 84.5% and in terms of business age the highest category were those that had existed for a period between 8-15 years accounting for 33.2%

In order to test for the hypothesis and also establish the hierarchical effects of the four predictor variables on performance multiple and hierarchical regression analysis was undertaken. In addition, the overall goodness of fit was assessed by the use of F-test results; independence test was determined by Durbin-Watson test and
all were above recommended 1 and less than 3; while the multicolinearity of the predictor variables by VIF test and values below 10 were considered acceptable (Andy, 2012).

The hierarchical regression results indicate that organizational culture significantly influence the performance of SMEs by 12.4% at \( p<0.01 \) as show in Table 1.

### Table 1: Hierarchical regression coefficient for organizational culture

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.621</td>
<td>.082</td>
<td>44.230</td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>involvement</td>
<td>.274</td>
<td>.132</td>
<td>.208</td>
<td>2.066</td>
<td>.042</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.621</td>
<td>.082</td>
<td>43.997</td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>2 involvement</td>
<td>.266</td>
<td>.158</td>
<td>.202</td>
<td>1.684</td>
<td>.095</td>
</tr>
<tr>
<td>Consistency</td>
<td>.019</td>
<td>.198</td>
<td>.011</td>
<td>.094</td>
<td>.925</td>
</tr>
<tr>
<td>(Constant)</td>
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<td>.082</td>
<td>43.906</td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Involvement</td>
<td>.257</td>
<td>.158</td>
<td>.196</td>
<td>1.619</td>
<td>.109</td>
</tr>
<tr>
<td>Consistency</td>
<td>-.046</td>
<td>.215</td>
<td>-.028</td>
<td>-.214</td>
<td>.831</td>
</tr>
<tr>
<td>Adaptability</td>
<td>.146</td>
<td>.186</td>
<td>.091</td>
<td>.786</td>
<td>.434</td>
</tr>
<tr>
<td>(Constant)</td>
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<td>.080</td>
<td>45.482</td>
<td>.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Involvement</td>
<td>.131</td>
<td>.159</td>
<td>.100</td>
<td>.822</td>
<td>.413</td>
</tr>
<tr>
<td>Consistency</td>
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<td>.222</td>
<td>-.161</td>
<td>-1.197</td>
<td>.235</td>
</tr>
<tr>
<td>Adaptability</td>
<td>.026</td>
<td>.185</td>
<td>.016</td>
<td>.139</td>
<td>.890</td>
</tr>
<tr>
<td>Mission</td>
<td>.509</td>
<td>.183</td>
<td>.366</td>
<td>2.779</td>
<td>.007</td>
</tr>
</tbody>
</table>

\[ R^2=12.4\%, F=7.722, p<0.01, \text{ Durbin-Watson}= 2.099 \]

The highest significant contributor to performance was mission trait while the lowest contributor that had negative association to performance was found to be consistency culture. Involvement on its own is a significant contributor to performance; however, if it is combined with other cultural traits then it loses its significant contribution. Adaptability, on the other hand, has a non-significant positive contribution. This indicates that while positive changes in involvement and adaptability traits lead to positive changes in performance of SMEs, these changes are not significant. On the other hand, positive changes in consistency culture will lead to negative changes in performance. Only positive changes in mission culture will significantly lead to positive changes in SMEs performance in Uganda. Findings on hypothesis H1a which assumed a significant positive influence of involvement on performance of SMEs, revealed that involvement trait significantly predicted \( R^2=0.043 \) and contributed to change in one unit in the overall performance (\( \beta=0.208, F=4.270, \text{ Durbin Watson }=2.206; p<0.05 \)). This indicates that positive changes in involvement will lead to positive changes in performance of SMEs, although significant contribution will only be witnessed in the overall performance. Thus failing to reject alternative hypothesis.

Findings on hypothesis H1b showed that consistency while predicting \( R^2=0.014 \) and associates positively to overall performance of SMEs but this relationship is not significant (\( \beta=0.120, t=1.171, F=1.370, \text{ Durbin-Watson }= 2.173, p>0.05 \)). The findings indicate that positive change in consistency culture whereas leading to positive change in performance of SMEs but this will not have significant effect. Thus rejecting the alternative hypothesis.

