

EFFECT OF ORGANIZATIONAL CULTURE ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISE IN NASARAWA STATE

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Abstract

Small and Medium Enterprises (SMEs) play a crucial role in economic development of both developed and developing countries. It is a significant source of job creation and contributes to innovation and indigenous technological growth. This study looked at how organisational culture can help SMEs operate better and achieve sustainable growth. Adhocracy, clan, hierarchy and market culture were the organisational culture aspects used, and performance assessed in terms of increase in sales and profitability. The study includes SMEs in Nasarawa State registered with the Small and Medium Enterprises Agency of Nigeria (SMEDAN). The study adopted survey research design. Owners/managers of SMEs were given a well-designed questionnaire to complete in order to gather the data required for the research. In the state, there are 10,728 registered SMEs, according to the most recent SMEDAN-NBS survey, which was carried out in 2021. 393 of the 440 distributed copies of questionnaire were returned, valid, and were used for analysis. SmartPLS was used to run the analysis using Partial Least Square Structural Equation Modelling (PLS-SEM). According to the results, adhocracy culture has positive and significant effect on SMEs performance, clan and hierarchy culture have positive and insignificant effect on performance, while market culture has a negative and insignificant effect on SMEs performance. The study concluded that organizational culture adoption is an important performance component that should be applied to every aspect of the business in order to fully benefit from it.

Keywords: Organisational Performance, Organisational culture, Market Culture, Hierarchy Culture, Adhocracy Culture, Clan Culture.

INTRODUCTION

Organizational culture incorporates the collective set of values, beliefs, attitudes, standards, and behaviours that influence how individuals act within a company. It plays a pivotal role in shaping the success and progress of small and medium-sized enterprises (SMEs) (Olu, 2015). SMEs are widely recognized as the backbone of a nation's economy because they make up the majority of businesses globally and play a significant role in generating employment opportunities and fostering worldwide economic growth (Cicea, et al., 2019). The performance of SMEs is a critical driver and an important gauge for levels of industrialization, modernization, urbanization, the creation of viable employment opportunities, equitable income distribution, overall well-being, and the quality of life for all workers willing and able to work. This is due to the fact that SMEs contribute to employment expansion at a faster pace compared to larger corporations (Adeyinka & Umar, 2021). In a country as culturally diverse and expansive as Nigeria, the significance of small and medium-sized enterprises (SMEs) is undeniable. They hold substantial potential for job creation, fostering local technology, diversifying production, promoting indigenous entrepreneurship, and fostering collaboration with larger industries (Effiom & Edet, 2018). Over the past five years, SMEs have contributed approximately 48 percent of Nigeria's national GDP, as reported by the Nigerian Statistics Bureau (NBS, 2019). SMEs represent around 50 percent of industrial employment and nearly 90 percent of the manufacturing sector in terms of the number of businesses, with a collective population of approximately 17.4 million (PwC, 2020). The performance of SMEs can be affected by various factors, including leadership style, employee motivation, teamwork, and communication. An effective organizational culture encompasses these elements and creates a favourable work environment that encourages innovation, collaboration, and employee involvement (Paais & Pattiruhu, 2020).

Organizational culture has been identified as a mediating variable in this study. Various organizational cultures, as categorized by Cameron and Quinn (2011), serve as variables in the study. These include hierarchical (control), clan (supportive), adhocracy (innovative), or market (competitive) cultures. Each type exerts its own influence on the performance of SMEs.

Small and medium enterprises (SMEs) hold a vital position in the economic development of both developed and developing nations. contributing significantly to GDP and employment opportunities. SMEs in Nigeria face numerous challenges, including poor performance, high failure rates, and limited growth. They comprise 96% of all businesses and account for 87% of employment in the agriculture and manufacturing sectors. However, between 2017-2021, they were only able to contribute 48% of the national GDP (SMEDAN 2021). The Nigerian government has overtime tried to create a conducive atmosphere for SMEs to thrive through provision of soft loans at lower interest rate, exempting certain SMEs from tax payment (finance Act, 2020), establishment of SMEDAN to regulate and provide support to SMEs. Despite these efforts their performance has remained low necessitating the need to examine certain factors which could be responsible for this ugly trend and hence this study which examined the effect of organizational culture on performance of SMEs in Nasarawa state.

Several studies have been conducted in the area of organizational culture and performance, (Madeline, 2022; Asif & Wasif, 2018; Agus & Neneng, 2023; Joseph & Kibera, 2019; Breffni et al., 2022; Elifneh & Embilo, 2023) the existing empirical shows that most of the studies conducted were foreign with only few recent studies within the Nigerian context. Also, while the influence of organizational culture on performance has been extensively studied in large corporations, its specific effect on SMEs' performance remains relatively unexplored, underscoring the need for further research in this area. Studies in Nigeria concentrated on telecommunication sector (yusuf 2022), multinational companies (Oboreh 2020), banks (Olu, 2015), the only study that covered SMEs was conducted in Abuja (Adeyinka & Umar, 2021) however to the best of the researcher's knowledge no study had been carried out on the effects of organizational culture on the performance of SMEs in Nasarawa state thereby revealing a knowledge gap this study filled this gap by examining the effect of organizational culture on the performance of SMEs in Nasarawa state, Nigeria.

