Case Report

Organizational Culture and the Financial Performance of Manufacturing Firms

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ABSTRACT
This paper intends to examine the relationship between organizational culture and the financial performance of manufacturing firms in the province of Guilan (Iran). To do so, a statistical sample with the size of 247 firms located at industrial towns/parks in Guilan was selected. The required data was collected through questionnaire. Then, the relationship between organization culture, including the clan culture, adhocracy culture, market culture and hierarchy culture, and the financial performance was analyzed according to the proposed model and by using Spearman’s rank correlation coefficient. The results show that there is a significant positive relationship between clan culture (correlation coefficient: 0.65), adhocracy culture (0.63), market culture (0.68) and hierarchy culture (0.59) and the financial performance of manufacturing firms.

Keywords: financial performance, organizational culture, clan culture, adhocracy culture, market culture, hierarchy culture

INTRODUCTION
One of the most striking features of contemporary world is the drastic and continuous change in thinking, ideology, social values and methods of working, among many other things (Shahvar, 201, p. 3). In the last two decades, the management of organizational performance has become one of the most exciting issues because the information about performance enables the organizations to gain competitive assets. Today’s unstable world necessitates the need for the organizations to find new ways of survival. One of these ways which can help the organizations in meeting their objectives is organizational culture. Organizational culture influences the way people communicate within an organization (Madanchian & Taherdoost, 2016, 1076). Organization culture encompasses almost all aspects of an organization and can be used as an instrument for organizational behavior, helping people to understand the performance of an organization (Kordnaeich et al. 2014, p. 174). The culture of any organization has been considered the decisive factor in it shaping and has an immense effect on the structure and design of an organization, internal and external environment of an organization, technology, work force and more importantly on the efficiency and strategy of an organization. A rich organizational culture, just like productive energy, guides the organization by its efficient work force, directs the emotions and perceptions towards a shared goal, increases motivation, creates creativity and intimacy in the organization’s environment, and systematizes everything. Its role has been so important that a
number of scholars have come to believe that a culture which pays attention to the values and dignity of people strengthens the sense of participation and performance of an organization (Heydarabadi, 2012, p. 1).

Research questions
A continuous refinement of an organizations’ performance can lead to an immense power of synergy. Such synergy can function as the backbone for a growth and development program and can also create opportunities for organizational excellence. It is impossible to continuously improve organizational performance without a knowledge about the level of progress and achievement of goals, identifying the future challenges, obtaining the required feedbacks, the knowledge about the implementation and success of previous policies and identifying those parts which need serious improvement. These factors need in turn measurement and evaluation (Toolaei, 2007, p. 11). Performance evaluation is considered an important step in achieving self-evaluation and subsequently improving organizational responsiveness (Tehrani et al., 2012, p. 231). The performance evaluation of manufacturing firms is focused mostly on their profitability and trend. Any factor influencing the current or expected profitability will also influence the price and consequently the performance evaluation of an organization (Dowlatabadi, 2013, p. 60). In the case of the province of Guilan (a northern city in Iran) the main challenges for the manufacturing firms are complex administrative bureaucracy, the high rate of bank interests and the need for high cash flow. These firms do not have an efficient performance because of the following reasons: the impossibility of using deferred bank credits and interbank resources to open document credits, the impossibility of importing raw materials as in the past because of certain economic sanctions, increase in the producing indices and production factors and inputs and the difference between the Rial value and currency value. Some of the ways to provide for the needed liquidity in the manufacturing units include: increasing the credit limit of the manufacturing units, accelerating the assignment of working capital grant from the National Development Fund Resource and complying with the directives from the Central Bank about assigning the exact share of bank loans to industry and mining (The Organization of Industries and Mines of Guilan, 2014). Any organization has different performances one of which is the financial performance. Most of the indices for measuring the financial performances of an organization are: profit, expense and return on investment (ROI). These methods for measuring performance emphasize for the most part on the results of previous activities and are used by the organizations to determine the impact of previously implemented programs and strategies (Shahin, 2011, p. 107). In fact, the criteria of financial performance determine whether the strategy of an organization has been put to practice and whether this strategy has improved the profitability of the organization (Roohi & Azar, 2010, p. 107). Basically, it is highly crucial to evaluate the financial performance of an organization to make an efficient decision because despite producing a good product, controlling the quality and a well-organized cooperative and coherent structure, an organization may face financial crisis and bankruptcy (Hasanzadeh et al. 2009, p. 190). The financial indices are not just used for understanding past or current performance; it is also used as a tool for planning and controlling organizational activities. However, these criteria are not enough and cannot be the only and sufficient basis for decisions (Hajiha & Kharatzadeh, 2014, p. 422). One of these additional factors which has been understudied is the role of organizational culture on the performance of firms (Yesil & Kaya, 2013, p. 428). There is no consensus about the definition of organizational (firm) culture. Nevertheless, it is generally accepted that it is a learned entity (Bono et al., 2014, p. 2). Cameron and Quinn (1999) propose four kinds of dominant culture in their
competing values framework: hierarchy culture, market culture, clan culture and adhocracy culture. Clan cultures, known also as group/team cultures, focus on internal storage with applying the required flexibility. Adhocracy cultures, known also as development and entrepreneurship cultures, focus on the competing situations with applying a high degree of flexibility. These kinds of organizational cultures are supported by an open system which increases the inclination for taking an action. Market cultures, known also as regional cultures, emphasize stability and control by positioning the competitive market directed at achieving higher efficiency. Finally, hierarchy cultures emphasize stability and internal storage by clearly assigning the duties and implementing of strict rules (Acar, 2012, p. 219). A strong organizational culture can function as a reliable compass and a powerful tool for guiding and modifying the organizational behavior of the members (Abdulla et al., 2014, p. 142). Now the question worth asking is: Is there a significant relationship between organizational culture and the financial performance of manufacturing firms in the province of Guilan?

