

## Corporate Culture as a Tool for Competitive Advantage of Small and Medium Enterprises in Uganda: A Case Study of the Tourism and Hospitality Sector

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**Abstract:** The aim of the study was to investigate the role of corporate culture on the competitive advantage of Small and Medium Enterprises (SMEs) in Uganda. A cross-sectional survey design was employed to collect data from 112 tourism and hospitality organizations in western part of Uganda. Out of 112, ninety-six (96) firms were maintained for investigation. This study engaged both managers and employees as respondents. Reliability of all the variables was tested using Cronbach's alpha ( $\alpha$ ) for inter-item consistency reliability and specifically for corporate culture was established to be at  $\alpha=0.92$ . The analysis of results confirmed that corporate culture positively influenced competitive advantage of SMEs by 12.4%. The corporate cultural norms that had significant influence on competitive advantage were found to be mission ( $\beta=0.329$ ,  $\text{sig}=0.006$ ) and involvement ( $\beta=0.208$ ,  $\text{sig}=0.042$ ) norms. Consistency ( $\beta=0.120$ ,  $\text{sig}=0.467$ ) and adaptability ( $\beta=0.120$ ,  $\text{sig}=0.181$ ) norms were found to be insignificant contributors to competitive advantage of SMEs. The study recommends that management uplifts the engagement of employees in decision making. Particular attention should be paid to the strategic planning process. The study was restricted to the tourism and hospitality sector. Therefore, future studies should conduct studies in other sectors besides Tourism and Hospitality sector.

**Keywords:** Corporate Culture, Competitive Advantage, Small and Medium Enterprises and Tourism and Hospitality Sector.

## INTRODUCTION

SMEs continue to encounter high collapse rates in form of those that close annually in Uganda [2]. Some studies estimate the rate of failure of SMEs in Uganda to be above 50 percent annually [1]. Studies have established poor management skills and lack of entrepreneurial competence as internal factors for low competitive advantage and, therefore, failure of SMEs in Uganda [1]. However, few studies have considered the effect of corporate culture on SMEs competitive advantage within developing economies [4]. Factual findings continue arousing varying and controversial results on the influence of corporate culture and competitive advantage of SMEs. This means that the argument is debatable and requires further investigation.

Competitive advantage of SMEs in Uganda has been an affair for scholarly interest. This is evident in existing literature that focus on how competitive advantage of SMEs can be enhanced [5, 6, 7]. The significance of competitive advantage stems from the fact that lots of resources are invested in it. Additionally, as observed by [1], growth of SMEs will also mean growth of a nation's economic development. In order to establish the factors that account for SMEs

competitive advantage, a number of studies have been undertaken [7, 8, 9, 10]. The attention to SMEs' survival emanates from the fact that they are considered to be engines for growth for all economies especially emerging economies where they account for over 70 percent of employment in private sector, and account for more than 95 percent of all firms outside the primary agriculture sector [11].

Corporate culture as one of the determinants of competitive advantage has been identified to enhance competitive advantage by a number of scholars [12]. However, controversial findings keep emerging from factual studies. This controversy is intensified by varied measures adopted for corporate culture in the various studies which make interpretation and comparisons complex. Additionally, existing literature on the role of corporate culture on SMEs' competitive advantage have focused more on developed economies while few empirical studies exist for developing economies like Uganda [1, 5]. As noted by [11], SMEs play a vital role for less developed economies and studies that continue to suggest ways in which their survival rates can be enhanced are critical.

This study was therefore conceived to make contribution on the current inconclusive argument on the role of corporate culture on competitive advantage with a perspective from SMEs in developing economy.

## **METHODOLOGY**

The study used a positivist approach adopting explanatory-quantitative research design. According to [5], quantitative research depends on positivist approach that follows a linear research path as well as placing emphasis on precisely measuring variables and testing hypothesis. Specifically, a cross-sectional survey design was used. As pointed out by [12], cross-sectional survey strategy is a popular and common strategy in business and management studies.

The target population was 184 SMEs in the tourism and hospitality sector from seven selected districts in the Western Uganda. The unit of inquiry was obtained from Tourist officers/ Commercial officers for each district. A sample of 123 establishments was selected through proportionate stratified sampling technique, using Krejcie and Morgan table of sample size determination at 0.05% precision level. An addition of 10% to cater for non-response rate as recommended by [8] making the total sample of 140 tourism and hospitality firms. At the individual level, managers were selected using purposive sampling technique while the employees were selected using simple random sampling technique. Questionnaires from 112 organizations were obtained, indicating a response rate of 80%. In terms of usable questionnaire, only questionnaires from 98 firms were found to be accounting for 87.5% of the returned questionnaires after data cleaning which included checking for and removing outliers, 96 tourism and hospitality organizations were retained for data analysis.

