Organizational culture in Islamic banks in Oman: A comparative study on Bank Muscat and Bank Sohar

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Abstract

The present study aims to compare the organizational culture between Bank Muscat and Bank Sohar, the major banks in Oman Banking sector. The responses of respective employees of the banks were collected through self-administered questionnaire with Likert five point scale. The collected data was analyzed through SPSS by comparing the mean to know the significant contribution of identified factors of organizational culture between the select banks. The significant cultural variables and their differences and similarities have been identified and discussed. Significant areas of improvement for each bank and collectively for both banks have been pointed out.

1. Introduction

Different organizations do have different work cultures. And organizational culture is the sum of its history, both for what it is and what it stands for: Recent studies by IZA world of Labor and (Eugenio Proto) has brought out the link of job satisfaction (happiness) and employee job productivity of an organization to its culture. Another study by Surrey Business School and (France’s Grenoble Ecole de Management), illustrates the importance of organizational culture to its existence, continuance and sustenance in the industry and market place. Corporate goal achievements are a direct product of its productivity. Productivity in turn is the direct product of performance which is dependent on the collective behaviour, skills and competency of the work force, which we term as work culture.

According to the business dictionary, Organization culture encompasses its history, experiences, philosophy, inner working, beliefs, shared attitudes, customs written and unwritten rule that have been developed over time. It also is displayed through; the ways the organization conducts its business, treats its employees, customers and the wider community, the extent to which freedom is allowed in decision making, developing new ideas and personal expression, how power and information flow through its hierarchy, and how committed the employees are towards collective objectives.

Culture development within an organization is a snow ball phenomenon. The plethora of factors that contribute to the building up of the organizational culture include, individuals that constitutes their work force, the nature of business, goals and objectives, the clients and other external stakeholders, the management and its style of handling employees, customers etc. Also the reward and punishment system, communication system make up the culture of an organization.

This study aims to describe and compare culture of two organizations in the banking sector in sultanate of Oman. The banks have been identified due to the inherent similarities and differences held by them. One is Bank Muscat, a Quasi-Government bank (Partly funded by the Royal Court, State pension fund etc) and the other is Bank Sohar, a private bank. Study of organization culture prevalent in the identified banks becomes highly significant as it may explain their differences in their performance and image held by them among their respective employee group, customers and the general community.

Bank Muscat – Profile

Bank Muscat is a financial services provider in Oman with a strong presence in Corporate Banking, Retail Banking, Investment Banking, Islamic Banking, Treasury, Private Banking and Asset Management. The Bank has network of 149 branches, 645 ATMs & CDMs and more than 10,000 PoS terminals.

Bank Muscat SAOG provides various commercial and investment banking products and services. The company operates through Corporate, Consumer, Wholesale, International, and Islamic Banking segments. It offers personal banking products, such as savings accounts, children’s accounts, current deposit accounts, fixed deposits, payroll accounts, and other deposit products; home loans, educational loans, loans for expats, overdrafts, and car loans; insurance products; various cards; expat banking and wealth management services; money transfer and remittances services, such as demand drafts, telegraphic transfers, and electronic payments; bill payment and safe deposit locker facilities; and private banking, Internet and mobile banking, and automated teller machine services. The company also provides corporate banking products and services comprising working capital finance, asset finance, project and structured finance, and global trade services. In addition, it offers wholesale banking products and services, including asset management services; solutions for debt capital markets, trade finance, and facilitating treasury products; investment banking services, such as project and corporate finance, private equity advisory, equity capital market advisory, and infrastructure advisory; and
of the values, which an organisation seeks to pursue or which supposedly guide its operation and existence (Schein, 2005, Wheelen and hunger, 2006).

4. Factors affecting organizational culture

De (2007) identified six aspects that affect culture of an organization. Firstly, organizational culture has as a guiding role. Organizational cultures not only clearly affect the highest or long-term objectives, but also target the organizational objectives as individuals’ goals. The objectives set by the organization allow its members to feel the value of work and inspire the desire of succeeding. Secondly, organizational culture restraints peoples’ behavior. This refers to organizational culture constraints and set standards for members’ behavior. For an organization, rules and regulations are necessary. Still, it is difficult to standardize individuals’ every behavior.