**Literature review**

There is a great amount of literature with respect to the relationship between organizational culture and the financial performance of manufacturing and service firms some of which, both Persian and otherwise, are mentioned in the following.

Kordnaeich et al. (2014) in a study titled “Organizational culture: the missing chain in organizational transparency and organizational performance” have investigate the effect of organizational transparency on organizational performance, when organizational culture intervenes, at the level of top managers and experts among 91 active firms in the food industry, and more particularly, in dairy products industries. To collect the needed data they used these standard questionnaires: Rawlins, Hughes, Morgan and Denison. The result of their study showed a positive effect of organizational transparency on organizational performance. Also, it was found out that organizational culture has an impact on this relationship as intermediate variable and strengthens this relationship (Kordnaeich et al., 2014, p. 173).

Zahedi and Nikandish (2013) have evaluated the relationship between the characteristics of organizational culture and organization performance among the subsidiary firms of The Ministry of Communication and Information Technology. In measuring culture they used Denison’s Organizational Culture Survey and to measure the financial performance of an organization they used the four indices of return on assets, return on equity, return on sales and the ratio of operating expenses to operating income; in doing this they also used the existing data in the financial statements of the firms. In this study, the relationship between the characteristics of organizational culture, including involvement in work, sense of duty and adaptability, and the financial performance of organizations was studied by using the Pearson’s correlation coefficient. The results showed that there is a significant positive relationship between each of the variables of the cultural characteristics and return on assets, return on equity and return on sales. Also there is a significant negative relationship between each of those indices and the ratio of operating expenses to operating income. These findings indicate that there is a relationship between organizational culture and the financial performance (Zahedi & Nikandish, 2013, pp. 125-138).

Ghanavati and Samadi (2012) in a study titled “The effect of market orientation and organizational culture on the performance of small and medium firms active in Tehran” have examined the effect of two key concepts, namely, market orientation and organizational culture, on organizational performance. The results of testing the model in small and medium firms confirms the direction of organizational culture, market orientation, customer performance and the financial performance (Ghanavati & Samadi, 2012, p. 73).
Karimi Goghari et al. (2012) have studied the relationship between organizational culture and the job performance of agricultural extension experts in the province of Kerman. The sample size of their study included 180 of the experts working at the center of agricultural promotion in Kerman. The sample was chosen by using stratified sampling with proportionate probability and Krejci-Morgan Table, resulting in 123 as the sample size. The findings of the study showed that there is a significant positive correlation between all factors of organizational culture (participation/involvement, adaptability and duty) and the job performance of the experts of agricultural promotion on a level of one percent (Karimi Goghari et al., 2012, pp. 441-550).