This study was guided by the following specific objectives:

- i. To determine the effect of adhocracy culture on the performance of SMEs in Nasarawa state.
- ii. To evaluate the effect of clan culture on the performance of SMEs in Nasarawa state.
- iii. To assess the effect of hierarchy culture on the performance of SMEs in Nasarawa, state; and
- iv. To determine the effect of market culture on the performance of SMEs in Nasarawa state.

LITERATURE REVIEW

Adhocracy Culture

As a form of culture practiced in organizations, the term adhocracy comes from the word ad-hoc, which implies that something is temporary, a dynamic unit, or specialized. Similarly, whenever there is an emergency issue that needs to be looked at or investigated, an ad-hoc committee, or task force is formed and when the assignment is complete, they are disbanded immediately (Cameron & Quinn, 2011). This can fairly be construed to mean adhocracies are temporary just like ad-hoc committees. Again, adhocracies can change quickly when a new set of circumstances arise. It also means that the major aim of adhocracy is to nurture creativity, adaptability, and flexibility when there is uncertainty. Since adhocracy culture is developed out of necessity in the information age just as the way ad-hoc committees are formed, many scholars including (Felipe et al., 2017) added that the information age is characterized by a rapidly changing and turbulent environment, where the half-life of products is decreasing day by day. Therefore, to keep up with the market, an organization needs to be innovative to produce new quality products as frequently as their previously made products half-life reduces.

According to Arditi (2017) adhocracy culture encourages creativity, experimentation, innovation, and individual initiative. Moreover, an environment, which thrives on modelling new ideas, characterizes adhocracy culture; and adhocracy type of culture is anchored on eagerness for continuous change, acquisition of new knowledge and resources (Misigo, 2019). Adhocracy culture, refers to the culture of an organization that is entrepreneurial, flexible, innovative, and creative. It is also a culture based on the ability to adapt quickly to changing conditions (Porcu et al., 2017).

Clan Culture

Abubakar et al. (2019) explains clan culture as a family-like type of corporate setting that dwells on coaching, supporting, and performing duties and roles together like a family. It emphasizes more on commonality and consensus of goals and values. Where there is clan culture, the working environment is very friendly and employees have much in common just like a family. This is comparable to an extended family. Clan culture is the most synergetic type of culture. It is the most uncompetitive among the four dimensions of organizational culture and is characterized by trust, teamwork, and support. Leaders of the organization at various levels are seen as father figures or mentors. On the other hand, Al-Ali et al (2017) stated that the main responsibility of clan culture is to facilitate mentorship of those under a leader's jurisdiction and show commitment to involve employees in the organization's activities. This would then promote loyalty and empower employees to increase productivity and promote business success. The focus is very internal and the emphasis is put on interaction between the people in the firm. This collaboration eliminates individual work and takes in on a level where the communication resembles to a family one, it is very team oriented with the emphasis on loyalty (OCAI online, 2017)

According to Parkdil and Leonard (2017) Organizations that adopt clan culture care about the development of their employees and their involvement in daily activities more than following rules and regulations as in hierarchies. Great value is attached to staff relationship with an inward focus for integration and staff participation is encouraged.

Hierarchy Culture

Hierarchy culture forms around values of power and control, clear delineations of responsibility and authority and high degrees of systemizing and formality (Elifneh, 2023). A culture set of rules and procedures that are the determinants of what is going to be done and how it will be carried out. No space for personal decision making and innovation. (OCAI online, 2017). These organizations are well in need of control and the top management makes the crucial decisions that are later on communicated to the employees. It is a very hard position for the managers due to the fact that once they do not recognize the threats or possibilities, it creates a problem in the system a hierarchy culture is also control-oriented, but it focuses on the internal organization. Its main characteristics are efficiency and close adherence to norms, rules, and regulations (Al-Ali et al. 2017). This type of culture is the most common in the public sector and is also known as "bureaucracy" in Weber's works on organizational management.

According to Zafer and Pinar (2014) hierarchy culture consists of seven characteristics such as rules, specialization, meritocracy, hierarchy, separate ownership, impersonality, and accountability. These characteristics were deemed highly effective in the accomplishment of the purpose, and were adopted widely in organizations whose major challenge was to generate efficient, reliable, smooth flowing and predictable output.

Market Culture

Vasconcelos (2022) asserted that market culture is prioritizing results, achievement, and competitiveness. These organizations tend to be highly focused on external factors such as sales, profits, and market share. Employees in Market cultures are often motivated by financial incentives, and performance is closely monitored and measured. This approach is completely different due to the fact that it is very goal driven, leaders give the tasks through pushing the employees and creating a very competitive environment. It is an organization that is extremely focused on the external successes and the key driver is to be different and be the best on the market (OCAI online, 2017).

According to Maruf and Rezwan (2015) market culture is a culture where the organizational achievement is based on output. The whole environment of the organization and stakeholders are hardworking and top management looks very serious in producing the desired outcomes. The main purpose is to achieve the objectives of the organization efficiently and effectively and get the top of the position in terms of market share and market leader by providing distinctive offering. In this culture, organizations find out the ways to overcome the competition and getting the top place of the industry through achieving maximum share from the industry.