The third aspect is the cohesive effect of the organizational culture. When a certain organizational value is recognized by the employees, it becomes social glue. Through this impact, employees will generate a sense of loyalty to the enterprise. Fourth, organizational cultures have an impact on incentives. This refers to enterprise cultures have an effect that enables employees generate a fore ahead emotionally. Promoting an enterprise culture is the process that helps employees looking for the sense to work and to establish social behavior. Through this process, employees can form common values and behaviors. A radiation effect is the fifth aspect. Enterprise culture not only affects inside an organization, but also has an impact on society through various channels. People understand the deeper values of an organization through symbols, advertising, architecture, products and services. There are many channels to radiate this to society for instance media and public activities. The sixth and final aspect is innovation. Excellent enterprise culture provides a working environment that inspires innovation, encourages difference, and tolerates failure. The most typical example is Google; innovation has become Google’s Survival Guide.

The advantages organizational culture has on behavior is also reflected in leadership management. When making decisions, leaders have to confront many complex challenges. A leader’s success depends on various factors, for instance on his knowledge and understanding of the organizational culture. The leader who understands his organization’s culture and takes it seriously is capable of predicting the outcome of his decisions in preventing any anticipated consequences. It is notable that most human behavior is learned through imitation. In order to get employees to behave as expected, leaders’ example is indispensable.

Schein (2004) states that leaders’ success depends on sending and shaping correct contents about their priorities, values and beliefs. Once the culture is established and accepted, it will become a strong leadership tool. It will associate the leaders with the beliefs and values of an organization and its members and helps leaders to guide them.

Deal and Kennedy (1982) state that organizational culture consists of related factors: values, heroes, rituals, and culture
network; Hofstede (2010) provides an onion model to cover the total concept of culture. By summarizing Deal and Kennedy’s (1982) theory and Hofstede’s (2010) theory, the researcher divides organizational culture into three levels. Hofstede (2010) introduced an onion model to cover the total concept of culture, including four aspects: symbols, heroes, rituals, and values. The most superficial level is symbols. This level of the culture is visible, and that is why this part of the culture can be observed easily. The middle level is rituals. Rituals cannot be observed directly, but the middle level reflects the standards and constrains of organizational behavior. The core level is represented by values, and this part is the invisible side of culture, which includes attitudes, beliefs, interaction and other concealed features of culture.

5. Organizational culture in Banking Sector

The role of human resources in banks is exceptionally important as the sector is highly dependent on customers and lies in rendering customer services. The major two risk factors in banks are managing human resources in a competitive environment where staffs are moving from conventional system to Islamic Banking system in Oman and managing risk in general. Despite the growth prospects and the fact that bank wants to create a competitive advantage, the most common problem is the lack of cultural integration (Bashir & Ramay, 2010).

Organizational culture of a bank, as a company, is located on the values, attitudes and beliefs. Executives and managers must consider the differences, strengths and weaknesses in the culture of bank and the potential conflicts that may arise, which should be identified and resolved. Ignoring this important task, the task of creating a competitive advantage may be detrimental in the long run. Then, the development and explanation of the aim and objectives it wants to achieve the bank will help in better understanding the role of employees and the new directions to be followed. In this way, employees can feel less anxious about their working environment (Chen, Fosh, & Foster, 2008). Effective financial institutions understand the valuable role of human resources during critical periods, as the fear of uncertainty may lead to defensive and negative feelings of employees. And this in turn could lead to the loss of the best employees of the bank and sometimes customers (Bushra, Usman, & Naveed, 2011).

It is essential to have an effective communication that helps people to alleviate unfounded rumors and unnecessary fears and anxieties. Regular timely e-mails or corporate meetings allow administrators to set the stage for potential upcoming changes. A monthly newsletter or intranet also can be beneficial. Additionally it is necessary to effectively address a number of areas where it may cause concern, such as allowances, changes that may occur, potential restructuring and its overall impact on employees, customers and other interested parties. The administration should be honest about all the changes that will occur during any process (Chowwen, 2013).

Between two banks employees in case of a merger, the connection between the two banks is not only in terms of liabilities and assets, but also in terms of the combination of corporate culture”. Experience has shown that the failure condition of assessment and care of cultural application can even “derail” mergers. For example, if cultures of the banks are very different, managers and supervisors will need to allow more time to build confidence and introduce and implement any changes. The manpower needs to create a good relationship with the administration and with other members of staff from both banks. While communicating with staff, managers of human resources should be careful in choosing the words they use and they should be completely honest with them. They should not make promises they cannot keep. In addition, staff should always know what supervisors expect of them (Amihud & Miller, 2010).