Dianati Deilami and Tayebi (2011) in an article titled “The role of organizational culture on the quality of profits in the firms of Tehran’s stock exchange market” have examined the role of organizational culture on the quality of profits in the firms of Tehran’s stock exchange market. The statistical results of the data of 85 firms showed that the different aspects of managers’ organizational culture (adhocracy, market, hierarchy) have a positive effect on the quality of the reported profit (Dianati Deilami & Tayebi, 2011). Similarly, in non-Persian studies, Cao et al. (2015) have examined the effect of organizational culture on the integration of supply chains. The sample size of their study included 317 manufacturers in ten different countries. They used rational and hierarchy cultures to measure organizational culture and the indicators of internal integration and custom homogenization to measure the integration of supply chains. Their findings showed that rational culture has a positive relationship only with internal integration and hierarchy culture has a negative relationship with internal integration and custom homogenizations (Cao et al., 2015, p. 26).

Hogan & Coote (2014) have examined the relationship between organizational culture and innovation and performance. To evaluate the relationship between cultural processes and performance through organizational innovation, they used the model of levels of culture by Schein. In their study, to test the research hypotheses, they used the data of 100 firms located in Australia. The findings confirmed the existence of a relationship between the variables. It was concluded that there is significant relationship between the cultural level, including norms, artifacts and assumptions, through organizational innovation, and the organizational performance (Hogan & Coote, 2014).

Chatman et al. (2011) in a study titled “Organizational culture and performance in high-technology firms: the effects of culture content and strength” have shown that if the norms are properly adaptable to the environment and the cultural norms are extensively shared by the members of the organization the culture will strengthen and thus will increase performance in dynamic environments. 60 large modern American firms were chosen for this study. According to the findings, there is a higher degree of interaction in organizations with shared cultural norms in comparison to the organizations without shared cultural norms and the former are more easily adapted to the environment (Chatman et al., 2011, p. 1).

Zehir et al. (2011) have done a research titled, “The effects of leadership styles and organizational culture over firm performance: multi-national companies in Istanbul”. The aim of this study was to examine the relationship between leadership styles and organizational performance and its role on the performance of national and multi-national companies with different sections (production, financial affairs, and telecommunication) in Turkey. The study was focused on 295 workers who responded to the questionnaires. The findings confirmed the effect of culture and leadership on organizational performance (Zehir et al., 2011, p. 1460).

Theoretical framework and the conceptual model
Van der Post et al. (1998) examine the relationship between organizational culture and
the financial performance of organizations in South Africa and show that there is a positive relationship between these two variables. This has also been confirmed by Abdul Rashid et al. (2003) in the case of stock markets active in Kuala Lumpur (Ghanavati & Samadi, 2012, p. 78). Kim et al. (2004) have reported that culture affects many aspects of organizational processes and performance. It has been found out that there is an interconnected relationship between the power of cultural values and organizational performance in different cases. Marcoulides and Heck (1993) have shown that organization culture has a strong direct effect on the performance of an organization. O’Paranma (2010) has shown that organizational culture is an important variable that should be taken into account when measuring the performance of an organization. The findings of Duke and Edet confirmed that there is a positive relationship between organizational culture and performance. Zheng et al. (2010) have reported that organizational culture has a positive effect on organizational efficiency (Yesil & Kaya, 2013, p. 430). The following conceptual model is presented based on the findings by Saleh Yesil and Ahmed Kaya (2013):

![Conceptual Model](image)

**Research hypotheses**

Hypothesis 1: There is a positive relationship between clan culture and the financial performance of firms.

Hypothesis 2: There is a positive relationship between adhocracy culture and the financial performance of firms.

Hypothesis 3: There is a positive relationship between market culture and the financial performance of firms.

Hypothesis 4: There is a positive relationship between hierarchy culture and the financial performance of firms.

In testing the above hypotheses, the variable of size of the firm was considered as a mediating variable.

**Conceptual and operating definitions of the variables**

Financial performance: the financial ability of an organization in productivity and profitability (Shahin, 2011, p. 107). In the present study, the financial performance of an organization is measured by the three indices of sales growth, profit growth and share growth through the use of a measurement questionnaire.