Adhocracy culture and SMEs performance

Yusuf (2022) studied the impact of adhocracy on performance in the telecommunication sector in Nigeria. The target population of this research is employees in the telecommunication sector which are about 2000 workforces. The sample size used for the study is 211 employees of various telecommunication companies in Nigeria which are selected randomly. To achieve the abovementioned objective, the regression model is used for analysing the data. The study found that there is existence of the relationships and influences of adhocracy culture on performance as whole. however, the extent of this impact is varying based on different sub-elements of organizational culture. Namely, change management, goal achievement, and others. The study was also conducted in Nigeria but it failed to test the effects of other types of culture.

Breffni et al (2022), examined the effects of adhocracy culture, incremental Product innovation, and SMEs in the United States. The study used a mixed method, sequential exploratory design, the study first conducted a qualitative study. In total, 310 restaurant owners and managers across 38 states within the continental United States, were screened for participation in the study. Of those, 140 qualified to participate. The study also used an ordinary-least squares path analysis to estimate the coefficients in the model in order to determine the direct effect and indirect effects of adhocracy culture on firm performance. The study found that the dominance of an adhocracy culture was strongly linked to rapid incremental product innovation in response to an unprecedented crisis situation. The sample size used for the study is very small compared to the number of restaurants in a state. A larger sample size might give a more accurate result.

Clan culture and SMEs Performance

Joseph et al. (2022) examined clan culture in SMEs leadership and strategic emphases: expectations among SMEs in India. The study surveyed school SMEs employees and received 273 responses; data was analyzed using IBM SPSS 26. the study revealed that clan culture is the overall current and preferred organizational culture type. Many of the results are not a surprise. However, it was found that organizational leadership is currently in the hierarchy culture and strategic emphasis is on adhocracy, whereas the employees prefer a clan culture on these dimensions. Employees expect leaders to be the ones who facilitate the path to achieve, provide mentoring, and are instrumental in team building. They prefer a culture that provides for the development of human capital, promotes high trust and transparency among employees, and offers an opportunity to participate in decision-making. This study is unique as it measures SMEs organizational culture that has not been done earlier in the Indian context. The results suggest implications on the leadership practices and the strategic emphasis that need to change, in order to facilitate the implementation. however, the study used SPSS as a tool for analysis while this study used SmartPLS as such the findings may differ.

Quan (2022) examined the organizational culture in SMEs in Vietnam in terms of clan culture or market culture. The study aimed to take a deep insight into the organizational culture in SMEs in Vietnam in light of clan culture and market culture Five hundred questionnaires were issued directly by the author or indirectly through the HR department of participant corporations. Three hundred fifty questionnaires were collected, meaning a response percentage of 70%. The author eliminated 31 questionnaires because of missing values. As a consequence, the final surveys comprised 319 Vietnamese respondents. Through the analysis of a sample of 319 employees working in Vietnamese SMEs, this study investigated whether

the corporate culture in the Vietnamese SMEs sector focuses on clan culture or market culture. However, the study failed to mention the number population the sample was drawn from.

Market culture and SMEs performance

Hakami (2022) examined the impact of market culture on performance in SMEs in Saudi Arabia. For this purpose, the study used the Organizational Culture Assessment Instrument (OCAI) tool that was driven from Competing Value Framework (CVF) which includes four types of cultures (clan, adhocracy, market, and hierarchy). Further, the study used a statistical and quantitative method to collect data through a questionnaire, the study used SPSS to analyse the data. A number of 43 employees from more than 30 SMEs participated in this study. The found that there is a positive and direct relationship between market culture and organizational performance at SMEs in Saudi Arabia. This research gives insights for entrepreneurs to diagnose the type of current culture in the enterprise and the desired culture that is consistent with organizational goals and positively affects performance. However, this study was carried out in Saudi Arabia and the findings cannot be applicable in Nigeria also the sample size used for the study was too small as it cannot serve as true representation of the population.

Elifneh (2023) studied the effect of market culture on performance in research institutes in Ethiopian Institute of Agricultural Research. The study applied a quantitative research design. The target population were employees working in Ethiopian Institute of Agricultural Research's Head office. convenience sampling technique was adopted. A sample size of 327 was drawn from the overall target population (1850) but only 302 complete questionnaires were returned. 302 completed questionnaires were returned by respondents (employees), the study used descriptive and inferential analysis, the study found out that there is significant relationship between market culture and performance, this study concludes that market culture have positive relationship with performance, and found to be statistically significant. However, samples were taken from employees who were working in the head office. If respondents throughout the other branches were included in the study, it could have yielded more accurate results.

