The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of Community Finance Organisations in Victoria, Australia

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Certification Statement

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

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Abstract

The commercialisation of socially oriented finance organisations providing services to financially excluded individuals, households and communities has received increased attention by researchers in recent years. However, there have been few studies focussing on the social performance of community finance organisations, in particular studies in developed countries. Research exploring organisational factors which may influence the social performance of these organisations is also limited, including research exploring the relationship between organisational profit orientation, culture and social performance. This study examined this relationship as concerns financial organisations providing services to financially excluded communities in Victoria, Australia.

Popular organisational culture models such as Hofstede's (1980), Schein's (1990), Cameron's (2006) and Denison's (2007) were examined in order to develop the theoretical relationship model for this study. Empirical finidngs were interpreted mainly as per Denison's organisational culture model. The study used cross-sectional data from seventeen organisations, representative of those targeting financially excluded communities in Victoria. The organisations belong to three groups: non-profit organisations, for-profit socially oriented organisations, and purely commercial organisations. Staff perceptions of their organisation's culture and social performance was examined and related to these indicators as measured by survey instruments. The Denison Organisational Culture Survey was used to measure organisational culture. The study found staff perception of this aspect tends to be inverse to the organisation's commercial focus. Three cultural traits (involvement, adaptability, and mission) were found to be significant differentiators. Social performance was measured using the CERISE Social Audit Survey. The study confirmed earlier studies which have found the social performance of CFOs is inverse to the organisation's focus on profit. This suggests mission drift may be intrinsic to commercialisation.

The study found CFOs that have a positive organisational culture also tend to have stronger social performance, irrespective of the organisation's primary focus on profit. This suggests non-profit organisations intending to commercialise may be able to mitigate, at least to some extent, the negative social impact of commercialisation through the pro-active management of their organisation's culture. Within this context, the study found that the adaptability, involvement and consistency elements of organisational culture may have a role in preserving focus on social performance.

The major implication of the study resides in the information it makes available to the not- for-profit sector. The need for this sector to be fully conscious of the trend towards commercialisation is urgent, and failure to combat this trend will have significant implications for the way in which this sector serves the community. Studies of this challenge to public institutions such as hospitals, universities, and, indeed, CFOs, are limited across the sector. Thus, the development of relevant investigations on the negative impact of an increasingly commercial orientation in such institutions is critically important.

Keywords: financial exclusion, microfinance, community development finance, commercialisation, organisational culture, social performance

You gave me my entry into the world, looked after me with the utmost care until I found my feet, and blessed me with good human values to be an upstanding citizen.

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List of Abbreviations

ABS	Australian Bureau of Statistics
ADB	Asian Development Bank
AGFI	Adjusted goodness-of-fit index
AMOS	Analysis of Moment Structures
ANOVA	Analysis of variance
ANZ	Australia and New Zealand Banking Group
APRA	Australian Prudential Regulation Authority
ATM	Automatic teller machine
CARS	CDFI Assessment and Rating System
CDCU	Community development credit union
CDF	Community development finance
CDFI	Community development financial institution
CDLF	Community development loan fund
CDP	CDFI Data Project
CDVC	Community development venture capital fund
CERISE	Comité d’Echanges de Réflexion et d’Information sur les Systèmes d’Epargne-crédit (Knowledge Exchange Network for Microfinance Practitioners)

CFO	Community Finance Organisation
CFP	Corporate financial performance
CGAP	Consultative Group to Assist the Poor
CRA	Community Reinvestment Act
CRI	Comparative fit index
CSB	Community sector banking
CSO	Community sector organisation
CSP	Corporate social performance
CSR	Corporate social responsibility
CVF	Competing values framework
DOCS	Denison Organisational Culture Survey
EU	European Union
FAO	Food and Agricultural Organisation
FCU	Federal Credit Union
FGI	Goodness-of-fit index
GBM	General behavioural model
GCP	Gross domestic product
GNI	Gross national income
IDS	Institute of Development Studies
IFAD	International Fund for Agricultural Development

KHIC	Kentucky Highlands Investment Corporation
K–S	Kolmogorov–Smirnov
LDC	Less developed country
MCCA	Muslim Community Cooperative (Australia)
MFI	Microfinance institution
MIX	Microfinance Information Exchange
NAB	National Australian Bank
NBFI	Non-banking financial institution
NGO	Non-governmental organisation
NILS	No Interest Loan Scheme
NPO	Non-profit organisation
OCSI	Organisational Culture Survey Instrument
OECD	Organisation for Economic Co-operation and Development
RB	Rural bank
RMSEA	Root mean square error of approximation
ROSCA	Rotating savings and credit association
SEM	Structural equation modelling
SHG	Self-Help Group
SPI	Social performance indicator
SPTF	Social Performance Task Force

SVA	Social Ventures Australia
TAFE	Technical and Further Education
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
VC	Venture capital
VISACA	Village and Saving Credit Association

Chapter 1: Research Background

1.1 Background of the Problem

Access to financial services is a fundamental need for any individual or organisation and it relates to the socio-economic development in any society.

> Banking, savings and investment, insurance, and debt and equity financing help private citizens save money, guard against uncertainties, and build credit, while allowing business to start up, expand, increase in efficiency, and compete in local and international markets. For the poor, these services reduce vulnerability and enable them to manage available assets in ways that generate income and options, ultimately creating paths out of poverty (Sutton & Jenkins, 2007, p.6).

Worldwide, the financial services sector has grown more rapidly in the past decades than other sectors, with its aforementioned close connections between individuals and business (Cooray, 2009). Today, the global financial services market is typified by a diverse and rapidly changing array of products and services. People in the twenty-first century are advantaged by these services more than ever, supported as they are by modern technologies and closely connected economies as a result of globalisation.