Clan (tribe) culture: Cameron considers clan culture as a friendly atmosphere with an extensive family working together. A clan culture is explained by such ideas as loyalty, support, commitment, tradition, cooperation, teamwork, participation, consensus and personal development (Yesil & Kaya, 2013, p. 431).

Adhocracy culture: Those organizations which possess an adhocracy culture emphasize external positioning, high flexibility and individualism. The working environment and atmosphere of these organizations are dynamic, innovative and creative with risk-taking, cooperative workers and innovative and creative leaders. In the present study, adhocracy culture is an independent variable and is measured by the three parameters.
of risk-taking management, acquiring new sources and innovative production leadership though the use of a measurement questionnaire (Cameron & Quinn, 2006, p. 66).

Hierarchy culture: In a hierarchy culture, the intra-organizational affairs are more important than its extra-organizational affairs. In such contexts, to create stability and control, competition is highlighted more than flexibility. In this kind of culture, the leaders are conservative, and the managers have more a coordinating and monitoring role (Dabaghi et al., 2010, p. 66). The hierarchy culture is considered as an independent variable in this study and is measured by a questionnaire with the four parameters of stable leadership, existence of formal laws, stable performance and efficiency.

Market culture: The leadership style of this type of culture is based on achievement, decisiveness and determination. The structures in this culture include goal-achievement, production and competition and the emphasis is on competitive advantage and market leadership (Dianati Deilami & Tayebi, 2011, p. 3).

In this study, market culture is considered as an independent variable and is measure by a questionnaire by the parameters of goal achievement, logical decisions, successful leadership, competitive activities, competition leadership and managerial coordination (Yesil & Kaya, 2013, p. 431).

### Research methodology

The present study is a practical one which uses descriptive methods in collecting and analyzing data. The research sample includes 860 manufacturing firms in Guilan. By using the Cochran formula, the number of sample was determined as 247 firms. These firms work in areas like food industry, meat industry, packaging industry, livestock, poultry and agriculture, plastics and recycled products, wood and furniture and MDF, electricity and lighting, car accessories and instruments. In this study, a questionnaire was used to measure the independent variable of organizational culture and the dependent variable of financial performance.

The responses were designed in terms of Likert’s five-option questionnaire (totally agree to totally disagree). To determine the reliability of the study the Cronbach’s alfa method was used. To do so, first, an initial sample made of 30 questionnaires was prepared and then by using the data from these questionnaires and the SPSS software the reliability factor was calculated.

The Cronbach’s alfa for all the variables was more than 0/70 which indicated the reliability of the research tools. To determine the content validity the method of content-validity was used. The validity of the questionnaire was confirmed by the supervisors, existing literature and an initial response.

### Table 1. Cronbach’s alfa of the variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Clan culture</th>
<th>Adhocracy culture</th>
<th>Market culture</th>
<th>Hierarchy culture</th>
<th>Financial performance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s alfa</td>
<td>0.84</td>
<td>0.80</td>
<td>0.85</td>
<td>0.87</td>
<td>0.88</td>
<td>0.86</td>
</tr>
</tbody>
</table>

### Research findings

To analyze the data and information according to the presented model, first the number of each variable was determined by using the data and information collected from the questionnaires. Then, the information was described in the tables and descriptive figures which gave us a general view about the distribution that could be used in different statistical models. Next, the research hypotheses were analyzed. Finally, the data analysis concluded the study. In the following, the findings from the descriptive statistics and deductive statistics are presented.

### Descriptive statistics

Given the information from the section on the population of the questionnaire, 73 firms had clan culture, 50 firms had adhocracy culture, 81 firms had market culture, and 43 firms had hierarchy culture. The additional information is presented in the following table:
Table 2. Description of type of organizational culture