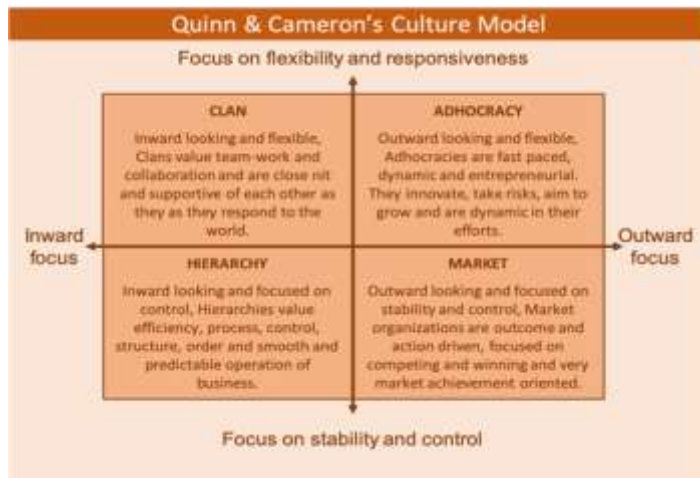
Hierarchy culture and SMEs performance

Oboreh, (2020) examined the effect of Hierarchy culture on SMEs performance in selected multinational companies in South-South Nigeria. The study adopted descriptive survey research design. The population of this study comprised 17716 employees of four selected multinational companies in South-South Nigeria. Taro Yamane formula was applied to determine the sample size of 391. Questionnaire was applied as the instrument for data collection. Data was analysed using ordinary least square regression technique at 0.05 level of significance. The study found that marketing (competition) culture have significant positive effect on firm performance, in the selected multinational companies in South-South Nigeria. The study focused on multinational companies in South South Nigeria while this study focused on SMEs in Nasarawa state.

Adeyinka and Umar (2021) Investigated the influence of organizational culture on the performance of Small and Medium Enterprises (SMEs) in Abuja, Nigeria, the questionnaire used was created based on Cameron and Quinn's Organizational Culture Assessment Instrument (OCAI) in identifying different types of organizational culture. Using a cross-sectional survey research design, the primary data was obtained through administered structured questionnaire to one hundred and twenty-seven (127) SMEs at different sampled locations in Nigeria. Pearson Product Moment Correlation analysis was used to identify the relationship that exists between the variables and the results revealed that Hierarchy culture have significant relationship with performance. The study concludes that organizational culture has significant influence on the performance of Small and Medium Enterprises (SMEs) in Abuja and that Hierarchy culture is found important in promoting innovative performance than the other type of culture. The study focused on SMEs in Abuja while this study focused on SMEs in Nasarawa state as such the data may not be the same

Theoretical Framework

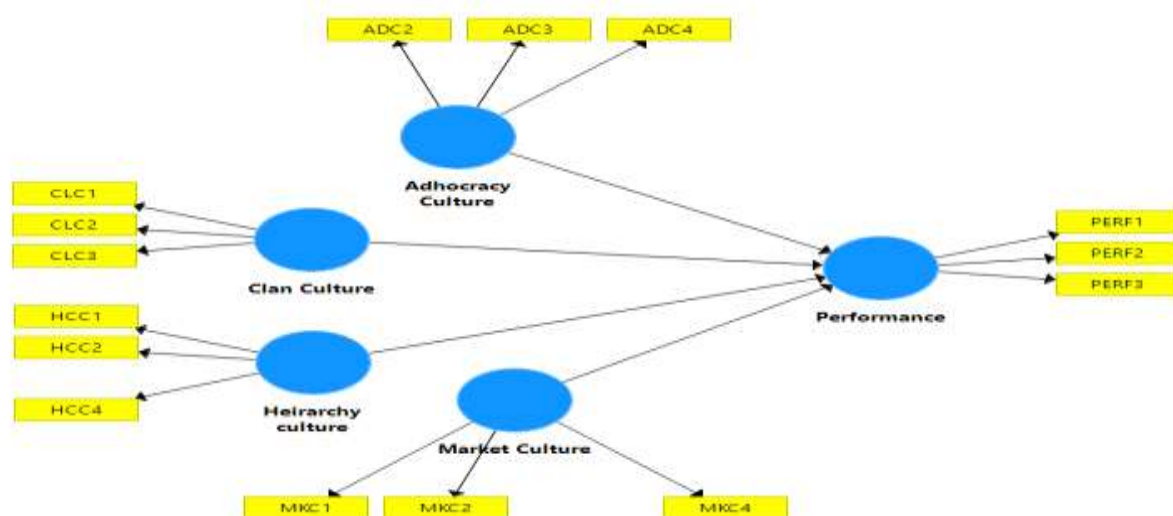
This study adopts the “Competing Value Framework (CVF)”. The competing value framework was first propounded by Robert Quinn and John Rohrbaugh (1983). The CVF posits that organizations can be classified into one of four culture types, depending on which two values they emphasize the most as shown in the table below:



The clan culture is characterized with loyalty, morale, commitment, tradition, collaboration, teamwork, participation, consensus, and individual development. Market culture (planning, goal setting, stable and efficient), Hierarchy culture (information management, communication, result oriented and competition), Adhocracy culture (flexibility, readiness, innovation and risk taking). (Cameron & Quinn, 2006). The CVF provides a useful framework for understanding how organizational culture affects performance. By creating a culture that is aligned with their environment and competitive strategy, organizations can improve their performance and achieve their strategic goals.

METHODOLOGY

The study adopted survey research design, the population of this study comprises all registered SMEs in Nasarawa state, Nigeria, which are 10,728 SMEDAN (2021). sample size for this study is four hundred (400) owners-managers of registered SMEs in Nasarawa state. This was determined using Taro Yamane formulae. However, additional 10% was added to the sample and also administered with questionnaires to allow for attrition population size. Attrition is the loss of study units from a sample. The study employed partial least square structural equation modelling (PLS-SEM) to model the regression analysis.



