ESJ Social Sciences Peer-reviewed

Exploration of the Relationship between Organizational Culture and Its Performance in the Bangladeshi Microfinance Sector with Organizational Innovation as a Mediating Factor

Dr. Parul Akhter, Associate Professor
Dr. Naznin Sultana Chaity, Associate Professor
School of Business, Ahsanullah University of Science and Technology, Tejgaon Industrial Area, Dhaka, Bangladesh

Doi:10.19044/esj.2024.v20n10p88

Submitted: 01 March 2024
Accepted: 15 April 2024
Published: 30 April 2024

Cite As:
Akhter P. & Chaity N.S. (2024). *Exploration of the Relationship between Organizational Culture and Its Performance in the Bangladeshi Microfinance Sector with Organizational Innovation as a Mediating Factor*. European Scientific Journal, ESJ, 20 (10), 88. https://doi.org/10.19044/esj.2024.v20n10p88

Abstract

This study aims to explore the relationship between organizational culture and organizational performance, whereas organizational innovation is focused on as a mediating variable in the microfinance organization in Bangladesh. The current study looks at organizational culture, covering mission, employee involvement, and adaptability. Organizational performance is defined by four variables: productivity, effectiveness, efficiency, and quality, while organizational innovation is determined by four variables: innovation strategy, intellectual capital, new process development, and new product development. The study used a self-administered questionnaire using a five-point Likert scale. The data were collected from 300 middle and senior managers and considered Bangladesh's top fifty microfinance organizations. The hypotheses and connections between the constructs were empirically tested using structural equation modeling (SEM) along with the partial least squares (PLS) approach. The findings indicate that organizational culture positively affects organizational innovation and firm performance. Organizational innovation has a strong positive impact on organizational performance. On the other hand, organizational innovation mediates the indirect relationship between organizational culture and performance. The study's findings indicate that executives, entrepreneurs, and

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

policy developers should focus on business culture and organizational innovation in addition to increasing efficiency and maintaining a competitive advantage.

Keywords: Microfinance organizations, organizational culture, innovation, performance, Bangladesh

Introduction

Microfinance institutions have received much attention from academics in the past few decades. Since its inception, this industry has expanded significantly, but Bangladesh has faced challenges due to several factors that tend to breed uncertainty. The competitive position of the industry has a significant impact on achievement and sustainability. Rapid technological development and the emergence of market globalization have had an enormous effect on the competitive environments for companies and the formation of new prospects for bolstering the growth of successful ventures. The modern knowledge-driven economy is well understood to comprise a wide range of production and economic methods, organizational innovation and creativity, as well as competency and boosted skills in individuals (Ahmedova, 2015).

Microfinance aims to provide long-term financial support to low-income people and household units. Since microfinance offers monetary and monetary services, it benefits low-income households. Microfinance allows people to easily and ethically obtain a loan for a small business. A physical guarantee is usually needed when clients use loans from monetary institutions like banks (Breza, 2017; Crepon et al., 2015). Microfinance organizations provide credit, deposits, and a range of social development services that help to reduce poverty, foster microbusiness growth, and create jobs. Microfinance institutions (MFIs) have improved Bangladesh's general financial inclusion status by providing microfinance services to 40% of the country's population. MFIs have a significant impact on the nation's economic growth. MFIs do not just offer loans; they also monitor their clients' activities and advise on how best to use the funds. Finally, clients can increase their income and create job opportunities by ensuring their loans are properly used. As a result, MFIs' overall activities are growing quickly. MFI branches and employees have increased by 45.29% and 68.97% over the past seven years (2016-2022). Additionally, the total number of Members and borrowers rose by 41.21% and 30.43%, respectively. In the same time frame, the loan outstanding and disbursement increased by 177.05% and 147.27%, respectively, while client savings increased significantly by 193.56% (MRA, Annual Statistics, 2022).
Organizational culture is a significant weapon to maintain the performance of the organization. It can improve worker efficiency by creating a unique

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

motivation for individuals to make their best efforts in taking advantage of the opportunities given by the corporation. Ahmad et al. (2017) state that a company's culture combines values, assets, beliefs, communication, and simplified behaviors that guide society. The fundamental concept of culture arises through numerous learning processes dependent on the right deployment of resources. Employees' decisions are controlled by organizational culture because decisions influence behavior, which in turn affects performance (Han, 2012). Researchers have suggested looking for a mechanism by which organizational culture influences performance/achievement to investigate the effect of organizational culture on institutional success/ performance, as linking organizational culture to firms' performance directly may produce unclear results (Panuwatwanich & Nguyen, 2017). According to research, the culture of the organization and its characteristics have been studied as a predictor of enterprise success (Garavan et al., 2021). In contrast to capabilities, which are decisions and actions in the use of resources, organizational culture, through organizational values, vision, management structures, and decision-making processes, aids in the mobilization, allocation, and use of resources to further business objectives (Chan et al., 2004). Therefore, a firm's organizational culture will be strengthened by its culture of organization for enhanced efficiency.