However, the extent to which people in society have equal and adequate access to financial services remains a topical area for investigation. Available data already indicates that certain sectors of many communities have, for various reasons, constraints on accessing the necessary financial services in their day-to-day activities (Duclos, Wan, & Jiang, 2013; Mugaloglu, 2012; Connolly et al., 2012; Connolly, 2013, 2014; Smyczek, 2011; Sosa, 2010). Researchers have identified limited or zero access to mainstream financial services as 'financial exclusion' (Russel, Maître, & Donnelly, 2011). Lack of availability, affordability, accessibility, awareness and appropriateness are some of the pivotal factors that result in financial exclusion (Burkett & Sheehan, 2009). According to Godinho and Russell (2013), the key factors that influence financial exclusion in Australia are: age; geographical location; employment and income status; non-English speaking background, and financial capability.

Noncheva and Satcheva (2003) found that the phenomenon of financial exclusion can be traced in both developed and developing countries. Extensive studies can be seen in recent literature on its growing adverse effects on socioeconomic development (Amaeshi, Ezeoha, Adi, & Nwafor, 2007; Smyczek, 2011). One thread of the literature has broadly discussed the connection between financial exclusion and poverty in developing countries and the role of targeted financial services in alleviating poverty through microfinance[1] (Augsburg, Haas, Hamgart, & Meghir, 2011; Bakhtiari, 2006; Bateman, 2007; Gueyie, Manos, & Yaron, 2013). On the other hand, studies can be found that investigate financial exclusion in developed countries, especially in Europe and the USA (Corr, 2006; Datta, 2012; Russel et al., 2011; Sosa, 2010). Smyczek (2011) has indicated that the problem of financial exclusion has become urgent, especially in the European Union (EU) and the United Nations (UN) member countries.

Similarly, the literature indicates that community finance services have a long history of evolution with regard to the service they provide to financially excluded communities. In the initial stages, three types of community finance providers can be identified – formal, semi-formal and informal – based on their regulatory requirements (Rutherford, 2000). Organisations such as community banks and non-banking financial institutions (NBFIs) were established as formal financial institutions, while credit unions, credit cooperatives,

[1] Microfinance is the provision of financial services to low-income people. It refers to a movement that envisions a world where low-income households have permanent access to high-quality and affordable financial services to finance income-producing activities, build assets, stabilize consumption, and protect against risks. Initially the term was closely associated with microcredit—very small loans to unsalaried borrowers with little or no collateral—but the term has since evolved to include a range of financial products, such as savings, insurance, payments, and remittances (CGAP - http://www.microfinancegateway.org/).

building societies and NGO finance organisations started out as semi-formal providers (Morduch, 2000; Seibel, 2003). At the same time, the literature indicates that informal providers, such as individual money lenders and traders, have long been providing services for financially excluded communities (Rutherford, 2000). The above mentioned formal and semi-formal finance organisations serving financially excluded communities are recognised as Community Development Finance Institutions (CDFIs) in developed countries (Burkett & Drew, 2008; SVA, 2009), which are similar to microfinance institutions in developing countries (Aghion & Morduch, 2007; Bakhtiari, 2006; CGAP, 2006; Mustafa, Gill, & Azid, 2000). These various finance organisations that serve for financially excluded communities will be collectively referred to as community finance organisations (CFOs) for the purpose of this study.

The abovementioned formal and semi-formal CFOs mainly originated with the social mission of providing affordable financial services, through innovative financial products and systems, for communities with constraints on their access to mainstream financial services (Aghion & Morduch, 2007; Burkett & Sheehan, 2009). Maximising social benefits through financial services has become one of the main objectives of CFOs (Burkett & Sheehan, 2009). Therefore, the role of formal and semi-formal CFOs has been widely recognised by society at large, and supported by governments and donor agencies, including the UN and social investors (CGAP, 2011; Galema, Lensink, & Spierdijk, 2008; Valadez & Buskirk, 2010). The impact of community development financial services has been widely researched; available evidence indicates they have a positive impact on improving the socio-economic wellbeing of financially excluded communities (Agha, Balal, & Ogojo-Okello, 2004; Chowdhury, Mosley, & Simanowitz, 2004; Kai & Hamori, 2009).

However, the shape of the community finance sector has changed significantly in the past several decades and has experienced various trends and issues (CGAP, 2011; Joanna & White, 2006; Kapper, 2007; Perera, 2010; Reille & Forster, 2008; Sundaresan, 2008). For example, the financial sustainability of formal and semi-formal CFOs is one of the biggest issues faced by the sector in the recent past, with decreasing donor subsidies and government funding (CGAP, 2011; Joanna & White, 2006; Kar, 2010; Rausch, 2012). Subsequently, formal and semi-formal CFOs have started to attract private funding sources and generate profit in order to ensure their self-sustainability (Kapper, 2007). Accordingly, a significant number of formal and semi-formal CFOs have transformed into for-profit socially oriented organisations, and have started to operate according to market-based principles (Joanna & White, 2006). BancoSol, in Bolivia, and BRAC Bank, in Bangladesh, are the main MFI examples in developing countries discussed in the mainstream literature (Christen, 2000). Fair Finance UK (Thiel & Nissan, 2008) and Bendigo Community Banks Australia (Mayne, 2008) are also well documented CDFI case studies in developed countries.

The for-profit orientation of formal and semiformal CFOs has been identified in the literature as the commercialisation of community financial services; in the recent past, most of these CFOs have embarked on this process (Getu, 2007). This commercialisation has been debated in the recent literature. One section of the literature indicates that it is a natural process and that it has advantages to offer the sector (Ayayi & Sene, 2010; Drake & Rhyne, 2002; Lau, Kwan, & Lee, 2009). On the other hand, the disadvantages have been critically discussed because of the potential risk of social mission drift (Armendáriz, Szafarz, & 2009; Charitonenko, Champion, & Fernando, 2004; Engels, 2010; Getu, 2007; Kapper, 2007; Mersland & Strom, 2009), which several recent academic studies have found evidence for (Engels, 2010; Hishigsuren, 2007; Mersland & Strom, 2009). At the same time, informal financial services providers, such as payday lenders, have rapidly grown into a group that is seeking high-return opportunities and profits in the community finance sector (Burton, 2010). The role of payday lenders has been highly criticised in the literature, as they are seen to be operating purely out of commercial interest (Corones, McGill, & Durrant, 2011).