Structural Equation Model of the “Effect of organisational culture on the Performance of SMEs in Nasarawa state, Nigeria”.

RESULTS AND DISCUSSION

The data collected with the aid of closed-ended structured questionnaire are presented in the tables below. The total number of questionnaires returned, from the 440 administered to respondents are 393 giving a response rate of 89%. Hence, all further analyses were conducted using the 393 valid responses received.

Table 4: Adhocracy culture

Items	5	4	3	2	1
employees are encouraged to think outside the box and come up with innovative ideas	116(30)	110(28)	15(4)	70(18)	82(20)
Our organization encourages experimentation and risks taking	200(51)	17(4)	45(11)	120(31)	11(3)
Our organisation is open to new technologies, methodologies, and ways of doing things	184(47)	123(31)	18(5)	35(9)	33(8)
Our organization values and rewards employees who take initiative and show entrepreneurial spirit	116(30)	160(40)	30(8)	70(18)	17(4)

Source: Survey, 2024

It is shown in table 4 that 20% of the respondents strongly disagreed, 18% disagreed, 4% undecided, 28% agreed and 30% strongly agreed that employees in their organisation think outside the box and come up with new ideas. The table also shows that 3% of the respondents strongly disagreed 31% disagreed, 11% undecided, 4% agreed and 51% strongly agreed that their organizations encourage experimentation and risk taking. Also, the table shows that 8% of the respondents strongly disagreed, 9% of the agreed, 5% are undecided, 31% agreed and 47% strongly agreed that SMEs are open to new technologies, methodologies, and ways of doing things. When asked whether SMEs values and rewards employees who take initiative and show entrepreneurial spirit. 4% strongly disagree, 18% disagree 8% undecided 40% agreed while 30% strongly agreed.

Table 5: Clan culture:

Items	5	4	3	2	1
Our organisation emphasizes on teamwork and collaboration	150(38)	141(36)	30(8)	43(11)	29(7)
Communication is open and transparent within our organization, particularly between different levels of hierarchy	55(14)	40(10)	37(9)	138(35)	123(31)
Our organisation places value on the development and wellbeing of employees, such as through training and work life balance	124(32)	162(41)	53(13)	32(8)	22(6)
Our organizational success is celebrated and shared among all employees	25(6)	40(10)	33(8)	143(36)	152(38)

Source: Survey, 2024

It is recorded that 7% of respondents strongly disagree, 11% disagree, 8% undecided, 36% agreed. While 38% strongly agreed that their organizations emphasize on teamwork and collaboration. The table also shows that 31% of the respondents strongly disagreed, 35% disagreed, 9% undecided, 10% agreed and 14% strongly agreed that communication is open and transparent within their organisation. Table 5 shows that 6% of the respondents strongly disagreed, 8% disagreed, 13% are undecided, 41% agreed while 32% strongly agreed that their organisation places value on the development and wellbeing of employees, such as through training and work life balance. The table 5 shows that 38% of the respondents strongly disagreed, 36% disagreed, 8% are undecided, 10% agreed, 6% strongly agreed that their organizational success is celebrated and shared among all employees.

Table 6: Hierarchy culture

Items	5	4	3	2	1
In our organization, people with power and authority make all the important decisions	18(5)	62(16)	52(13)	131(33)	130(33)
In our organisation, there is a clear chain of command with clearly defined roles and responsibilities	60(15)	112(28)	56(14)	134(34)	31(4)
In our organisation, top-level managers or executives are involved in day-to-day operations or decision-making	131(33)	121(21)	43(11)	33(8)	45(17)
promotions and rewards are primarily based on seniority or job title, rather than individual performance or merit in our organisation	55(13)	14(4)	54(14)	128(32)	142(36)

Source: Survey, 2024

Table 6 shows that 33% of respondents strongly disagreed, 33% also agreed, 13% are undecided 16% agreed. While 18% strongly agreed that, people with power and authority make all the important decisions in their organization. Table 6 also shows that 14% strongly disagreed, 34% disagreed, 14% undecided, 28% agreed and 15% strongly agreed that there is a clear chain of command with clearly defined roles and responsibilities in their organisation. Table 6 further shows that 17% of responded strongly disagreed, 8% disagreed, 11% undecided, 21% agreed, and 33% strongly agreed, top-level managers or executives are involved in day-to-day operations or decision-making in their organisation. Finally, table 6 shows that 36% of the respondents strongly disagreed, 32% disagreed 14% undecided, 4% agreed and 13% strongly agreed that promotions and rewards are primarily based on seniority or job title, rather than individual performance or merit in the organisation

Table 8: Market culture

Items	5	4	3	2	1
Our organization frequently conducts market research to understand customer needs and preferences	33(8)	65(17)	116(30)	48(12)	131(33)
our organization provides employees with training and resources to stay updated on market trends and customer demands	14(4)	55(14)	54(14)	128(33)	142(36)
our organization collaborates with external partners and stakeholders to identify new market opportunities	60(15)	60(9)	58(15)	110(28)	129(33)
Our organisation always monitors and analyse competitor activities	136(35)	125(31)	52(13)	60(15)	20(5)