This research discovers the connections between the culture of the organization forms and organizational achievement/ performance, using the organization's innovation as an instrument to view how organizational culture affects the performance of microfinance organizations. The researchers attempt to study how the various forms of organizational culture stimulate organizational performance and whether organizational innovation controls the connection between organizational culture forms and organizational performance by employing information gathered from MFIs in Bangladesh. By comparing the direct and indirect effects of various forms of firm culture on organizational performance, our research expands the idea of institutional culture as a modest resource. It links it to microfinance organizations' success. We particularly add to the body of knowledge of organization capabilities and examine looking into mediators between organizational culture and organizational performance. Researchers know that organizational culture's effects on organizational performance depend on the context. This study meets the need for studies of organizational culture and organizational performance to be set within the context of microfinance organizations in a developing nation.

The remaining portions of the research work are as follows: section two reviews the most pertinent literature. Section three describes the research data, model specification, and techniques. Section four analyzes the empirical outcomes and the resulting interpretations, and section five concludes and

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

discusses the findings. Practical implications, limitations, and future research directions are presented in Sections six and seven, respectively.

Literature Review and Hypotheses Development

Organizational Performance

The assessment of how successfully and efficiently a company performs its objectives and targets is called performance at the organizational level. It includes various elements, including economic outcomes, profitability, client satisfaction, staff involvement, and overall competitive achievement. Excellent organizational performance denotes competent management, strategy alignment, and the capacity to react to evolving situations, leading to long-term development and achievement. According to Carton (2004), Business performance contributes to the continued existence of an organization. Much earlier research has concentrated on the association between an organization's culture and organizational success/performance (Acar & Acar, 2014; Kadek et al., 2019). According to academics, several variables can influence the overall achievement/performance of the institutions, such as staff job satisfaction (Latif et al., 2013), employee commitment, and organizational innovation of the company (Franco & Suguna, 2017). Company acquiring procedure, company culture (Abubakre et al., 2014), and company commitment (Macedo et al., 2016). Organizational performance (OP) is defined as the aggregate of all business/department achievements. These successes are associated with achieving an organization's objective within a specific time frame. The idea of business performance is linked to the business's ability to survive and thrive (Ahmed & Shafiq, 2014).

Organizational Culture

Organizational culture (OC) is the shared views between individuals in a company (Hofstede et al., 2005). According to Denison (2000), organizational culture is a critical determinant in the efficiency of an organization. The four characteristics of the company's culture are engagement, consistency, versatility, and mission. Employee conduct reflects a company's culture. The behavior of employees is shaped by shared common knowledge concerning the organization's principles (Warrick, 2017). Organizations desire personnel who share their beliefs with the company's other employees. It implies that firms may retain inventive employees. Organizational innovation is feasible because of the daily routine and harmony (Sung & Choi, 2014). Organizational culture serves four functions: giving individuals an awareness of identity, increasing commitment, developing organizational principles, and molding conduct via a management system (Nelson & Quick, 2011). According to Ahmed and Shafiq (2014), corporate culture influences many aspects of organizational achievement. According to

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

(Strewart, 2010), a company's norms and principles significantly impact people who are completely committed to the organization.

Regarding him, norms are inaccessible, but if firms want to boost their profitability and employee efficiency, they must be addressed first. Organizational culture is the common values, beliefs, customs, and behaviors that determine how employees interact and operate within a firm. It represents an organization's identity, impacting staff attitudes, decision-making processes, and efficiency. A culture of wellness promotes cooperation, efficiency, effectiveness, and an enjoyable workplace. Mission pertains to how a business identifies its long-term strategy and goals and evaluates performance against set objectives. Long-term vision, or a business's understanding of mission, is a characteristic of culture closely related to achievement (Sinkula et al., 1997). In their study, Nguyen et al. (2019) discovered that the mission of business organizations is effectively connected with the organization's innovation. The mission aspect offers a vision of what the business will appear like in the decades to come and defines the business sense of aim and strategy. It also influences and evaluates initiatives toward the business's vision (Yilmaz & Ergun, 2008). Organizational plans and objectives embody the business's ideals; consequently, they may foster the organization's innovation.

Organizational Innovation

The concept of " organizational innovation (OI) " mentions "performing something distinct," which can be dangerous, expensive, and time-demanding (Costello & Prohaska, 2013). Organizational innovation acknowledges innovative items, services, and organizational innovation that must be adopted and applied. Examples of organizational innovation are businesses' goals, mission, and goal assertions, which include terminology. Innovation in an organization fosters the development of new techniques, products, services, and technologies (Kahn, 2018).

Culture is extremely important and is an essential aspect of innovation in an organization. The variable path of organizational innovation includes acquiring knowledge and developing innovative ideas. Culture and imaginative mindset are inextricably linked and encourage individuals to attain goals, aiding in achieving organizational innovation and competitiveness. Cultural obstacles may also impede the process of innovation and efficiency in an organization (Leal-Rodrguez et al., 2014).