The employees of banking sector must cooperate to handle each change and there should be an understanding that changes take time to implement. The ultimate goal should be to create a good cooperation between employees within the defined parameters. One of the most difficult issues facing human resource management is the dismissal of employees. The primary role of the department of human resources is to assess the needs of the banking organization in the positions to be filled and the skills, knowledge and talents of the staff. In cases of crisis they have to decide how many and which of the existing manpower will remain and they must inform employees who will lose their jobs, and take care to retrain them into labor market. For those who stay, the Heads of human resources should ensure that employees understand the rationale behind the decisions made and have a clear and direct guidance on new roles and responsibilities (Claessens, 2012).

The efficiency of the banking organization does not depend only in financial resources which are available rarely, but mostly depends on the quality and experience of its employees. The differences that exist between two or more banks are dependent on the quality level of their workforce. At the same time, the difference in level of performance depends on the level of development of their human resources. Therefore, the importance of any organization depends on the level of development. The development of human resources working to improve both the group and individual performance, as it focuses on strategic approaches advanced management methods and affects the dynamics and effects of the banking organization, which develops its activities in a complex and dynamic environment (Koustitelios & Kousteliou, 2001).

A dangerous and often overlooked issue is the combination of culture of two different departments of banking sector. To provide the organization success and a good climate of cooperation should be developed camaraderie and optimism to overcome the fear and confusion. Communication is vital and personnel managers should consider the types of communication between the departments. The human resource department with feedback sessions can help the integration of staff and build confidence in the working relationships (Dell’Arcicia, Detragiache & Rajan, 2008). Ultimately, the success of an organization depends on the people who define it. The adoption of high-performance HR practices and resources before, during and after any potential change may help bank to have a long term success. There have been several studies carried out by examining the relationship between human resource development and strategic human resource management. Studies have shown that both practices...
regarding the identification results of organizations such as employee satisfaction, but also the profit margin of the bank (Dell’Ariccia, Detragiache& Rajan, 2008).

The increasing importance of information technology in any business success and the fact that competitive advantage can be gained through the experience of workers has increased the importance of the strategic value of human resource management and human resource development. The development of human resources can lead to the implementation of strategies based on product innovation, quality, cost, and global relocation (Koustelios & Kousteliou, 1998).

It is widely known that banking sector requires exceptional skills. One of the areas that needed special ability is the rapid growth of emerging markets, which includes the process of absorption and merger. Other areas that require talent and skill is managing the growing complexity, the reduced customer loyalty, the rapidly increasing competition for deposits and the lending crisis. The bank is able to overcome the difficulties of prioritizing the management of talent and skills of employees and their satisfaction. Changing the way the bank manages employee skills can bring improvement and make crisis manageable. The evaluation process taking place every six months between employees and managers has increased active and has shown that employees are a top priority for the bank. Therefore, this approach, which is used by the bank, gives the ability to overcome most of the problems have been (Belias, Koustelios, Sdrollias & Koutiva, 2013).

6. Methodology

The respondents were selected from the two banks namely Bank Muscat and Bank Sohar descriptive research method. The reason for selecting the banks was they believe in organizational culture. Census method was used to collect the data as the total number of employees in select branches were not high.

The self-administered questionnaire was made up of 5 points Likert scale to measure each cultural variable. The other part of the questionnaire was the demographic variables. Totally 27 questionnaires were distributed to the selected banks and all of them were retrieved and processed for analysis.

As the objective of the study was to compare the culture of two banks, SPSS 22.0 was used to compute descriptive statistics to know the mean score of each variable in the select bank. The reliability coefficient of the questionnaire was 0.963 using Cronbach’s Alpha Coefficient. Hence, the questionnaire was excellent and highly reliable. Generally the reliability analysis is used to test the extent of correlation between each item and establishes internal reliability of filled in questionnaire by the respondents.

7. Results and Analysis

A total of 29 variables of organizational culture were identified based on Deal & Kennedy (1982) model. The variables are, Job Related Variables, Team Related Variables and Organizational Variables. Responses from sample of employees from both identified banks were collected in Likert’s five point scale.

The Job Related Variables include:

Work involvement of employees, Ability to manage own work, Effective utilization of skills and abilities utilization, Hard work to achieve win-win situation, Opportunities to improve skills, Clear Job goals, Appreciation of individual ideas.

The Team Related variables include:

Cooperation of coworkers, Inter-personal relationship, Equality of gender, Inter departmental coordination.

The Organizational variables include:

Superior- Subordinate consultation in important matters, Clear Mission, Direction and Values, Motivation of Vision, Strong client focus, Environment support of innovation, Organizational Symbols, Clear codes of conduct, Imparting cultural values, open communication.