Source: Survey, 2024

In table 8, 33% of the respondents strongly disagreed, 12% agreed, 30% undecided, 17% agreed, 8% strongly agreed that organizations frequently conduct market research to understand customer needs and preferences. The table further shows that 36% of respondents strongly disagreed, 33% disagreed 14% a are undecided, 14% also agreed, and 4% strongly agreed that their organization provides employees with training and resources to stay updated on market trends and customer demands. The table also shows that 33% of respondents strongly disagreed, 28%disagreed, 15% undecided, 9% agreed, 15% strongly agreed that their organization collaborates with external partners and stakeholders to identify new market opportunities. Lastly the table shows that 5% of respondents strongly disagreed, 15% disagreed, 13% undecided, 31% agreed, 35% strongly agreed that their organisation always monitors and analyze competitor activities.

Table 9: Performance

Items	5	4	3	2	1
Our organization always experience an increase in the sale of its goods and services	131(33)	121(31)	43(11)	65(17)	33(8)
Our organization is excellent in terms of financial performance (revenue, profitability and cost management)	142(36)	128(33)	54(14)	55(14)	14(4)
Our organization always tracks employee productivity and strategies are in place to improve it	134(34)	112(28)	56(14)	31(8)	60(15)
Customers are satisfied with our organization's products or services	131(33)	18(5)	52(13)	62(16)	130(33)

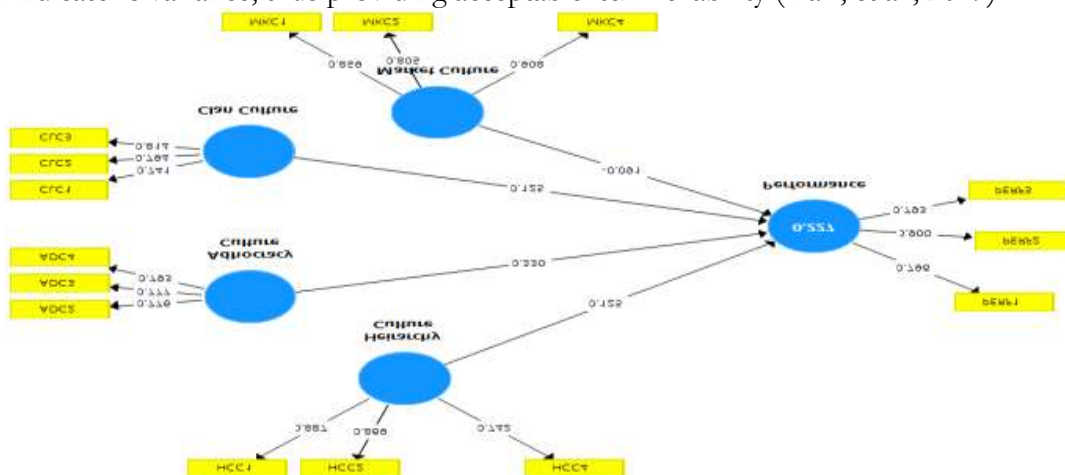
Source: Survey, 2024

It is recorded that 8% of the respondents strongly disagreed, 17% disagreed, 11% undecided, 31% agreed, 33% strongly agreed that their organization always experience an increase in the sale of its goods and services. The table shows further shows that 4% of the respondents strongly disagreed, 14% disagreed, 14% also are undecided, 33% agreed and 36% strongly agreed that their organisation is excellent in terms of financial performance (revenue, profitability and cost management). Table 6 shows that 15% of the respondents strongly disagreed, 8% disagreed, 14% undecided, 28% agreed and 34% strongly agreed that their organization always tracks employee productivity and strategies are in place to improve it. Table 6 shows that 33% of the respondents strongly disagreed, 16% disagreed, 13% undecided, 5% agreed, 33% strongly agreed that customers are satisfied with their organization's products or services.

The Data collected on the study variables were described in the above with the following components; Table 1 showed the mean responses to each of the question for all the respondents, the median, the minimum, the maximum, and the standard deviation of the responses. The value of median for adhocracy is 5 which is strongly agree, for clan culture is 4.5 also strongly agree, for hierarchy culture is 4 which is agree, market culture is also strongly agree and strongly agreed at 4.5 for performance. The value of median is the proper measure of the average in this instance because of outliers. Although, from the minimum and maximum values, there is no sign of outliers, but it is still necessary to state that the best measure of average for an ordinal response is median.

Assessment of Measurement Model

To have an accurate assessing of the measurement model, we begin by assessing the item outer loadings. In assessing the measurement model, the study began by assessing the item outer loadings. As a rule, loadings above 0.7 are recommended, as they indicate that the construct explains more than 50 percent of the indicator's variance, thus providing acceptable item reliability (Hair, et al., 2019).