Culture is viewed as a continuous progress mechanism, and social knowledge and the organizational framework are two strategic factors that affect inventiveness and competitive potential (Petrakis & Kostis, 2013). According to a recent study by Prajogo and McDermott (2011), organizational background can be a crucial predictor of organizational sustainability. It is also

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

said that individuals' inventiveness is a critical aspect that greatly enhances organizational growth, efficacy, and survival (Zain & Kassim, 2012). Many scholars have explored the association between an organization's innovation and organizational achievement across decades. Innovation in an organization is critical to achieving operational success. Researchers have also discovered that organizational innovation has an enormous effect on the success of an organization (Shanker et al., 2017). Firms can improve their effectiveness and efficiency through innovation.

In contrast to non-innovative firms, innovative businesses are growing better at offering new products and services to meet customers' requirements (Cardoso de Sousa et al., 2012). Several studies have indicated that innovation improves an organization's performance (Huang et al., 2016; Noruzy et al., 2013). Organizational innovation is founded on technological advances and research, enabling new ways to accomplish things (Jensen et al., 2007). Many academics have investigated the connection between organizational innovation and business achievement over the years. Innovation in an organization is critical for achieving operational success. Scholars have also found that organizational innovation significantly impacts a company's success (Glor, 2013; Shanker et al., 2017). Organizational innovation is critical to ensure excellent operational effectiveness in businesses that provide services (Wang et al., 2016).

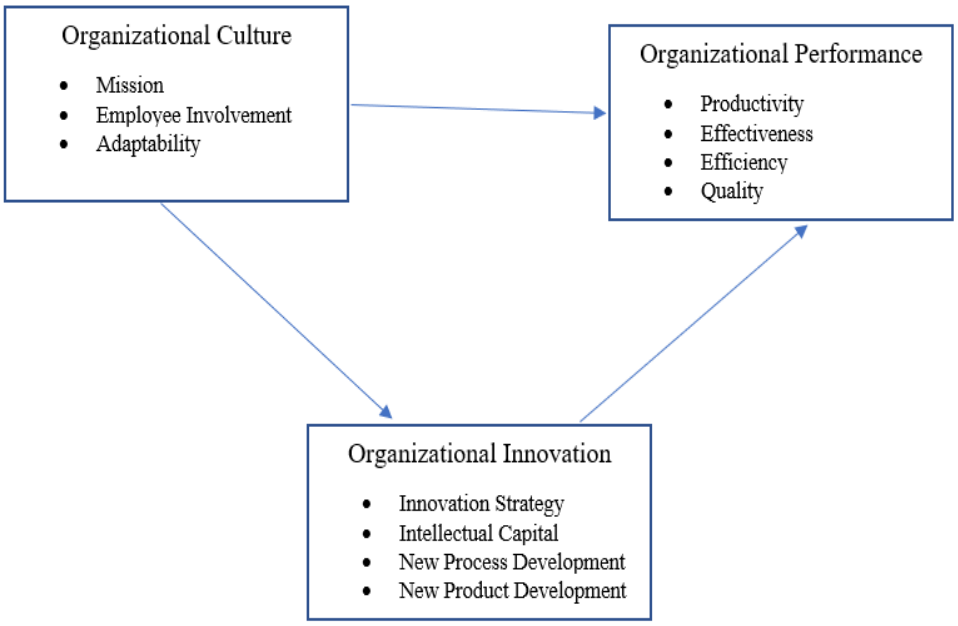

Figure 1. Research Model

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

The following research hypotheses guided the study:

Hypothesis 1: Organizational culture is positively associated with organizational performance.

Hypothesis 2: Organizational culture is positively associated with organizational innovation.

Hypothesis 3: Organizational innovation is positively associated with organizational performance

Hypothesis 4: Organizational innovation mediates the association between organizational culture and organizational performance.

Research Methods

The study investigates the consequences of organizational innovation as a mediator in the association between firm culture and organizational success/performance in microfinance organizations in Bangladesh. As a result, exploratory research is required. A technique is employed to achieve this goal. Exploratory research is a method for investigating and creating theories. Many research projects are exploratory. Exploratory research is associated with exploration and the investigator's position in social science domains (Davies, 2006). Exploratory research is an initial investigation that can be used to describe and clarify the underlying cause of a certain problem (Zikmund, 2003). Respondents in this study were from Bangladeshi microfinance organizations. Mid-level and senior managers are eligible to participate in this study. In this study, purposeful sampling is used. A thorough questionnaire survey collected data. The data was gathered using a systematic survey procedure. Four hundred fifty surveys were distributed throughout the top fifty microfinance organizations, with 300 being acceptable. Nearly 98 interviews were invalid because the responses were never returned, and 62 questionnaires were not conducted. In total participation, 65% were male and 45% female, more than 76% had a Bachelor's degree or more, almost 75% had 10-20 years of work experience, and more than 88% were over 30 years old. The collected data were analyzed to evaluate the hypothesis and relationship between exogenous and endogenous aspects by applying structural equation modeling (SEM) along the partial least squares (PLS).

Results

According to Lei and Lomax (2005), the estimation technique and data non-normality settings have no substantial influence on the standard errors of connected parameter estimates. They also revealed that increasing the sample size reduced standard errors. The chi-square was most resistant when contrasted with normed, non-normed, and comparable model fit indexes. It is also recommended that a sample size of 100 or greater be utilized to generate

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

accurate parameter estimates (Reinartz et al., 2009). The researchers considered 300 samples for evaluating the data.