Hypothesis H1c assumed that adaptability culture had a positive significant influence on performance of SMEs. The findings indicated that adaptability culture insignificantly influence and contribute to the overall performance \( R^2=0.019, \beta=0.138, t=1.349, F=1.818, \text{ Durbin-Watson}=2.081, p>0.05 \). Adaptability can therefore be said to be an insignificant predictor of performance of SMEs in Uganda. Thus we reject the
Hypothesis H1d assumed that mission culture had a positive significant influence on performance of SMEs. The result show that mission trait has a significant effect ($R^2=0.108$) and contribution ($\beta=0.329$, $t=3.377$, \(F=11.401\), Durbin-Watson =2.101, $p<0.01$ on the overall performance of SMEs in Uganda. The indicates that positive changes in mission will lead to positive changes in of performance of SMEs in Uganda.

The findings also assessed the influence of internal orientation on performance of SMEs. The findings are as presented in Table 2.

Table 2: Regression Coefficients for Internal Orientation and Overall Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<td>Std. Error</td>
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<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.621</td>
<td>.082</td>
<td>43.997</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>1 Involvement</td>
<td>.266</td>
<td>.158</td>
<td>.202</td>
<td>1.684</td>
<td>.095</td>
</tr>
<tr>
<td>Consistency</td>
<td>.019</td>
<td>.198</td>
<td>.011</td>
<td>.094</td>
<td>.925</td>
</tr>
</tbody>
</table>

$R^2=0.044$, \(F=2.117\), Durbin-Watson=2.205, $p>0.05$

Considering the theory of internal integration and external focus of organization culture (Denison et al, 2006) further analysis was undertaken to establish their effect. The findings on internal orientation that mainly calls for a combination of involvement and consistency (table 4.2) revealed that internal orientation insignificantly influence the overall performance ($R^2=0.044$, \(F=2.117\), Durbin-Watson=2.205, $p>0.126$). In terms of individual contribution it was found that both involvement ($\beta=0.202$, \(t=1.684\), $p>0.05$) and consistency ($\beta = 0.011$, \(t=0.094\), $p>0.05$) had an insignificant contribution towards overall performance. The results indicate that even though internal orientation will explain variance in performances of SMEs, but these is not significant. Additionally involvement culture loses it significant contribution towards performance if combined with consistency culture.

In addition further analysis was undertaken to assess the effect of external orientation culture on performance of SMEs and the findings are as presented in Table 3.

Table 3: Regression Coefficients for External Focus and Performance of SMEs

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.621</td>
<td>.079</td>
<td>45.568</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>1 Adaptable</td>
<td>-.025</td>
<td>.177</td>
<td>-.015</td>
<td>-.141</td>
<td>.888</td>
</tr>
<tr>
<td>Mission</td>
<td>.467</td>
<td>.153</td>
<td>.336</td>
<td>3.053</td>
<td>.003</td>
</tr>
</tbody>
</table>

$R^2=0.0108$, \(F=5.651\), Durbin-Watson= 2.109, $p<0.01$

External focus that is a combination of adaptability and mission (table 4.3) effect on overall performance was found to be significant ($R^2=0.108$, \(F=5.651\), Durbin-Watson=2.109, $p<0.01$). In terms of specific contribution adaptability had insignificant negative contribution ($\beta=-0.015$, \(t=-0.141\), $p>0.05$) while mission had a significant positive contribution ($\beta=0.336$, \(t=3.053\), $p<0.01$). The findings indicate that external focus that is a combination of adaptability and mission traits will significantly lead to changes in SMEs performance, however, adaptability's contribution in the model will become negative towards overall and financial performance respectively unlike if it stood alone.
Discussion of Results

Organizational culture is recognized to be an important element in enhancing organizational performance (Denison & Mishra, 1995; Ogbonna & Harris, 2000; Yilmaz & Ergun, 2008; Chilla, Keber & Douglas, 2014; Luxenburg, 2011). The findings from the study indicated that organizational culture significantly accounts for 12.4% at p<0.05 variations in performance of SMEs, thus failing to reject the alternative hypothesis. The finding supports the assertion of the importance of organizational culture in significantly influencing the performance of SMEs (e.g. Chilla et al., 2014; Ogbonna & Harris, 2000; Fey & Denison, 2003; Denison et al., 2012). In particular, the study findings are in tandem with other studies that found that organizational culture positively influenced organizational performance (Ahmad, 2012; Imam et al., 2010; Yilmaz & Ergun, 2008; You et al., 2010; Denison et al., 2014). This supports the arguments of various scholars, including dynamic capabilities theory (Teece et al., 1997) as well as the resource-based view (Barney, 1991) that stresses the importance of organizational culture as a resource that leads to sustained competitive advantage.