In terms of measurement, corporate cultural norms were adopted from Denison's Corporate Culture Survey [3]. Denison's model has four norms of involvement, consistency, adaptability and mission norms, each composed of three component indexes, thus making 12 component indexes. Each of the 12 component indexes was measured with five items [3]. All the 60 items were anchored on five-point Likert scale with anchors strongly disagree (=1) to strongly agree (=5). For the measurement of firm competitive advantage, managers were asked to assess their firm's average competitive advantage for the last 3 years on each of the competitive criterion. Each of the first six items captured a different aspect of competitive advantage while the seventh item was used to assess the overall SME competitive advantage. All the seven competitive items were anchored on five-point scale at greatly reduced (=1) to greatly improved (=5).

## **RESULTS**

Psychometric properties of the four norms of corporate culture were analyzed using cronbach alpha test. Alpha coefficient ranged from 0.75 for involvement, 0.72 for consistency, 0.70 for adaptability and 0.80 for mission. Corporate culture as a variable recorded  $\alpha = 0.90$  and competitive advantage recorded the highest  $\alpha = 0.92$ . Additionally, principal component factor analysis was used to identify the factor that explained the variance in each of the cultural norms. In order to extract factors for data analysis, dimension reduction using Principal Component Analysis (PCA) was employed for all the constructs of corporate culture. Dimension reduction was undertaken for Involvement norm and its indices that include empowerment, team focus, capacity development; Consistency and its indices that included core value, agreement, coordination and integration; Adaptability and its indices that included creating change, customer orientation and organizational learning; and Mission and its indices that included strategic intent, goals and objectives and vision. The principal factor analysis was employed to extract the factors for each of the subscales. All the assumptions of Principal Factor Analysis (PCA) were met as put forward by [3]. The scales also met the sampling adequacy test as shown by KMO and Bartlett's test that were above the minimum of 0.50 [8]. The extracted factors were employed for statistical analysis. One factor was extracted for involvement that accounted for 59% of the variations; one factor was also extracted for consistency that accounted for 52% of variations in it; one factor accounting for 58% variations in adaptability was extracted; and also one factor accounting for 69% variations in mission was extracted.

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

In order to test for the hypothesis and also establish the hierarchical effects of the four predictor variables on competitive advantage, multiple and hierarchical regression analysis was employed. In addition, the overall goodness of fit was assessed by the use of F-test results; independence test was determined by Durbin-Watson test and all were above recommended 1 and less than 3; while the

multicolineality of the predictor variables by VIF test and values below 10 were considered acceptable [3].

The hierarchical regression results indicate that corporate culture significantly influence the competitive advantage of SMEs by 12.4% at  $p < 0.01$  as show in Table 1.

**Table-1: Hierarchical regression coefficient for corporate culture**

Unstandardized Coefficient Standardized Coefficients T Sig. Collinearity Statistics							
Model	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.621	.082		44.230	.000		
1. Involvement	.274	.132	.208	2.066	.042	1.000	1.000
(Constant)	3.621	.082		43.997	.000		
2. Involvement	.266	.159	.202	1.684	.095	.712	1.404
Consistency	.019	.198	.011	.094	.925	.712	1.404
(Constant)	3.621	.082		43.906	.000		
3. Involvement	.257	.158	.196	1.619	.109	.709	1.411
Consistency	-.046	.215	-.028	-.214	.831	.608	1.644
Adaptability	.146	.186	.091	.786	.434	.773	1.293
(Constant)	3.621	.080		45.482	.000		
4. Involvement	.131	.159	.100	.822	.413	.652	1.534
Consistency	-.265	.222	-.161	-1.197	.235	.531	1.883
Adaptability	.026	.185	.016	.139	.890	.730	1.369
Mission	.509	.183	.366	2.779	.007	.553	1.807

$R^2 = 12.4\%$ ,  $F = 7.722$ ,  $p < 0.01$ , Durbin-Watson = 2.099

The highest significant contributor to competitive advantage was mission norm while the lowest contributor that had negative association to competitive advantage was found to be consistency culture. Involvement on its own is a significant contributor to competitive advantage. However, if it is combined with other cultural traits then it loses its significant contribution. Adaptability, on the other hand, has a non-significant positive contribution. This indicates that while positive changes in involvement and adaptability norms lead to positive changes in

competitive advantage of SMEs, these changes are not significant. On the other hand, positive changes in consistency culture will lead to negative changes in competitive advantage. Only positive changes in mission culture will significantly lead to positive changes in SMEs competitive advantage in Uganda.