Measurement Model

The current study conducted exploratory data analysis on several hypotheses before commencing the main analysis (Hair, Black, Babin, & Anderson, 2010). Following the fulfillment of all hypotheses, the theoretical framework was evaluated utilizing Smart PLS software with partial least square (PLS) method modeling. PLS analysis was also utilized to analyze the data's accuracy and dependability (Ramayah, Lee, & In, 2011). The concerns of reliability and validity are necessary in order to evaluate latent constructs using indicator variables. Reliability describes the degree of organization consistency among different variable levels. It acknowledges the extent to which a particular construct's assessment is devoid of random error and produces the same results in repeated trials (Gable & Wolf, 2012). Internal consistency and repeatability are two characteristics of reliability. These parameters should be measured using the internal coherence technique (Zikmund et al., 2002). While accuracy is evaluated by convergent validity, the average variance extracted (AVE), and discriminate validity, reliability is assessed using Composite Reliability (CR). The results for each component's cross-loadings, loadings, and Cronbach's alpha will be applied to assess the reliability of the measurement device. Cronbach's alpha estimates of 0.70 or above indicate greater reliability (Hair et al., 1998). Cronbach's alpha coefficient, composite reliability, and AVE are shown in Table 1 and Table 2. Organizational innovation (OI) consists of four variables: innovation strategy (OI1), intellectual capital (OI2), new process development (OI3), and new product development (OI4), with cross-loading values of 0.922, 0.943, 0.968, and 0.865, respectively. Organizational culture (OC) includes three variables: mission (OC1), employee involvement (OC2), and adaptability (OC3), with cross-loading values of 0.867, 0.916, and 0.739, individually. Organizational performance (OP) is comprised of four variables: productivity (OP1), effectiveness (OP2), efficiency (OP3), and quality (OP4), with cross-loading values of 0.712, 0.750, 0.902, and 0.874, respectively.

The cross-loading values in this study vary from 0.712 to 0.968, indicating a high level of internal consistency (Nunnally & Bernstein, 1994). Cronbach alpha and composite reliability ratings exceeded the recommended threshold point of 0.70 (Hair et al., 2013). The convergent validity of the test result is subsequently assessed by using Average Variance Extracted (AVE), as shown in Table 2 above, in which any outcomes are greater than 0.5, Hair and colleagues (2016).

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

Table 1. Cross Loadings

Latent Variables	ITEMS	Innovation	Culture	Performance
Organizational Innovation (OI)	OI1	0.922	0.343	0.485
	OI2	0.943	0.375	0.522
	OI3	0.968	0.418	0.567
	OI4	0.865	0.479	0.698
Organizational Culture (OC)	OC1	0.383	0.867	0.341
	OC2	0.464	0.916	0.469
	OC3	0.223	0.739	0.245
Organizational Performance (OP)	OP1	0.537	0.391	0.712
	OP2	0.299	0.187	0.750
	OP3	0.541	0.384	0.902
	OP4	0.575	0.386	0.874

Source: Calculated by the authors

Following that, the cross-loadings criterion was used to assess the discriminating validity of the construct (Hair et al., 2016). The Cronbach alpha values for the constructs are shown in Table 2: 0.944 for organizational innovation, 0.802 for organizational/firm culture, and 0.829 for organizational achievement/ performance. Consequently, all of the Cronbach alpha values are greater than 0.7, which is an adequate dependability number (Nunnally & Bernstein, 1994). Over and above Cronbach alpha values, Composite Reliability (CR) was examined, with 0.7 being the appropriate level (Hair et al., 2010). The consistency of a group of parameters is verified with the degree to which the variables are anticipated to be assessed when assessing the indicators' dependability (Urbach & Ahlemann, 2010). Composite reliability (CR) estimations are expected to be adequate to work with a certain construct assessment. Chin (1998) says the indicator loading level should be below 0.7.

Table 2. Reliability and Validity of Constructs

Latent Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (Ave)
Organizational Innovation (OI)	0.944	0.958	0.856
Organizational Culture (OC)	0.802	0.883	0.712
Organizational Performance (OP)	0.829	0.886	0.661

Source: Calculated by the authors

In the present research, the composite reliability of all components was greater than 0.70. As a result, the data from this investigation demonstrated good internal consistency. Convergent validity determines whether or not the

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

items represent the constructs. Convergent validity was examined in the current research by examining the outcomes of the loading of items and the extracted average variance (AVE). Factor loading levels 0.60 are appropriate (Joseph Hair et al., 2006). Based on the results obtained, it is possible to conclude that the AVE and item loading levels are adequate for data validity.

Table 3. Latent Variable Construct

Latent Variables	Innovation	Culture	Performance
Organizational Innovation (OI)	1.000		
Organizational Culture (OC)	0.446	1.000	
Organizational Performance (OP)	0.629	0.437	1.000

Source: Calculated by the authors

Discriminant validity can be ascertained for each potential couple of constructs by restraining correlations of parameter estimates amongst those to 1.0 (Anderson & Gerbing, 1988). Discriminant validity is utilized to distinguish measures for latent variables from one another. It attempts to evaluate that the indicators do not measure what it is not expected to measure (Urbach & Ahlemann, 2010).