Indicator Loadings

Table 4.2: Reliability of study scale

S/N	Variables		Factor Loadings	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)	No of Items
1	Adhocracy Culture	ADC2	0.776	0.683	0.825	0.612	3
		ADC3	0.777				
		ADC4	0.793				
2	Clan Culture	CLC1	0.741	0.687	0.827	0.614	3
		CLC2	0.794				
		CLC3	0.814				
3	Hierarchy culture	HCC1	0.887	0.784	0.873	0.697	3
		HCC2	0.869				
		HCC4	0.742				
4	Market culture	MKC1	0.859	0.836	0.893	0.737	3
		MKC2	0.805				
		MKC4	0.908				
5	Performance	PERF1	0.796	0.777	0.870	0.691	3
		PERF2	0.900				
		PERF3	0.793				

Source: SmartPLS Output, 2024

Composite reliability of Jöreskog's (1971) was applied to test for internal consistency of the study. All the values fall within the Hair, et al., (2019) rating of good consistency. The Cronbach alpha value was above 0.60 which is the minimum threshold as recommended by Sekaran (2010). To test for the convergent validity, the average variance extracted (AVE) was used. All the latent variables showed values greater than 0.50 which indicates that the constructs explain at least 50 percent of the variance of its items. According to Henseler et al., (2015) the Fornell-Larcker criterion does not perform well when explaining discriminant validity, particularly when the indicator loadings on a construct differ only slightly. As a replacement, they proposed the Heterotrait-Monotrait (HTMT) ratio of the correlations which is the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct (Voorhees et al., 2016). Discriminant validity problems are present when HTMT values are high than 0.90 for structural models (Henseler, et al., 2015).

Heterotrait-Monotrait Ratio (HTMT) Criterion

	Adhocracy Culture	Clan Culture	Hierarchy Culture	Market Culture	SMEs Performance
Adhocracy Culture					
Clan Culture	0.699				
Hierarchy Culture	0.712	0.579			
Market Culture	0.766	0.652	0.626		
SMEs Performance	0.612	0.506	0.534	0.294	

Source: SmartPLS Output, 2024

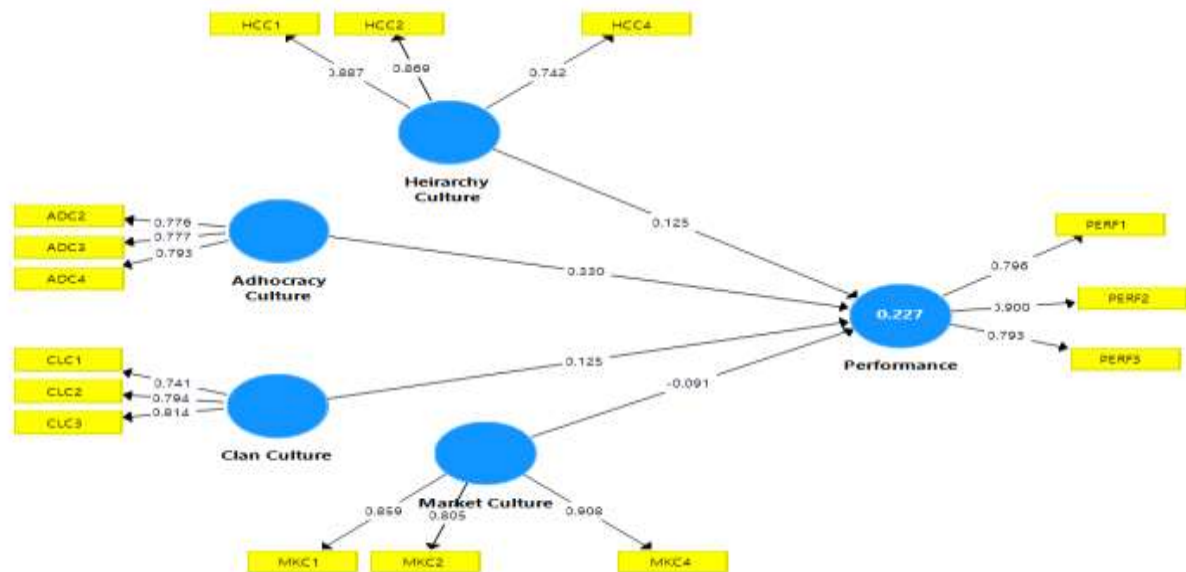
Model Goodness of Fit (GoF)

Sequel to the need to validate the PLS model, there is a need to assess the goodness of fit of the model as Hair, et al. (2017) suggested. This study used the standardised root mean square residual's (SRMR).

The choice of this index was based on the fact that the SRMR provides the absolute fit measure where a value of zero indicates a perfect fit. The study adopted Hu & Bentler (1998) suggestion that a value of less than 0.08 represents a good fit while applying SRMR for model goodness of fit. The study result indicates an SRMR value of 0.129 This indicates the model is fit.

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which were considered, include the path coefficient, t-values, p-values and coefficient of determination (R^2). The bootstrapping procedure was conducted using a resample of 5000.



Path Coefficients of the Regression Model.