However, these findings are contrary to other studies that were undertaken in SMEs. For instance, Yesil and Kaya (2013) found non-significant influence of organizational culture with financial performance from a survey conducted among textile, food and service sectors; while and Hajipour and Ghavanati (2012) found that organizational culture had no significant effect on financial performance in manufacturing firms. Important to observe was that these studies did not use the Denison Culture model, but instead used Cameroon and Quinn (1991) competing culture framework. This makes comparison of the findings a bit complicated; in addition, the use of different sectors as well as contexts in term of geographical setup may have also contributed to the difference in the findings. Important to note from the positive influence is that SMEs that have high and well established organizational culture are in position to post better performance than their counterpart that have weak organizational culture.

In terms of the hypotheses, the findings revealed that involvement culture significantly contribute and influence performance of SMEs in Uganda, thus supporting the alternative hypothesis. It was also found to be the second highest predictor of performance, which is contrary to other findings that sometimes have found that it was the lowest predictor of performance in larger organization (Ahmad, 2012; Denison & Mishra, 1995; Vaughan; 2003) although studies undertaken within SMEs sector as reported by You et al (2010) found that it was the highest predictor of performance. In accordance to Denison (1995) involvement trait reflect flexibility within the organization that allows employees to be part of decision making that is vital in ensuring buy in to achieve the desired organizational mission. A number of scholars have noted that boosting of employee morale by making them feel part of the organization as reflected by involvement traits is critical in ensuring organization success and survival (Denison et al., 2012 ). This may be attributed to the fact that employee involvement in decision-making process in the organization while leading to self-esteem and a sense of belonging may not explicitly translate to financial or non-financial performance of the organization since they can only make recommendation but the ultimate decision and implementation of the suggestions lies with the top management.

The second hypothesis under organizational culture H1b on the significant positive relationship between consistency and performance was not supported. This finding is in line with Yilmaz and Ergun (2008) who also found consistency had insignificant effect on overall performance. However a number of previous studies found that consistency that is vital in ensuring stability and integration in the organization had significant effect on performance (Fey & Denison, 2003; You et al., 2010; Vaughan, 2003; Imam et al., 2013; Denison et al., 2004). These results indicate that whereas consistency culture is seen as vital in ensuring that members of the organization adhere to set norms and activities while at the same time generating consensus (Denison et al., 2012; Imam et al., 2013; Yilmaz & Ergun, 2008), within the SMEs context in Uganda it does not in any way account for variability in their performance. One possibility for the findings is that consistency culture does not work well especially in a dynamic environment where traditional coordination may hamper quick responses to contingencies being faced by an organization. Important to note is that, as observed by Cordes et al. (2010), in a dynamic environment consistency may stifle the creativity of the employees especially
where agreement and consensus have to be reached before action is taken. This may slow down responses to
customer needs and lead to lost opportunity to earn the organization additional revenue.

Hypothesis H1c assumed a significant positive influence of adaptability on performance of SMEs. Adaptability
is seen as the ability of the employee to understand what customers want, learn new skills and be able to
change in response to demand. The hypothesis of significant influence was not supported just as was found
by Yilmaz and Ergun (2008) although contrary to a number of other studies that include Fey and Denison
(2003); You et al. (2010); Vaughan, (2003); Imam et al. (2013) and Denison et al. (2004) that found positive
effects. This seems to contradict a number of assertion including dynamic capability theory that posits that
organizations that are able to adapt to dynamic environments will attain competitive advantage and superior
performance. One of the possible reasons for this may be that SMEs within hotels sectors tend to work in a
more stable or mature market. This can be attributed to the notion that in terms of food and accommodation
services, there are minimal technological changes as well as customer’s rapid changes in terms of preference.
In addition customer care within service sector makes a lot of difference than what product innovation and
changes would create in manufacturing sector.

Hypothesis H1d assumed a significant positive influence of mission on performance of SMEs. Mission traits
reflects the firm’s strategic intent and direction, goals and objectives, and vision. Mission was found to be
the highest predictor of performance was mission trait this is in support of hypothesis H1d. This is in line
with studies undertaken in United States (Denison & Mishra, 1995); Yilmaz and Ergun (2008) in Turkey,
however, contrary to other findings in SMEs sector studies (You et al., 2010; Imam et al., 2013) that found
that mission had the lowest effect on organizational performance. Mission high predictability power on
performance show that organizations that have clear strategic direction and intent, well-articulated goals and
objective, and vision will be in position to outcompete those that do not have one. Clear mission is vital in
resource allocation, and priority setting for any organization that hopes not only to grow and expand, but also
ensure survival. It gives you lens through which to navigate the present while focusing on the potential in the
future. In addition majority of employees want to associate with an organization that seem to know where
they want to be in some future time as this also brings in the assurance of job security.