Predictive Relevance

Confirmatory factor analysis has been employed to address convergent validity. Anderson and Gerbing (1988) mentioned that statistically significant loadings of each factor with the construct indicators can be considered supporting evidence for the validity of the convergence of constructs. The validity of convergence attempts to evaluate the degree to which every item reflects a corresponding construct, converging to indicator variables while measuring other constructs (Urbach & Ahlemann, 2010). Average Variance Extracted (AVE) is applied in the research work to measure convergent validity. An acceptable degree/level of convergent validity could be attained if levels/values of AVE are not as much as 0.5 (Fornell & Larcker, 1981).

Structural Model

The structural model of the PLS study allows for the assessment of hypotheses. The path coefficient, t statistics, average estimate, and error are considered in this case. The structural model for testing hypotheses is displayed in Table 4. The researchers calculated the p-value and t-value in the structural model to assess the proposed hypotheses. The hypotheses can be recognized if the p-value or t-value is less than 0.05 or higher than 1.96.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

Table 4. Path Coefficients and Hypothesis Testing

Relationship	Hypothesis	Beta Coefficient	T Statistics	P value	Level of Significance	Comments
OC→ OP	H1	0.195	4.202	0.000	***	Significant
OC→ OI	H2	0.446	9.029	0.000	***	Significant
OI→ OP	H3	0.541	12.687	0.000	***	Significant

Source: Calculated by the authors

The findings from the structural model, in particular, show a strong correlation between organizational culture and organizational performance ($r = 0.195$, $t = 4.202$, $p < 0.000$), amply demonstrating the validity of hypothesis H1. The result reveals that organizational culture factors such as mission, employee involvement, and adaptability have a positive and substantial relationship with organizational performance measures such as productivity, effectiveness, efficiency, and quality. Results from the structural model, in particular, display a strong positive relationship between organizational culture and organizational innovation ($r = 0.446$, $t = 9.029$, $p<0.000$), firmly establishing the hypothesis H2. The study presents that organizational culture elements such as mission, employee involvement, and adaptability have a positive and significant relationship with organizational innovation, as determined by innovation strategy, intellectual capital, new process development, and new product development. The findings from the structural model, in particular, show a strong and positive connection between organizational innovation and organizational performance ($r = 0.541$, $t = 12.687$, $p<0.000$), amply demonstrating the validity of hypothesis H3. According to the study, organizational innovation elements such as innovation strategy, intellectual capital, new process development, and new product development all have a positive and significant relationship with organizational performance measures such as productivity, effectiveness, efficiency, and quality. The outcomes show that the endogenous and exogenous variables in the PLS-SEM study have a significant relationship. The R-square statistic of the model was assessed, as well as its predictive power. Table 3 shows that 42.6% of the variance in firm competitiveness was explained by the endogenous latent variable, with a regression coefficient (R2). The coefficient of determination (R2) value reveals how much variation in the endogenous variable is caused by the exogenous variables. The present research obtained an R2 value of 0.426, indicating that the independent variables influence the dependent variable by 43%. Thus, the two independent factors included in this study account for 43% of the variation in organizational success/ performance. The remaining 57% variation is due to additional factors not explored in this study.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

Mediating role of Organizational Innovation

Table 5. The Test's Results for the Moderating Effect

Relationship	Hypothesis	Beta Coefficient	T Statistics	P value	Level of Significance	Comments
OC→OI→ OP	H4	0.242	8.121	0.000	***	Significant

Source: Calculated by the authors

The connection between organizational/firm culture and organizational achievement/performance was examined for the mediating impact of organizational innovation. The path coefficient of the association between firm/ organizational culture, organizational innovation and organizational achievement/ performance is 0.242, as shown in Table 5. T statistics for this are 8.121 (P<0.000), which corresponds. Therefore, at a 1% level, it is noteworthy. The result indicates that the affiliation between organizational culture and organizational performance is influenced by organizational innovation as a mediating variable. Thus, hypothesis H4 is widely accepted. This study investigates the indirect effects of organizational culture indicators such as mission, employee involvement, and adaptability on organizational performance measures such as productivity, effectiveness, efficiency, and quality, with organizational innovation aspects such as innovation strategy, intellectual capital, new process development, and new product development serving as a mediating variable.

Discussion

The current study explores the relationship between organizational culture and performance in the Bangladeshi microfinance industry, with organizational innovation as a mediating factor. The findings indicate that organizational culture has a positive and significant relationship with organizational innovation and business performance. Organizational innovation has a significant positive impact on organizational performance. On the other hand, organizational innovation acts as a go-between for the indirect relationship between organizational culture and performance. Some prior study findings suggest that the proposed model is an adequate match. This study's findings were compared to the conclusions of previous studies, which are as follows:

The research found that organizational culture has a beneficial and substantial effect on the organizational performance of financial organizations. The results presented are consistent with those of Abuzarqa (2019) and, Pawirosumarto et al. (2017), Ahmed and Shafiq (2014). Shahzad et al. (2012). According to Ahmed and Shafiq (2014), all dimensions of organizational culture promote various perspectives on the success of organizations. According to Shahzad et al. (2012), organizational culture

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

enormously affects organizational performance. These findings support earlier arena investigations, such as those of Abuzarqa (2019) and Pawirosumarto et al. (2017). The organizational culture illustrates the capacity of banks to adapt to modern and operational developments while improving performance through enhanced procedures.