However, despite the abovementioned ongoing changes, there has been limited research as to how appropriately such organisations currently serve financially excluded communities (CGAP, 2011). The efficiency and effectiveness of CFOs in providing financially excluded communities with affordable and effective financial services is broadly identified as their ‘social performance’ (Chandrabai, Rao, & Kandulapati, 2012). Various indicators, tools and methodologies have been developed in the sector in order to measure the social performance of CFOs (IFAD, 2006). The Microfinance Information Exchange (MIX, www.themix.org)[2] has started to collect social performance data from various CFOs across the world, especially in developing countries, based on social performance indicators developed by CERISE[3]. Bédécarrats, Baur and Lapen (2011) have conducted an analysis with MIX social performance data by 2011, comparing the CERISE social performance indicators, and found differences between leading types of CFOs as Figure 1.1.

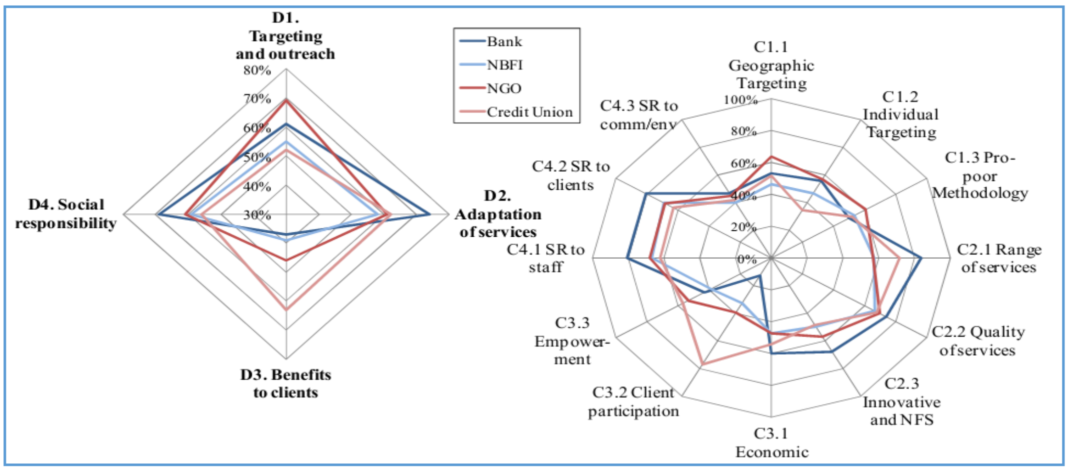


Figure 1.1: Social Performance Differences of CFOs Reporting to MIX in 2011

(Bedecarrats, Baur & Lapen, 2011, p.12)

Figure 1.1 shows that CERISE’s four main social performance indicators – ‘targeting and outreach’, ‘adaptation of services’, ‘benefits clients and social responsibility’ – and their respective 12 sub indicators differ, in various proportions, between community banks,

[2] MIX is a global, web-based, microfinance information platform. It provides information to sector actors and the public at large on microfinance institutions (CDFIs/MFIs) worldwide.

[3] Comité d’Echanges de Réflexion et d’Information sur les Systèmes d’Epargne-Crédit (Knowledge Exchange Network for Microfinance Practitioners, CERISE).

NGOs, NBFIs and credit unions. These indicators set the parameters for the measurement of the social performance level of a CFO in the process of transforming its social mission into practice (IFAD, 2006; IDS, 2005).

1.2 Purpose and Justification of the Study

The above brief discussion indicates that the current global trend towards commercialisation in CFOs, alongside potential signs of diminishing social performance, seems to be a critical issue, considering the increasing financial exclusion in today's society. However, empirical studies investigating the social performance of financial services organisations that target financially excluded communities are very limited. Therefore, the first purpose of the current study is to provide a view of the social performance of these CFOs.

Their social performance is affected by various organisational factors. Some pivotal ones are: organisational governance; management capabilities; staff perception on social performance; financial sustainability; community finance experience, and grants capital (IFAD, 2006). However, systematic studies on these factors are also absent from the current literature.

According to Getu (2007), organisational mission and business philosophy is critical in ensuring a more effective social performance for CFOs. Mersland (2008) emphasised that governance plays a key role in improving the social performance of microfinance institutions. Organisational governance, mission, and business philosophy arguably constitute the organisational culture of an institution (Abe & Iwasaki, 2010; Cunha Callado & Fensterseifer, 2011; Daly & Barker, 2010), which is likely to be an important determinant of social performance. The concept of organisational culture also became a popular research theme in the 1980s and 1990s, incorporating the earlier views of Deal and Kennedy (1982) and Kotter and Heskett (1992) that corporate culture has a long-term influence on an organisation's performance. Organisational culture has been identified as responsible for all manner of organisational successes and failures (Denison, Haaland, & Goelzer, 2004; Ouchi, 1981; Schein, 1996), and its relationship with corporate performance has been the subject of numerous studies that have found evidence of their correlation (Ahmad, 2012; Mozaffari, Soltani, & Bozorgzad, 2012; Nongo, 2012; Otelea & Popescu, 2009; Passarelli, 2011; Pirayeh, Mahdavi, & Nematpour, 2011; Shaw, 2012; Stare, 2011; Zhang, Li, & Pan, 2009).

More recently, attention has increasingly turned to the role of social and environmental organisational performance in relation to the long-term sustainability of organisations (Linnenluecke & Griffiths, 2010; Smith & Sharicz, 2011). Similarly, many scholars argue that an organisational culture dedicated to balancing financial, social and environmental performance will enhance the long-term survival of an organisation (Cunha Callado & Fensterseifer, 2011; Darren & Robert, 2009; Ki-Hoon & Reza Farzipoor; Linnenluecke & Griffiths, 2010; Schneider, 2009; Smith & Sharicz, 2011). Recent studies have also the emphasised the role of organisational culture on improving corporate social responsibility (CSR) practices of business organisation (Baumgartner & Ebner, 2010; Esen, 2013; James-Overheu & Cotter, 2009). Most studies in mainstream literature aim to achieve a better understanding of the relationship between the organisational culture and financial performance of organisations. However, the empirical evidence in this regard seems to be weak (Linnenluecke & Griffiths, 2010; Wilson, 2003). Therefore, the second central purpose of this project is to address the gap in the existing literature by analysing the nexus between organisational culture and social performance.