Whereas organizational culture significantly influence performance of SMEs hierarchical regression results
indicate that when consistency and adaptability culture are introduced into the model involvement culture
ability to influence performance is diminished. This implies that if an organization wants to ensure that
involvement of employees is effectively attained then caution should be undertaken in terms of how SMEs
handle its approaches to following rules and procedures as well as how they introduce changes to cope with
environmental factors. However, mission culture is still significant in terms of enhancing how the other
aspects of culture contribute to the whole organizational culture in enhancing performance

A number of scholars have noted that there is need for the organization to attain both internal orientation
that enhances internal resources as postulated by resourced based view while at the same time achieving external focus which creates the ability of the firm to adjust and reconfigure its resources to adapt to dynamic environment. Internal orientation as shown by a combination of involvement and consistency are not significant predictors of overall performance as well as financial and non-financial performance. This contradicts the findings of Fey and Denison (2003) who found that internal orientation was a more important determinant of performance. In accordance to Barney (2001) under resource based view internal orientation can be a resource advantage, however, in the case of SMEs it did not lead to competitive advantage in terms of influencing performance. This supports the view of scholars like Ogbonna and Harris (2000) who noted that internal orientation culture will not translate into better organizational performance. On the other hand just as found out by other studies (Fey & Denison, 2003; Denison et al., 2004; Ogbonna & Harris, 2000) external focus significant predicts performance. This supports the argument of dynamic theory that proposes that organization that are able to build and re-configure internal and external competences are able to enhance their performance (Teece, 2014; Teece et al., 1997).
Some scholars like Ogbonna and Harris (2000) argue that cultural traits that emphasize external focus produces superior performance compared to those that focus on internal orientation. However, this study shows that not all cultural dimensions that focus on external environment on their own can produce superior performance as seen from the adaptability style. In addition this study shows that focus on internal orientation as demonstrated by involvement can also lead to superior performance. This means that SMEs should first focus on the individual dimensions of culture before putting emphasis either to become internal oriented organization as argued by Denison and Fey (2003) or as proposed by Ogbonna and Harris (2000) that cultural traits that enhances external focus are better.

Conclusions and policy implications

The study was set to make contribution to the current inconclusive debate on the relationship between organizational culture and organizational performance with a focus on SMEs within developing economy. The finding of this study has shown that organizational culture is still a critical resource that can be used to enhance performance. However, as noted due to diverse measures of organizational performance its clear contribution especially within SMEs sector is still limited due to different measures adopted in different studies. In terms of the aspects of culture that makes significant contribution to organizational performance it was found that mission trait and involvement culture were the only significant predictors of performance of SMEs unlike adaptability and consistency. In addition whereas external focused organizations record better performance than those that stress internal orientation, the only significant contributor to external focus is mission and not adaptability. This therefore calls for various managements to ensure effective involvement of employees in the organization processes as well as have clear missions to guide their operations. Secondly, care should be taken in terms of how much routines needs to be maintained taking into account the dynamic environment in which majority of the SMEs operate in; as this study has shown that strong culture as posited by consistency may be detrimental to performance of SMEs. Governments across the globe are putting in place mechanisms and services to enhance the survival rates of SMEs; it would be good for them to consider undertaking training on strategic planning for SMEs. As it has been reported by a number of studies, many SMEs still have weak planning processes and systems in place.

While this study makes important contribution to the current debate, the interpretation of the results should be undertaken while taking into account the following limitations. First the study only focused on one sector, which was hotel sector raising the validity of the findings within other sectors. These may necessitate future studies to include other sectors like manufacturing. Secondly the study was cross-sectional in nature and as argued by Schein (2009), culture is something that evolves over time and can thus not be adequately studies by the use of one off study. This will call for qualitative and longitudinal studies in the future. Third there is need for other studies using other dimensions like competitive values framework model by Cameroon and Quin (1999) since the studies on SMEs found no relationship unlike larger organization in the cited studies due to measurement difference.

References


Yilmaz, C., & Ergun, E. (2008). Organizational culture and firm effectiveness: an examination of relative effects of