The study also discovered that organizational culture has an important and beneficial effect on organizational innovation. Smith and Webster (2018) stated similar findings, stating that flexibility is interrelated to organizational innovation. Financial institutions and banks require versatility to change regulations or technology. Smith and Webster (2018) emphasized that organizational culture boosts organizational innovation.

Organizational innovation has been found to impact how well an organization performs greatly. The findings of earlier studies, including those by Huang and Hou (2019), Valmohammadi (2017), and Shanker et al. (2017), lend support to the findings. In the context of the banking industry, continuously developing new approaches to handling and managing customers by implementing new technology is crucial to attaining improved efficiency. Businesses with organizational frameworks incorporating administrative and technological innovation can better handle the demands of a competitive environment. Companies must develop innovative skills to demonstrate organizational efficiency (Johannessen & Skaalsvik, 2015; Liu, 2013; Farhangmehr et al., 2006). Culture can either promote or stifle creativity. It indicates that firms should attempt to acquire culture to foster innovation and survive in an atmosphere of competition because the culture encourages risk-taking, autonomy, and adaptability (Zafar et al., 2016).

Conclusion

The present study investigates the association between organizational culture and performance in the Bangladeshi microfinance industry, with organizational innovation as a mediating variable. The researchers employed a self-administered questionnaire using a five-point Likert scale. The statistics were gathered from 300 middle- and senior-level managers of microfinance organizations in Bangladesh. The study used structural equation modeling (SEM) and the partial least squares (PLS) technique to evaluate hypotheses and connect components. The findings show that organizational culture is positively and significantly related to organizational innovation and business performance. Organizational innovation has a strong positive and significant impact on overall organizational performance. The research examines the indirect impacts of organizational culture variables like mission, employee involvement, and adaptability on organizational performance, including productivity, effectiveness, efficiency, and quality, using organizational innovation features such as innovation strategy, intellectual capital, new

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

process development, and new product development as mediating roles. This study intends to assist entrepreneurs, human resource managers, practitioners, and strategists to understand organizational efficiency and overall performance more effectively.

This study's results have implications for concept and practice. The research work, which was directed in Bangladesh specifically because there is a need for more investigation on the associates between organizational/firm culture, organizational innovation, and productivity, is one of some researchers ever evaluated in the microfinance industry. The outcomes of this research work provide middle and senior managers of microfinance institutions with beneficial applied guidance about organizational/firm culture components. These findings demonstrate the importance of organizational culture as an approach to promoting creativity and effectiveness in Bangladesh's microfinance industry. Achievement and improved organizational effectiveness would be certainly influenced by developing a culture characterized by business procedure steadiness, the capability to adapt to environmental factors, teamwork, honesty, freedom, commitment, and employee involvement in decision-making processes. Managers of microfinance institutions in Bangladesh should encourage their staff to form novel philosophies and provide them with the right incentives so they can establish a creative business atmosphere.

The present research has some drawbacks. Because only the top fifty microfinance institutions were considered, the study's findings could be more precisely accurate due to the small sample size. This study's short time frame is yet another drawback. Consequently, future research could extend this study to other industries in Bangladesh. Future research can use more data and a wider range of sectors better to understand the link between organizational culture and performance as driven by organizational innovation.

Conflict of Interest: The authors stated they had no conflicts of interest.

Data Availability: All of the data is included in the study.

Funding Statement: The authors received no financial support for this study.

Declaration for Human Participants: This study has been approved by School of Business, Ahsanullah University of Science and Technology and the principles of the Helsinki Declaration were followed.

References:

1. Abubakre, M., Coombs, C., & Ravishankar, M. N. (2014). The Influence of organizational culture on the outcome of implementation.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

Global and Cultural Issues in IS, Thirty Fifth International Conference on Information Systems, Auckland 2014 (pp. 1–18).