Many studies have focused on CFOs in developing countries and the role they play in addressing poverty issues (Khan, 2008; Krauss & Walter, 2008). Recent studies have investigated methods of improving the financial sustainability of MFIs through commercial management practices (Bi & Pandey, 2011; Kessy & Temu, 2010; Khan, 2010; Thrikawala, Locke, & Reddy, 2013). Khan (2010) indicated that portfolio management, liquidity management and risk management are important for current MFIs. However, there is a dearth of studies on CFOs in developed countries (Burkett & Drew, 2008; SVA, 2009). Therefore, the present study focuses on CFOs in a developed country

– Australia – in order to explore related characteristics of variously evolved CFOs, and address this gap in the existing literature.

Primarily, the current study focuses on non-commercialised CFOs that have a social mission and have not transformed into regulated commercial financial institutions, and commercialised CFOs that have transformed into regulated commercial financial institutions but have a social mission. For the purposes of this study, the non-commercialised CFOs are also defined as ‘not-for-profit socially oriented CFOs,’ and commercialised CFOs are defined as ‘for-profit socially oriented CFOs’. The present study includes also CFOs that serve financially excluded communities purely on a commercial mission. Therefore it takes into account payday lenders, which according to Burton (2010) play a considerable role in developed countries.

Australia was selected as the geographic location for the study for a number of reasons. There have been few studies focussing on the social performance of CFOs. In addition, the extent of financial exclusion in Australia appears to be relatively higher than other OECD countries. As of 2011, “one in seven Australian adults did not have access to basic financial services, such as a transaction account or a small personal loan” (Pro Bono Australia, 2011). To be more specific, approximately 7%–10% of Australian individuals lack a basic current account, while the rates of other non-ownership-demanding financial products are relatively high (ANZ, 2004, p. 49). Moreover, as the Centre for Social Impact (CSI) discovered, almost three million Australians would have difficulty raising $3,000 in the case of an emergency (Connolly et al., 2011, p. 27), and Indigenous Australians are two and a half times more likely to be financially excluded than white Australians.

Table 1.1 (Connolly, 2014, p.11) shows the level of financial exclusion in Australia 2007-2013 and indicates that 59.8% of the total population were marginally, severely or fully excluded from mainstream financial services.

Table 1.1: Financial Exclusion in Australia 2007-2013

Degree of exclusion	2007	2008	2009	2010	2011	2012	2013
Included	45.7%	46.6%	44.6%	43.4%	40.8%	39.7%	40.2%
Marginally excluded	38.4%	38.7%	40.0%	41.0%	42.0%	42.6%	42.9%
Severely excluded	14.5%	13.8%	14.6%	14.8%	16.1%	16.6%	15.9%
Fully excluded	1.5%	0.9%	0.7%	0.8%	1.1%	1.1%	1.0%

Connolly (2014, p.12) has indicated the trend of combined, fully and severely financially excluded population as per Figure 1.2. The trend line shows the level of financial exclusion in Australia has been increasing since 2007 and has the potential to grow.

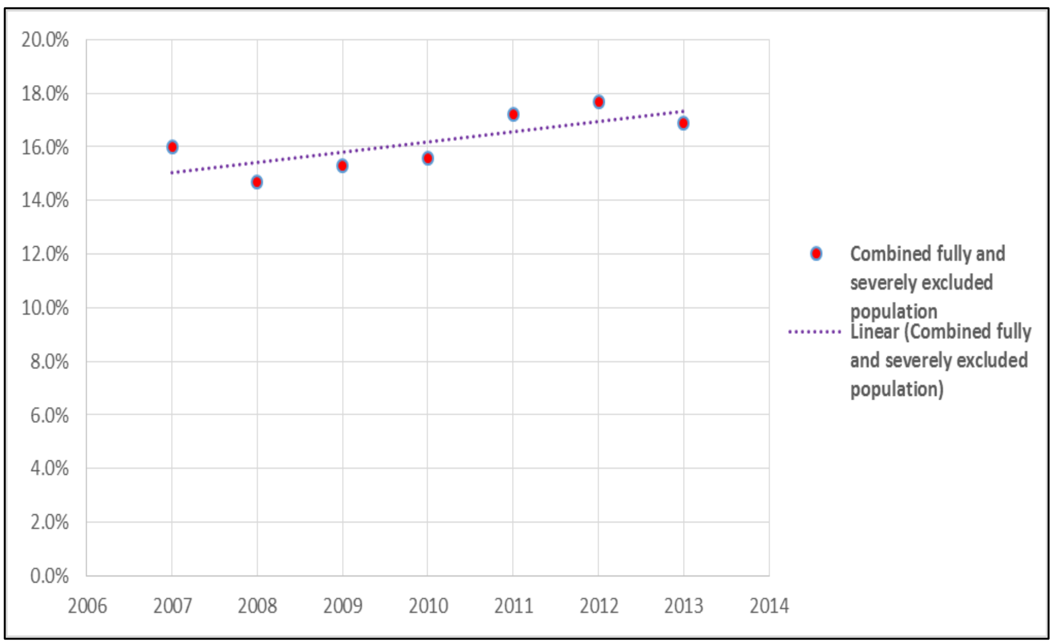


Figure 1.2: Trend of financial exclusion in Australia 2007-2013 (Connolly, 2014, p.12)

At the same time, the literature indicates that the evolution of financial service providers for financially excluded communities in Australia converges with the above review, in which a considerable number of community development finance organisations have been transformed into fully commercialised banks in recent times (Worthington, 1998). The Pyramid Building Society (Geelong, Australia), which transformed from a community financial organisation into a for-profit socially oriented entity (Mayne, 2008), is a well-documented case in point. The Commonwealth Bank of Australia was also initially established in the 19th century to promote land and rural development; currently, it is a full-scale commercial bank, now known as CBC, or Commonwealth Banking Corporation (Australian Trade Commission, 2011). Other leading banks such as State Bank of Victoria, Bendigo Bank, ME Bank and Bank of Melbourne have also acquired a fully commercialised status, having started from community-based initiatives.