<table>
<thead>
<tr>
<th>Type of culture</th>
<th>Number of firms</th>
<th>Frequency (percent)</th>
<th>Value of assets (million Tomans)</th>
<th>Frequency (percent)</th>
<th>Average profit (million Tomans)</th>
<th>Frequency (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clan</td>
<td>73</td>
<td>29%</td>
<td>Less than 100</td>
<td>23%</td>
<td>less than 150</td>
<td>45%</td>
</tr>
<tr>
<td>Adhocracy</td>
<td>50</td>
<td>20%</td>
<td>100-500</td>
<td>43%</td>
<td>150-500</td>
<td>31%</td>
</tr>
<tr>
<td>Market</td>
<td>81</td>
<td>33%</td>
<td>More than 500</td>
<td>34%</td>
<td>More than 500</td>
<td>24%</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>43</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Statistical analysis of the data

To determine the normality of the data the Kolmogorov-Smirnov test was used. Then, to ascertain that there is a relationship between the research variables and subsequently to test the research hypotheses the method of correlation coefficient was used. The significance level of the data for all the four hypotheses was more than 0.05 (α). On the other hand, the critical values (Z) obtained for the Kolmogorov-Smirnov test was more than the critical value of the table (1.96). Therefore, because of the significance level of 95% there was strong evidence for rejecting the hypothesis of the normalcy of the data.

Table 3. Results of correlation coefficients between the variables

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation coefficient</th>
<th>Significance</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clan culture and financial performance</td>
<td>0.65</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Adhocracy culture and financial performance</td>
<td>0.63</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Market culture and financial performance</td>
<td>0.68</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hierarchy culture and financial performance</td>
<td>0.59</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

The result of correlation analysis which is summarized in the above table shows that there is a considerable correlation between the variables in the hypotheses. As shown, the significance level of first hypothesis (positive relationship between clan culture and financial performance), second hypothesis (positive relationship between adhocracy culture and financial performance), third hypothesis (positive relationship between market culture and financial performance) and fourth hypothesis (positive relationship between hierarchy culture and financial performance) is less than 0.05 which means that there is a significant relationship between the variables in these hypotheses. On the other hand, the correlation coefficient of all these variables is positive which confirms the validity of these four hypotheses. As for the role of the intermediary variable the following table can be presented:

Table 4. Results of Spearman’s correlation coefficient test for the effect of the size of the organization on the relationship between the variables

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlation coefficient</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>small</td>
<td>medium</td>
</tr>
<tr>
<td>Clan culture and financial performance</td>
<td>0.64</td>
<td>0.60</td>
</tr>
<tr>
<td>Adhocracy culture and financial performance</td>
<td>0.54</td>
<td>0.64</td>
</tr>
<tr>
<td>Market culture and financial performance</td>
<td>0.58</td>
<td>0.61</td>
</tr>
<tr>
<td>Hierarchy culture and financial performance</td>
<td>0.54</td>
<td>0.60</td>
</tr>
</tbody>
</table>
As shown above, clan culture which emphasizes loyalty, support/sympathy, commitment, tradition, cooperation, teamwork, and participation in a friendly atmosphere like an extensive cooperating family, has a stronger effect on the financial performance of small firms. This effect on the financial performance is stronger in medium-size firms than in small firms.

Adhocracy culture, which emphasizes external positioning, high flexibility, and individualism, is manifested more in the medium-size firms. Moreover, adhocracy culture affects the financial performance of large firms more than small firms.

Market culture, which emphasizes competition and endeavoring to achieve the goals, affects the financial performance more strongly in large firms. Moreover, market culture affects the financial performance in medium-size firms more strongly than small firms.

Hierarchy culture, which emphasizes intra-organizational affairs more than extra-organizational ones and highlights stability, control, flexibility, and competition, affects the financial performance of large firms more strongly than the financial performance of medium-size firms.

Discussion and conclusion
Organizational culture affects all aspects of an organization. It is so crucial as to convince world scholars to believe that the most important duty of organizations' leaders is to set certain cultural values proportionate to the development of that organization. This is so because it is assumed that the organization culture deals with the shaping and guiding of the necessary resources for production, improving the performance, and profitability. Since most researchers argue that organizational cultures are described in many ways, the present study limited its scope to the four issues of clan, adhocracy, market, and hierarchy culture. The results of this study showed that the aforementioned cultures have different effects on the financial performance of the firms.