2. Abuzarqa, R. (2019). The relationship between organizational culture, risk management and organizational performance. Journal Cross Cultural Management, 21(1), 13–20.
3. Acar, A. Z., & Acar, P. (2014). Organizational culture types and their effects on organizational performance in Turkish hospitals. Emerging Markets Journal, 3(3), 18–31.
4. Ahmed, M., & Shafiq, S. (2014). The impact of organizational culture on organizational performance: A case study of telecom sector. Global Journal of Management & Business Research, 14(3), 21–30.
5. Cardoso de Sousa, F., Pellissier, R., & Monteiro, I. P. (2012). Creativity, innovation of organization and collaborative organizations. The International Journal of Organizational Innovation of organization, 5(1), 26–64.
6. Carton, R. B. (2004). Measuring organizational study (Doctoral dissertation, University of Georgia).
7. Chan, L. L., Shaffer, M. A., & Snape, E. (2004). In search of sustained competitive advantage: the impact of organizational culture, competitive strategy and human resource management practices on firm performance. *The International Journal of Human Resource Management*, *15*(1), 17-35.
8. Costello, T., & Prohaska, B. (2013). Trends and Strategies. IT Professional, 15 (1), 62–64.
9. culture hypothesis in an emerging economy. Journal of World Business, 43(3), 290–306.
10. Davies, P. (2006). SAGE Research Methods. Retrieved from Sage DIRECTORY of Social research methods.
11. Denison, D.R., Cho, H.J., & Young, J. (2000), Diagnosing organizational cultures: Validating a model and method, working paper, International Institute for Management Development, University of Michigan, Ann Arbor, MI.
12. Farhangmehr, M., Macaes, M., &Pinho, J. (2006). Market orientation and the synergistic effect of mediating and moderating factors on organizational performance. Paper presented at the 35th EMAC Conference, Athens.
13. Franco, C. E., & Suguna, G. (2017). Corporate social responsibility influences, employee commitment and organizational performance. International Journal of Research-GRANTHAALAYAH, 5(1), 23–27.
14. Gable, R. K., & Wolf, M. B. (2012). Instrument development in the affective domain: Measuring attitudes and values in corporate and school settings (Vol. 36). Springer Science & Business Media.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

15. Garavan, T., McCarthy, A., Lai, Y., Murphy, K., Sheehan, M., & Carbery, R. (2021). Training and organizational performance: A meta-analysis of temporal, institutional and organizational context moderators. Human Resource Management Journal, 31(1), 93–119.
16. Glor, E. D. (2013). Do innovative organizations survive longer than noninnovative organizations? Initial evidence from an empirical study of normal organizations. The Innovation of organization Journal, 18(3), 2–35.
17. Han, H. (2012). The relationship among corporate culture, strategic orientation, and financial performance. *Cornell Hospitality Quarterly*, *53*(3), 207-219.
18. Haris, N., Jamaluddin, J., & Usman, E. (2023). The effect of organizational culture, competence and motivation on the SMEs performance in the Covid-19 post pandemic and digital era. *Journal of Industrial Engineering & Management Research*, *4*(1), 29-40.
19. Hofstede, G., Hofstede, G. J., & Minkov, M. (2005). Cultures and organizations: Software of the mind (Vol. 2). Mcgraw-hill.
20. Huang, C. H., & Hou, T. C. T. (2019). Innovation of organization, research and development, and firm profitability in Taiwan: Causality and determinants. International Review of Economics & Finance, 59, 385–394.
21. Huang, K. E., Wu, J. H., Lu, S. Y., & Lin, Y. C. (2016). Innovation of organization and technology creation effects on organizational performance. Journal of Business Research, 69(6), 2187–2192.
22. Imran, M., Ismail, F. B., Hussain, K., Singh, P. K., & Ansari, A. A. (2021). Achieving sustainable organisational performance through employee job satisfaction and organizational culture. Psychology and Education Journal, 58(1), 3089–3108.
23. Jensen, M. B., Johnson, B., Lorenz, E., & Lundvall, B. Å. (2007). Forms of knowledge and modes of innovation of organization. Research Policy, 5(36), 680–693.
24. Jiménez-Jiménez, D., & Sanz-Valle, R. (2011). Innovation of organization, organizational learning, and performance. Journal of Business Research, 64(4), 408–417
25. Johannessen, J.A., & Skaalsvik, H. (2015). The development of innovation of organizations in organizations: the role of creative energy fields. Kybernetes, 44(1), 89 – 106
26. Kadek Suryani, N., & Foeh, J. E. H. J. (2019). Impact of organizational justice on organizational performance in the hospitality industry. Journal of Engineering and Applied Sciences, 14(12), 4124–4131.
27. Kahn, K. B. (2018). Understanding innovation of organization. Business Horizons, 61(3), 453–460.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