The State of Victoria was selected as the geographical location of this study since most of the above-mentioned types of evolving CFOs were available for investigation in the Victorian sector. Importantly, particular attention was given to the selection of payday lenders for this study. ASIC (2015) reports that approximately 1,136 Australian credit licences have been identified for the purpose of payday lending as at December 2014. According to Stephen et al. (2011), the payday lending sector has been growing continually over the last decade in Australia, including in the state of Victoria: ASIC estimates that the number of payday lending organisations continues to grow, noting an increase of approximately 125% in 2014 compared to 2008.

1.3 Aims

The specific research objectives are:

1. Determine the characteristics of the principal groups of financial organisations in Victoria that target financial services to financially excluded households.
2. Examine differences in organisational culture between these organisational groups.
3. Examine the differences in social performance between these organisational groups.

4. Examine the relationship between CFO's commercial orientation, organisational culture, actual social performance and staff perception of their organisational social performance.

1.4 Significance of the Study

As previously explained, the trend towards commercialisation of financial service providers for financially excluded communities, and potential signs of diminishing social performance present as critical issues in the presence of increasing financial exclusion in the current society. This study is significant firstly because the link between organisational culture and social performance of financial services organisations offering financial services to financially excluded communities could have implications for the management capabilities of these organisations.

Secondly, the current project is significant because it addresses several important gaps identified in the current literature relating to the link between the social performance and organisational culture of these organisations. Importantly, the possible factors influencing their social performance do not seem to have been systematically investigated in the academic literature. Additionally, most of the previous studies relating to organisational culture have mainly investigated its relationship with financial performance, and have mostly been conducted in commercial organisations. Conversely, the present study is significant because it explores the nexus between organisational culture and social performance of socially focused organisations.

1.5 Organisation of the Dissertation

This dissertation is divided into five chapters. As stated above, this first chapter provides background information related to the present investigation. Chapters 2, 3 and 4 review, in detail, the relevant literature pertaining to the key concepts upon which this study is based. The review provides a historical context regarding the development of those concepts, as well as reporting on current research specific to those areas. The linkages among the concepts are identified as well. Chapter 5 describes the methodology employed in the study, and the design of the experiment performed. Chapter 6 provides an analysis of the data. Finally, Chapter 7 summarises the study and presents its conclusions.

Chapter 2: Literature Review – Section A – Financial Exclusion

2.1 Introduction

The objective of this section is to examine the literature relating to financial exclusion in order to understand the environments in which financial exclusion occurs, its consequences, and the current status of financial exclusion in a developed economy — in this case, Australia. Thus, this first section of the literature review will examine: definitions and measurement of financial exclusion; factors affecting this phenomenon, such as market failure, supply, demand and societal factors, and their connection with poverty and social exclusion; the negative consequences of this feature of the financial landscape and the advantages of financial inclusion; global initiatives for its reduction; and, finally, the particular features of financial exclusion as it applies to the community finance sector in Victoria, Australia.

2.2 Definition and Measurements of Financial Exclusion

The term 'financial exclusion' attained special significance at the end of the twentieth century. It was first coined "by geographers who were concerned about limited physical access to banking services as a result of bank branch closures" (European Commission, 2008, p. 9). Since the 1990s, gaining access to payment instruments and other banking services (mainly consumer credit and insurance) has been treated as a challenge for economically disadvantaged social groups. In 1999, the term 'financial exclusion' became widely used for referring to people with difficulties in accessing mainstream financial services. Financial exclusion is "faced by those underserved by conventional financial institutions" (Buckland, 2011) and it can be applied to separate individuals as well as whole organisations, because they both may experience economic difficulties (Conroy, 2005). It relates to the condition under which a subject (a person or an organisation) lacks finances and, therefore, experiences difficulty in accessing financial services (Hawkins, 2003). Mugaloglu (2012) provided a more concise definition, stating that "financial exclusion refers to the inability or difficulty of accessing finance in the formal financial sector" (p. 138). According to Conroy (2005), financial exclusion represents a process that prevents economically disadvantaged social groups from gaining access to the main financing services of their countries. Howell and Wilson (2005) added that these essential financial services can be transaction banking or short-term credit. In sum, it is

> a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong (European Commission, 2008, p. 9).

In the Australian context, financial exclusion is defined as "the lack of access by certain consumers to appropriate low-cost, fair and safe financial products and services from mainstream providers" (Wilson, 2008, p. 91). More specifically, it is seen as

> a lack of access to financial services by individuals or communities due to their geographic location, economic situation or any other 'anomalous' social conditions which prevents people from fully participating in the economic and social structures of mainstream communities (Burkett and Drew, 2008, p. 5)

Further, the Centre for Social Impact (CSI), Australia has defined financial exclusion as "lack of access to affordable and appropriate financial services and products" (Connolly, 2014, p. 8). The CSI definition seems to be widely adapted for recent studies in Australia and used the same for the present study. Thus, it is evident that financial exclusion should be treated as a complex phenomenon that refers to both economic and social domains.

A range of factors underlying the development of financial exclusion is explored in the literature. Financial exclusion can result from a lack of capacity of those who are excluded; in other words, individuals or organisations "are excluded because they lack certain financial competencies and capabilities or have low levels of financial literacy" (Burkett & Drew, 2008, p. 21). In addition, financial exclusion can also be the outcome of market failure, since the costs of including certain people or organisations into essential financial services are extremely high, and therefore, not viable. As a result of market failure, financial services and products become unaffordable for people or organisations, and therefore, they are excluded from financial markets. Market failure usually happens in the following three cases:

- When beneficiaries do not have the capacity to pay for financial products and services
- When the risks and costs of providing financial products and services to certain groups outweigh the profit benefits
- When moderate or significant modifications need to be made to certain financial products and services to meet the needs of particular groups, and costs of these modifications outweigh the income potential (Burkett and Drew, 2008).