The R-square value stood at 23% indicating that organisational culture by adhocracy culture, clan culture, hierarchy culture and market culture are responsible for just 23% variation in performance of SMEs in Nasarawa state. The remaining 77% variation is to be explained by other factors not included in the study. The r-square value is low but according to Field (2018); Pallant (2016); and Coakes et al. (2013), r-square values above 10% are acceptable. The result of the path analysis is presented in the table below:

Path Coefficient of the Model

Hypotheses	Beta	T Statistics	P Val.	Decision	f ²
<i>H₀₁: Adhocracy culture -> Performance</i>	0.330	4.063	0.000	Rejected	0.041
<i>H₀₂: Clan culture -> Performance</i>	0.125	1.761	0.078	Accepted	0.005
<i>H₀₃: Hierarchy culture -> Performance</i>	0.125	1.635	0.102	Accepted	0.005
<i>H₀₄: Market culture -> Performance</i>	-0.091	1.862	0.063	Accepted	0.004

Source: SmartPLS Output, 2024

Discussion of Findings

This study examined the effect of organisational culture on SMEs performance in Nasarawa state, Nigeria and further tested four hypotheses the results of which are discussed below;

Adhocracy culture and SMEs performance

Firstly, the study found that adhocracy culture, has a positive and significant effect on the performance of SMEs. This suggests that SMEs that embrace an adhocracy culture, which values creativity, flexibility, and risk-taking, are more likely to experience improved performance and success. By fostering an environment that encourages innovation and experimentation, SMEs can stay ahead of the competition, respond to changing market conditions, and identify new opportunities for growth.

Clan culture and SMEs performance

The study also found that clan culture has positive and insignificant effect on performance implying that, clan culture is present in SMEs but the presence is not strong enough to be felt. This suggests that while a clan culture may have some benefits for SMEs, such as fostering a sense of community and shared purpose, its impact on performance is not statistically significant. In other words, having a strong clan culture may not necessarily translate to improved performance or success for SMEs.

Hierarchy culture and SMEs performance

The result shows a positive and insignificant effect of hierarchy culture on performance of SMEs in Nasarawa state. this suggests that, while a hierarchy culture may have some benefits for SMEs, such as increased efficiency and clarity of roles, its impact on performance is not statistically significant. In other words, having a strong hierarchy culture may not necessarily translate to improved performance or success for SMEs.

Market culture and SMEs performance

The result shows that Market culture has a negative and insignificant effect on performance, implying that, a market culture, characterized by a focus on competition, achievement, and profitability, does not contribute significantly to the success of SMEs.

In other words, adopting a market culture alone may not be enough to drive performance in SMEs. Instead, other cultural dimensions, such as adhocracy (innovative and entrepreneurial), clan (collaborative and supportive), or hierarchy (structured and bureaucratic), may play a more important role in shaping the performance of SMEs.

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of organizational culture on the performance of SMEs in Nasarawa State, Nigeria. The results show that adhocracy culture has a positive and significant effect on SME performance, while clan culture and hierarchy culture have positive but insignificant effects. Market culture, on the other hand, has a negative and insignificant effect on the performance of SMEs in Nasarawa state. Based on the findings, the study recommends:

- i. SMEs should prioritize fostering an adhocracy culture that encourages innovation, experimentation, and entrepreneurship
- ii. SMEs should take care of employees, and ensure that they have what they need to be satisfied and productive. There is need to create trust, teamwork, collaboration, supportive and inclusive work environment and also give the employees a sense of belonging to achieve organizational performance.
- iii. SMEs should Foster a culture of respect and trust, establish clear communication channels, provide clear career paths and development opportunities, recognize and reward performance, balance hierarchy with flexibility.
- iv. SMEs should not focus highly on profit driven goals, rather they should encourage other aspects such as innovation, collaboration, supportive and inclusive work environment, set realistic goals and expectations. this will help in improving performance and success.

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APPENDIX 1: RESEARCH QUESTIONNAIRE

Adhocracy Culture

- ADC1 In our organisation, employees are encouraged to think outside the box and come up with innovative
- ADC2 Our organization encourages experimentation and risks taking
- ADC3 our organization values and rewards employees who take initiative and show entrepreneurial spirit
- ADC4 Our organisation is open to new technologies, methodologies, and ways of doing things

Clan Culture

- CLC1 Our organisation emphasizes on teamwork and collaboration
- CLC2 Communication is open and transparent within our organization, particularly between different levels of hierarchy
- CLC3 Our organisation places value on the development and wellbeing of employees, such as through training and work life balance
- CLC4 Our organizational success is celebrated and shared among all employees

Hierarchy Culture

- HCC1 In our organization, people with power and authority make all the important decisions
- HCC2 In our organisation, there is a clear chain of command with clearly defined roles and responsibilities
- HCC3 In our organisation, top-level managers or executives are involved in day-to-day operations or decision-making
- HCC4 In our organisation, there is strict adherence to rules and policies, with little room for flexibility or individual discretion and decision-making in our organization is slow and bureaucratic, with many layers of approval required before action can be taken

Market Culture

- MKC1 Our organization frequently conducts market research to understand customer needs and preferences
- MKC2 our organization provides employees with training and resources to stay updated on market trends and customer demands
- MKC3 Our organization encourages innovation and experimentation with new products or services to meet changing market demands
- MKC4 Our organisation always monitors and analyze competitor activities

Performance

- PRF1 Our organization always experience an increase in the sale of its goods and services
- PRF2 Our organisation always monitors its market share and competitive position
- PRF3 Our organization always tracks employee productivity and strategies are in place to improve it
- PRF4 Customers are satisfied with our organization's products or services