The overall Mean of responses for all the 29 sub variables covering the three broad categories mentioned above are given in the following table:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mean Bank Sohar</th>
<th>Mean Bank Muscat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Involvement</td>
<td>3.636364</td>
<td>3.375</td>
</tr>
<tr>
<td>Ability to manage own work</td>
<td>4.090909</td>
<td>3.5625</td>
</tr>
<tr>
<td>Coworkers cooperate to work</td>
<td>3.909091</td>
<td>3.6875</td>
</tr>
<tr>
<td>Team members have good interpersonal relationship</td>
<td>3.090909</td>
<td>3.6875</td>
</tr>
<tr>
<td>Boss consults important matters</td>
<td>3.818182</td>
<td>3.6875</td>
</tr>
<tr>
<td>Skills and abilities are effectively utilized</td>
<td>3.181818</td>
<td>3.375</td>
</tr>
<tr>
<td>Capabilities are viewed as an important source of competitive advantage</td>
<td>3.727273</td>
<td>3.625</td>
</tr>
<tr>
<td>Work related suggestions are valued</td>
<td>3.636364</td>
<td>3.5625</td>
</tr>
<tr>
<td>Organization values diversity</td>
<td>3.636364</td>
<td>3.6875</td>
</tr>
<tr>
<td>Set values are clear</td>
<td>3.909091</td>
<td>3.8125</td>
</tr>
<tr>
<td>Work hard to achieve “win-win” solutions during disagreements</td>
<td>3.545455</td>
<td>3.5</td>
</tr>
</tbody>
</table>
Respond well to organizational changes | 3.363636 | 3.5
Continually adopt new and improved ways to do work | 3.636364 | 3.8125
Given a real opportunity to improve your skills in this organization | 3.363636 | 3.4375
Have clear idea about Bank Muscat goal | 4.545455 | 3.75
Organization vision motivates employees | 3.909091 | 3.1875
The bank’s current activities reflect a strong focus on clients | 3.454545 | 3.4375
It is easy to coordinate with other departments | 3.363636 | 3.375
The organization provides flexible environment and innovative climate | 3.545455 | 3.5
There is a clear mission that gives meaning and direction to the work | 4.272727 | 3.375
Organization reflects its culture through different symbols | 3.454545 | 3.625
Code of conduct is very clear and easy to follow | 3.272727 | 3.375
Organization gives great value to its culture | 3.727273 | 3.4375
Organizational function is centralized | 4.090909 | 3.625
Management encourages open communication | 3.454545 | 3.1875
Individual ideas are often highly appreciated | 3.272727 | 3.4375
Set rules prevent uncertainties in the behavior of people | 3.363636 | 3.125
Men and women are often equally treated in all aspects | 3.909091 | 3.375
Overall organizational culture is fair | 3.636363 | 3.375
Aggregated Mean Value | 105.5455 | 101.3215

Source: primary data

Job Related Variables:

It is observed that Bank Muscat has high positive indicators on ability to manage work by employees. Whereas, the Bank Sohar shows little decline in the areas of work involvement and full utilization of employees skills and abilities.

With Regards to Bank Sohar, the positive indicators are, employee work involvement on the other hand, the bank shows little decline in the area of gender equality in job performance.

Team Related Variables:

It is observed that Bank Muscat has positive indications in, Inter personal relationship of employees, Response to organizational changes whereas the bank shows little decline in the areas of full utilization of employee skills and capabilities. It is observed that Bank Sohar have high positive indications when compared to Bank Muscat in the areas of, Ability to manage work by employees, Cooperation of coworkers, and Employee work involvement. Whereas the bank shows little decline in the area of, Employee Interpersonal Relationship.

Organizational Variables:

It is observed that Bank Muscat have positive indications in the areas of, Usage of organizational symbols, Centralized functions, Importance of work related suggestions, Clear Organizational values. Whereas the bank show little decline in the areas of Motivation through vision, Strong Client Focus, Flexible environment and innovative climate, Clear Mission and Direction to work, Employee code of conduct, Open communication.

It is also observed that Bank Sohar has positive indications in the areas of Acceptance of work related suggestions, organizational values and diversity, Clear values, Motivation through vision, Flexible and innovative climate, Clear Mission and Direction to work. Whereas the bank shows little decline in the areas of, Strong Client focus, Employees code of conducts, open communication.

8. Conclusion

Through the collected and analyzed sample responses for this study and compare the organizational culture as experienced by the employees of the said banks revealed that the aggregate mean value of Bank Muscat is little higher than Bank Sohar. However, indications show that if Bank Sohar focus on weak areas it would have been possible to perform better than Bank Muscat.

References

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