Financial exclusion can be caused by supply factors, demand factors, and societal factors. Supply factors are associated with a bank's refusal to offer its services to particular people or organisations (the ones who do not meet a financial institution's criteria for accepting a client), thus acting as a strong deterrent for potential clients demanding a certain financial service (Russel et al., 2011). According to the authors, demand factors reflect people's or organisations' views on the financial sector, and their psychological relationship with money; these factors relate to the potential clients' priorities and concerns, as well as to the cultural context in which they live. Finally, societal factors include, among others: the increased liberalisation of financial markets; strict rules on financial transactions; income inequality; demographic shifts, and structural labour changes (Hersi, 2009).

It is noteworthy that, in the research literature on financial exclusion, much attention is paid not only to the definition of this negative trend, but also to the groups that experience it in their own way. According to Burkett and Drew (2008) three clusters of financial exclusion can be traced in both developed and developing countries: (1) individuals, families, and households; (2) non-profit groups and organisations; and (3) social and micro enterprises and businesses. The first group includes people who mostly receive low and fixed incomes, have a poor credit history, live in remote areas or have a certain disability. People from this group usually experience financial exclusion in accessing essential financial services and products — namely, transaction banking, credit, savings, and insurance products. The second group consists of small-to-medium organisations (mainly civil society organisations focused on such matters as welfare provision, arts, housing, health and support) that have no assets except grants, which are considered their primary source of income. These organisations have poor access to capital for asset development, as well as to loan, investment, growth and working capital. The third group is represented by social, start-up enterprises, microenterprises, and social and small businesses. These enterprises and businesses have difficulty in accessing start-up, working, growth and asset development capital, and equity capital.

Corr (2006) clarified that the development of appropriate indicators is the core of financial exclusion measurement; the key internationally accepted indicator is considered to be the number of households (or individuals) with no bank account (or current account). For example, 7% of the US population, and on average 74% of individuals residing in developing countries do not have a bank account (Sosa, 2010, p. 1-2). Young (2002) highlighted that, when official statistics regarding financial exclusion were revealed at the beginning of the 21st century, national governments recognised that this negative phenomenon is peculiar even for developed societies presupposed to take advantage of equal rights in accessing public services (including financial ones). Financial exclusion has been perceived as an obvious manifestation of socio-economic inequality, and as a problem that should be urgently addressed (Datta, 2012).

2.3 Consequences of Financial Exclusion

Financial exclusion has specific negative consequences for both people and organisations. For economically disadvantaged groups, the outcomes of financial exclusion can lead to a greater susceptibility to fringe products and subsequently further debt, to difficulties in accumulation of assets and savings, and, finally, to social exclusion (Duclos et al., 2013). Similarly, Connolly (2014b) has emphasised the need for effective policies regulation for payday lending CFOs with their potential exploitation of financially excluded communities: as of 2011, these are four times as likely to use payday loans in Australia (Connolly 2014, p. 27).

Social exclusion is perceived as a consequence of financial exclusion because the “financial services industry operates in a way which favours the socially powerful” (Aalbers, 2011, p. 21). For non-profit groups and organisations, financial exclusion leads to problems such as the inability to develop reserves, a greater dependence on the continuation of grant funding, a constrained ability to maximise social influence, increased uncertainty, and unsafe working conditions (Burkett & Drew, 2008). In the case of social enterprises, microenterprises and businesses, financial exclusion may lead to such situations as a risky and challenging business environment and the absence of business growth (Mayers, 2004). Buckland (2011) determined that, for financial institutions, the main consequences are the absence of interest in or experience of working with economically disadvantaged people, and further discrimination of these people based on their low income.

The literature also demonstrates a more global perspective on the consequences of financial exclusion. For example, Howell and Wilson (2005) distinguished its financial from its social consequences, while Duclos et al. (2013) revealed that financial consequences may include people being unable to access vital services and activities (including finding employment), being unable to benefit from discounts offered for online transactions, and having complicated access to affordable credit with favourable conditions. Howell and Wilson (2005) also indicated that the social consequences of financial exclusion can include a loss of self-esteem, a feeling of humiliation, growing isolation and increased vulnerability to theft.

At the same time, financial exclusion can affect the socio-economic development of a country. Smyczek (2011) maintains that, under the umbrella of socio-economic consequences, two main dimensions – financial and social – can be distinguished. Firstly, financial exclusion may affect the way in which people or organisations can raise, allocate and use their monetary resources directly or indirectly. Secondly, it may influence people’s or organisations’ patterns of consumption, the way in which they access social welfare or participate in economic activities, and the distribution of their income and wealth; moreover, people’s or organisations’ behaviour and overall quality of life can be affected by financial exclusion (Smyczek, 2011). Thus, through its effects on financial and social dimensions, financial exclusion can weaken the socio-economic potential of a nation. Smyczek (2011) noted that this trend is found predominately in EU member countries. As the author pointed out, “the access and use of a basic bank account and simple transactions are decisive to the integration of people in the current European society” (p. 223). In other words, without access to essential financial services, successful socio-economic development is impossible for countries.

In addition, from a global perspective, if financial exclusion is not properly managed, it is likely to hinder access to financial resources and foster the growth of unbanked, marginally banked and over-indebted populations. The European Commission (2008) defined unbanked people as those who do not have a bank account. Marginally banked people are usually referred to as those who have a deposit account with no electronic payment facilities, payment card or chequebook, or have these facilities but make little or no use of them. Anioła and Gołaś (2012) explained that over-indebted people may have mismanaged their finances, or in some cases may have a somewhat inadequate financial education or financial literacy. To be more specific, an individual can be called over-indebted if he or she “has arrears in credit repayment and/or paying liabilities connected with flat maintenance exceeding three months,” or “assumes that debt repayment constitutes too large a financial burden” (Anioła & Gołaś, 2012, p. 49). However, current perspectives count lack of income, exclusion from mainstream financial system, structural barriers, poor health and mobility among the more common reasons for over-indebtedness and financial hardship, rather than low financial literacy (Duclos et al., 2013).