28. Latif, M. S., Ahmad, M., Qasim, M., Mushtaq, M., Ferdoos, A., & Naeem, H. (2013). Impact of employee's job satisfaction on organizational performance. European Journal of Business and Management, 5 (5), 166–171.
29. Leal-Rodríguez, A. L., Ariza-Montes, J. A., Roldán, J. L., & Leal-Millán, A. G. (2014). Absorptive capacity, innovation of organization and cultural barriers: A conditional mediation model. Journal of Business Research, 67(5), 763-768.
30. Leal-Rodríguez, A. L., Ariza-Montes, J. A., Roldán, J. L., & Leal-Millán, A. G. (2014). Absorptive capacity, innovation of organization and cultural barriers: A conditional mediation model. Journal of Business Research, 67(5), 763-768.
31. Lee, Y. J., & Huang, C. L. (2012). The relationships between balanced scorecard, intellectual capital, organizational commitment and organizational performance: Verifying a mediated moderation model. *American Journal of Business & Management, 1*(3), 140–153.
32. Lei, M., & Lomax, R. G. (2005). The effect of varying degrees of nonnormality in structural equation modeling. Structural equation modeling, 12(1), 1-27.
33. Liu, F.L. (2013). Study on China's Single-Star Hotel Business Situation and Development Strategy. Research Journal of Applied Sciences, Engineering and Technology, 5, 2908-2913.
34. manufacturing firms. The International Journal of Advanced Manufacturing Technology, 64(5–8), 1073–1085.
35. Microcredit Regulatory Authority (2022). Microfinance in Bangladesh, Annual Statistics
36. Naranjo-Valencia, J. C., Jiménez-Jiménez, D., & Sanz-Valle, R. (2016). Studying the links between organizational culture, innovation of organization, and performance in Spanish companies. Revista Latinoamericana de Psicología, 48(1), 30–41.
37. Nelson, D. L., & Quick, J. C. (2011). Understanding Organizational Behaviour. Belmont: Cengage southwestern.
38. Nguyen, V. T., Siengthai, S., Swierczek, F., & Bamel, U. K. (2019). The effects of organizational culture and commitment on employee innovation of organization: Evidence from Vietnam's I.T. industry. Journal of Asia Business Studies, 13(4), 719–742.
39. Noruzy, A., Dalfard, V. M., Azhdari, B., Nazari-Shirkouhi, S., & Rezazadeh, A. (2013). Relations between transformational leadership, organizational learning, knowledge management, organizational innovation of organization, and organizational performance: An empirical investigation of

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

40. Panuwatwanich, K., & Nguyen, T. T. (2017). Influence of organisational culture on total quality management implementation and firm performance: evidence from the Vietnamese construction industry. *Management and Production Engineering Review*, *8*.
41. Pawirosumarto, S., Setyadi, A., & Khumaedi, E. (2017). The influence of organizational culture on the performance of employees at University of Mercu Buana. International Journal of Law and Management, 59(6), 950–963.
42. Petrakis, P. and P. Kostis (2013). "Economic growth and cultural change." The Journal of Socio-Economics 47: 147-157.
43. Prajogo, D. I., & McDermott, C. M. (2011). The relationship between multidimensional organizational culture and performance. International Journal of Operations & Production Management, 31(7), 712-735.
44. Reinartz, W., Haenlein, M., & Henseler, J. (2009). An empirical comparison of the efficacy of covariance-based and variance-based SEM. International Journal of research in Marketing, 26(4), 332-344.
45. Ruiz-Jiménez, J. M., & del Mar Fuentes-Fuentes, M. (2013). Knowledge combination, innovation of organization, organizational performance in technology firms. Industrial Management & Data Systems, 113(4), 523–540.
46. Shahzad, F., Luqman, R. A., Khan, A. R., & Shabbir, A. L. (2012). Impact of organizational culture on organizational performance: An overview. *Interdisciplinary Journal of Contemporary Research in Business, 3*(9), 975–985.
47. Shanker, R., Bhanugopan, R., Van der Heijden, B. I., & Farrell, M. (2017). Organizational climate for innovation of organization and organizational performance: The mediating effect of innovative work behavior. Journal of Vocational Behavior, 100, 67–77.
48. Sinkula, J. M., Baker, W. E., & Noordewier, T. (1997). A framework for market-based organizational learning: Linking values, knowledge, and behavior. Journal of the academy of Marketing Science, 25(4), 305-318.
49. Strewart, D. (2010). Growing the Corporate Culture. Retrieved from https://www.wachov-ia.com/foundation/v/index.jsp?vgnextoid=ab411f07760aa110VgnVCM1 000004b0d1872.
50. Sung, S. Y., & Choi, J. N. (2014). Do organizations spend wisely on employees? Effects of training and development investments on learning and innovation of organization in organizations. Journal of Organizational Behavior, 35(3), 393–412.

 ISSN: 1857-7881 (Print) e - ISSN 1857-7431

51. Valmohammadi, C. (2017). Customer relationship management: Innovation of organization and performance. International Journal of Innovation of organization Science, 9(4), 374–395.
52. Wang, Q., Zhao, X., & Voss, C. (2016). Customer orientation and innovation of organization: A comparative study of manufacturing and service firms. International Journal of Production Economics, 171, 221–230.
53. Warrick, D. D. (2017). What leaders need to know about organizational culture. Business Horizons, 60(3), 395–404.
54. Yilmaz, C., & Ergun, E. (2008). Organizational culture and firm effectiveness: An examination of relative effects of culture traits and the balanced
55. Zafar, H., Hafeez, M. H., & Mohd Shariff, M. N. (2016). Relationship between market orientation, organizational learning, organizational culture and organizational performance: mediating impact of innovation. South East Asia Journal of Contemporary Business, Economics and Law, 9(2), 40-56.
56. Zain, M., & Kassim, N. M. (2012). The influence of internal environment and continuous improvements on firms' competitiveness and performance. Procedia-Social and Behavioral Sciences, 65, 26-32.
57. Zhang, S. B., & Liu, A. M. (2006). Organisational culture profiles of construction enterprises in China. *Construction Management and Economics*, *24*(8), 817-828.
58. Zikmund (2003). Business Research Methods.7E.
59. Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2002). Business Research Methods. South.