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

**Table-2: Regression Coefficients for Internal Orientation and Overall Competitive advantage**

Unstandardized Coefficient Standardized Coefficients T Sig. Collinearity Statistics							
Model	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.621	.082		43.997	.000		
1. Involvement	.266	.158	.202	1.684	.095	.712	1.404
Consistency	.019	.198	.011	.094	.925	.712	1.404

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

Considering the theory of internal integration and external focus of corporate culture, further analysis was undertaken to establish their effect. The findings on internal orientation that mainly call for a combination of involvement and consistency revealed that internal orientation insignificantly influence the overall competitive advantage ( $R^2 = 0.044$ ,  $F = 2.117$ , Durbin-Watson = 2.205,  $p > 0.126$ ). In terms of individual contribution it was found that both involvement ( $\beta = 0.202$ ,  $t = 1.684$ ,  $p > 0.05$ ) and consistency ( $\beta = 0.011$ ,  $t = 0.094$ ,  $p > 0.05$ ) had an insignificant contribution towards overall competitive

advantage. The results indicate that even though internal orientation will explain variance in competitive advantage of SMEs, this is not significant. Additionally involvement culture loses its significant contribution towards competitive advantage if combined with consistency culture.

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

**Table-3: Regression Coefficients for External Focus and Competitive advantage of SMEs**

Statistics	Unstandardized Coefficient		Standardized Coefficients		T	Sig.	Collinearity
Model	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.621	.025		45.568	.000		
1. Adaptability	.079	.177	.202	-.141	.088	.792	1.263
Mission	.467	.336	.011	3.053	.030	.792	1.263
R <sup>2</sup> =0.0108, F=5.651, Durbin-Watson= 2,109, p<0.01							

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

**DISCUSSION**

Corporate culture is established as an important element in enhancing SMEs' competitive advantage [3, 9, 10]. The findings from the study indicated that corporate culture significantly accounts for 12.4% at p<0.05 variations in competitive advantage of SMEs, thus failing to reject the alternative hypothesis. The finding supports the assertion of the importance of corporate culture in significantly influencing the competitive advantage of SMEs [e.g. 13; 6, 7]. In particular, the study findings are in tandem with other studies that found out that corporate culture positively influenced organizational competitiveness [1, 9, 5]. This supports the arguments of various scholars, including dynamic capabilities theory (8) as well as the resource-based view [10] that stresses the importance of corporate culture as a resource that leads to sustained competitive advantage.

However, these findings are contrary to other studies that were undertaken in SMEs. For instance, [15] found non-significant influence of corporate culture with financial competitiveness from a survey conducted among textile, food and service sectors; while and [14] found that corporate culture had no significant effect on financial competitiveness in manufacturing firms. Important to note was that these studies did not use the Denison Culture model, but instead used Cameroon and Quinn competing culture framework. This makes comparison of the findings a bit complicated. In addition, the use of different sectors as well as contexts in terms of geographical setup may have also contributed to the difference in the findings. Important to note from the positive influence is that SMEs that have high and well established corporate

culture are in position to post better competitive advantage than their counterpart that have weak corporate culture.

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

A number of scholars such as [3, 5, 11, 12] have noted that there is need for the organization to attain both internal focus that enhances internal resources as postulated by resourced based view while at the same time achieving external orientation which creates the ability of the firm to adjust and reconfigure its resources to adapt to dynamic environment. Internal orientation as shown by a combination of involvement and consistency are not significant predictors of overall competitiveness as well as financial and non-financial competitiveness. This contradicts the findings of [14] who found that internal orientation was a more important determinant of competitive advantage. In accordance to [8] under resource based view internal orientation can be a resource advantage, however, in the case of SMEs it did not lead to competitive advantage. This supports the view of scholars like [7] who noted that internal orientation culture will not translate into better organizational competitiveness. On the other hand just as found out by other studies [9, 10] external focus significant predicts competitive advantage. This supports the argument of dynamic theory that proposes that organizations that are able to build and re-configure internal and external competences are able to enhance their competitive advantage [12].

Some scholars like [8] argue that cultural norms that emphasize external focus produces superior competitive advantage compared to those that focus on

internal orientation. However, this study shows that not all cultural constructs that focus on external environment on their own can produce superior competitive advantage as seen from the adaptability style. In addition this study shows that focus on internal orientation as demonstrated by involvement can also lead to superior competitive advantage. This means that SMEs should first focus on the individual dimensions of culture before putting emphasis either to become internal oriented organization as argued by [12] that cultural norms that enhance external focus are better.

## CONCLUSION

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

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