The research literature (Corr, 2006; European Commission, 2008) suggests that, to avoid the ruining effects of financial exclusion on a country’s development, this negative trend should be managed by national governments and addressed by national policies. It is not surprising that, in both developed and developing countries, combating financial and social exclusion has been perceived as policy concerns (Ayadi, Schmidt, Valverde, Arbak, & Fernandez, 2009). Overall, as the European Commission (2008) revealed, financial exclusion currently presents an urgent global problem, so the elimination of this negative trend from democratic societies is a priority for numerous countries in which both people and organisations have poor access to mainstream financial services.

Numerous examples of the advantages of financial inclusion can be found in the literature. Kochharm and Chandrashekhar (2009) explained that financial inclusion has a positive nature in general because it has a beneficial effect on both social and economic domains. To be more specific, the phenomenon of financial inclusion should lead to the following positive trends:

- Inclusive growth ensuring the decrease of poverty rates and increased involvement of people into all political, economic, social and cultural processes happening in a country (Kelkar, 2010);
- Economic stability (Jain, Bohra, & Mathur, 2012);
- Provision of economic security to individuals and families (Kelkar, 2010);
- Economic freedom ensured by mainstream financial institutions (Anjum & Ari, 2012);
- Prevention of a concentration of economic power in a few individuals and organisations, and equal distribution of wealth (Kelkar, 2010);
- Improved business performance (Bi & Pandey, 2011; Zohra & Pandey, 2011).

Therefore financial inclusion is a key policy agenda for both developing and developed countries, and is at the centre of regulatory reform focused on improving access to finance and enhancing financial capability (Godinho & Russell, 2013).

As is evident, financial inclusion leads to positive consequences for a country and its people and organisations; for this reason, ensuring its incorporation through comprehensive and effective inclusive policies is crucial in today's world. Reporting of real-life efforts to prevent financial exclusion can be found in the existing literature on social and economic domains. For example, Bin-Sallik, Adams, and Vemuri (2004) claimed that social policy focused on a population's increased financial literacy can be effective in strengthening financial inclusion, especially among low-income groups. According to the authors, the acquisition of essential money management knowledge and skills is paramount for being a financially literate individual. Corr (2006) suggested that the incorporation of effective financial policies that would promote greater accessibility of mainstream financial services for economically disadvantaged people and organisations is the main step towards the establishment of financial inclusion. From the perspective of these policies, promotion of financial inclusion is commonly treated as enhancing the capacities of low-income households to make greater use of key financial products (mainly credit, savings, and home insurance) and to better manage their limited resources in general (Corr, 2006). In this context, the necessity to provide an in-depth understanding of the most effective financial policies is obviously growing.

2.4 Financial Exclusion, Poverty and Social Exclusion

Financial exclusion is tightly connected with poverty. The discussion about the potential connection between poverty and social exclusion in the literature has been deeply influenced by Amartya Sen's work in the late 1960s on inequality factors, causes of poverty, and development economics. In a nutshell, Sen (1996) argued that the incidence of poverty in an economy is not due to a single factor, but rather it is linked to a number of other broader socio-economic factors, such as social inequality, freedom, and unbalanced distribution of resources among others.

The following factors linking financial exclusion and the socioeconomic circumstances of those affected by it have been observed in both developed and developing countries: high rates of unemployment; reliance on social assistance; low incomes and assets, and lack of education (Buckland, 2011). In society, poverty results in higher levels of financial exclusion, because poor people tend to experience inequalities in the distribution of all types of services (Shinn, 2007). Corr (2006) reiterated that poor households experiencing financial difficulties often do not have access to financial services; this situation leads to their indebtedness and, ultimately, their financial exclusion. Investigating the direct correlation of financial exclusion to poverty, Russel, Maître and Donnelly (2011) indicated that two developments in society play a significant part: “the increasing importance of financial services in the management of household resources, and the structural barriers faced by low-income households in accessing and using such services” (p. 8).

Buckland (2011) argued that “the determinants of financial exclusion lie in structural obstacles created by mainstream banks and, indirectly, by government policy” (p. 3). Kumar (2005) explained that all services and practices offered by financial institutions in a country are influenced by government policies. From this perspective, laws and regulations provided by national governments to the financial industry create structural obstacles preventing economically disadvantaged people from accessing these services.

According to the European Commission (2008), access to transaction banking services is treated as a universal need in “developed and cashless societies,” as well as in the majority of the EU regions (p. 11). In reality, economically disadvantaged people or organisations do not have sufficient access to different types of transactions linked to an account, including: paying bills electronically; storing money safely until its withdrawal; paying for online goods and services; and receiving electronic payment of funds, such as pensions, wages and social assistance (European Commission, 2008, p. 11). Torres (2012) suggested that savings exclusion is associated with an absence of a savings account (and, therefore, a deposit) and due to the absence of money that could be saved, the habit of saving money in general, and the desire to deal with banks because of prejudices or negative past experiences. Credit exclusion relates to situations in which people or organisations have insufficient access to goods and expenditures, and overuse their monthly budget owing to the absence of either a bank account or a desire to return a debt (Anderloni, 2007). Finally, insurance exclusion is treated as a complicated access to insurance (for example, for the use of motor vehicles); as a result, people or organisations facing this problem are not secured from the risk of a contingent or uncertain loss (European Commission, 2008).

The European Commission (2008) characterised social exclusion as "lack of participation in society" (p. 48) (see Figure 2.1; Burkett & Drew, 2008, p. 9) and underlined that social exclusion also leads to exclusion in the financial domain: low-income households and unemployed people usually face both social and financial exclusion. Socially excluded people are likely to have low access to essential financial services because, usually, they do not have a bank account.