In each of the analyzed firms, a special type of organization culture was dominant. There is a positive relationship between clan culture and the financial performance. This confirms the first hypothesis of the study. This is in line with the findings of Jacobs et al. (2014). They have argued that the clan organizational culture has improved the financial performance of British hospitals. The finding of the present study is also in line with Grawe and Daugherty (2009). Aktas (2013) has examined the effect of clan culture on the financial performance and efficiency of hospitals in Istanbul and Adana (Turkey) among the managers and decision-makers. The results of the tests indicated the existence of a positive relationship between the two variables. Ergün (2013) has examined the effect of different types of organization culture on the performance of Turkish hotels. The results of path analysis showed that the clan culture has a positive effect of the performance. Tseng (2010) has similarly shown that the performance can be affected by the clan culture. It is therefore arguable that those organizations which have the mentioned cultures, can improve their performance by: increasing the emotional solidarity of the staff, increasing the involvement with the goals of the organization through preparing the ground for other informal groups to emerge, improving the social communication networks through designing a system for selecting the most competent staff, involving the staff in the decisions through paying attention to their comments, and forming a public relation section to receive the comments. These can in effect improve the clan culture of an organization.

The second hypothesis about the positive relationship between adhocracy culture and the financial performance is also confirmed. The existing literature substantiates this finding too. Hogan and Coote (2014) have examined the relationship between organizational adhocracy culture, innovation, and financial performance. In their study, the data about 100 Australian firms
were collected and analyzed. The results showed that organizational culture, as organization innovation, has a significant relationship with organization performance. Omogafe et al. (2014) have studied the different organization cultures and their effect on the performance of six Nigerian universities. A questionnaire, as the main tool of data collection, was distributed among 389 people. The results of variance analysis showed that there is a relationship between organizational culture and performance. Dianati Deilami and Tayebi (2011) have examined the role of organizational culture on the quality of profitability among the companies active in stock exchange market in Tehran. The results of the statistical data from 85 firms show that the different aspect of organizational culture has a positive effect on the reported profitability. Since adhocracy culture emphasizes commitment to innovation and experiment using the experience gained from previous programs is highly important in solving the problems, communication among the staff about the successful plans and innovative ideas and improving the skills of the staff to achieve organization goals.

The results of the third hypothesis reveals the existence of a positive relationship between market culture and the financial performance. This finding is completely supported by other studies. Gallagher et al. (2014) have shown that a stronger market culture leads to a more efficient performance. Shahzad et al. (2012) have examined the effect of different cultures on the performance of an organization. The findings indicated a positive relationship between the two variables. Chatman et al. (2011) in a study titled “Organizational culture and performance in high-technology firms” have shown that if the norms are properly adapted to the environment and the cultural norms are commonly shared by the members there will be a strong culture which can improve the performance in dynamic contexts. Similarly, Muriel and Alvin (2009) have used the correlation coefficient test in their study to show that improving market culture increases the financial and market indices of the firms. Kandula believes that the key to a good performance is a strong culture. Therefore, it is clear that organizational culture has a direct and active role in performance management. It is recommended that these firms use managers with such characteristics as competitiveness, determination and decisiveness to achieve their strategic goals. Since market culture emphasizes customer-centeredness, production and competition it is required to pay attention to personal innovation as well as other cultural factors as to coordinate market culture with the organizational strategies. This can enable the managers to take certain measurements for producing high-quality products and serving the customers more effectively.

The fourth hypothesis of the study shows the positive relationship between hierarchy culture and the financial performance. Cao et al. (2015) have examined the effect of organizational culture on the integration of supply chains. The sample size of their study included 317 manufacturers in ten different countries. They used rational and hierarchy cultures to measure organizational culture and the indicators of internal integration and custom homogenization to measure the integration of supply chains. The ultimate dependent variable in their study was financial performance. The findings showed that there is a positive relationship between hierarchy culture and the financial performance. Omogafe et al. (2014) confirms a similar finding in their study of Nigerian universities. Jacobs et al. (2013) have found a positive correlation between these two variables in their study of hospital services. Similarly, Aktas et al. (2011) have reported that hierarchy culture has a positive effect on performance. As seen, other studies prove the above hypothesis. Therefore, if the activities of the firms are in line with the hierarchy culture it can lead to an improvement in organizational performance. Accordingly, it is recommended that managers with the characteristics of commitment to the rules and laws be chosen; strategic emphasis
on stability be reminded, and taking repetitive measurements be avoided.

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