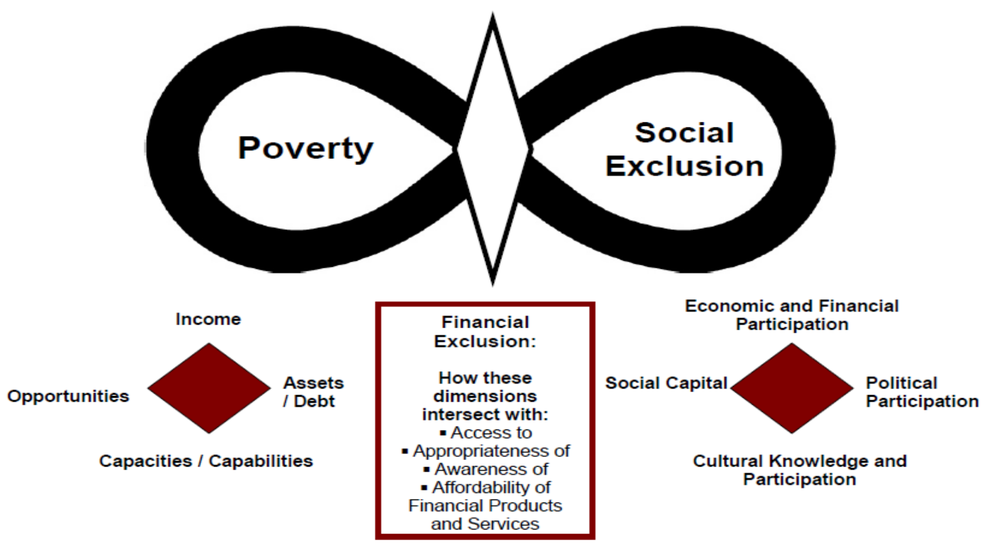


Figure 2.1: The complex nature and circumstances of financial exclusion (Burkett & Drew, 2008, p. 9)

This interrelation between social and financial exclusion has been reported in several countries in Europe, including Austria, Germany, France, Ireland and the United Kingdom (European Commission, 2008). The research literature implies that social exclusion can be considered as a central reason for financial exclusion in all countries without exception because socially disadvantaged groups (for example, people suffering from a physical or mental disability, lack of money or economic support, and insufficient political power in society) usually have insufficient access to financial services in both developed and developing countries. Connolly (2014b) conducted a global study by surveying 23 countries. The study has concluded that there is a correlation between poverty and financial exclusion. Further, the author emphasised that government policy is key determinant of minimising the financial exclusion. As Aalbers (2011) noted, “the systematic exclusion of households … from financial citizenship – on the basis of race or ethnicity, geographic area, gender and so on – compromises their ability to participate fully in the economy and to accumulate wealth” (p. 23).

2.5 Global Initiatives for the Reduction of Financial Exclusion

Many countries have made efforts to prevent the further development and consequent ruinous effect of financial exclusion on socio-economic and national progress. As Niang (2013) noted, since the early 2000s – when the problem of financial exclusion was recognised as a global concern – the UN and EU member states have been working towards national policies to address this negative trend effectively. For example, in 2003, reflecting upon the inaccessibility of financial services in developing countries, the former UN secretary-general Kofi Annan claimed: “the great challenge for us is to address the constraints that exclude people from full participation in the financial sector,” and he called for the building of an “inclusive financial sectors that help people improve their lives” (Pradeep & Garg, n.d, p. 40). According to representatives of the Combat Poverty Agency (2009), EU countries initiated the promotion of an inclusive financial environment for economically disadvantaged people because governmental intervention into this problem through social and economic policies has been acknowledged by member states since 2007.

An international movement towards financial inclusion has been evident throughout the last decade. In the literature, this concept is characterised in several ways; for example, as Bagli and Dutta (2012) stated, “financial inclusion refers to a situation where people, in general, have connection with the formal financial institutions through holding a savings bank account, credit account, insurance policy etc.” (p. 3). Realising the need for financial inclusion for both people and organisations, the European Commission (2008) characterised this positive phenomenon as a capacity to access and use appropriate mainstream facilities offered by financial services providers. Band, Naidu, and Mehadia (2012) added that “financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups” (p. 60). In other words, financial inclusion is a positive trend focused on the effective inclusion of low-income people and organisations facing financial hardship in active economic participation (Social Investment Australia, 2012).

2.6 Financial Exclusion in Australian context

Although it may be surprising, financial exclusion can be clearly traced in Australia (Robbers, 2006). In Australia, financial exclusion is the product of several conditions creating an unfavourable environment for accessing essential financial services. The literature (Connolly, 2014; ANZ, 2004; Burkett & Drew, 2008; Corr, 2006) suggest that Australian financial exclusion has a multidimensional nature. For example, Corr (2006) revealed that, in Australia (as well as in some other UN member countries), financial exclusion is compounded by multiple forms of exclusion, including geographical, access, condition, price, marketing, self-, resource and electronic exclusion. Geographical exclusion refers to a reduced access and usage of mainstream financial services owing to lack or closures of service provision in certain localities or regions; overall, the geographical dispersion of Australia's population in both urbanised and remote rural areas can affect both the social and financial exclusion of people and organisations (ANZ, 2004). For Burkett and Drew (2008), access exclusion usually refers to people or organisations having poor credit records and limited access to mainstream credit. Condition exclusion relates to the lack of appropriate financial products and services to meet the needs of certain groups; for example, low-income groups have poor access to insurance products (Corr, 2006). The ANZ (2004) revealed that price exclusion is caused by some financial services being too expensive for some Australian people and/or organisations. In Australia, marketing exclusion refers to the orientation of marketing to the most profitable cohorts of the population, to the exclusion of low-income groups (Burkett & Drew, 2008). Corr (2006) suggested that Australian self-exclusion occurs when people or organisations exclude themselves from accessing mainstream financial services based on their own past negative experience or belief in being discriminated against. According to the ANZ (2004), resource exclusion is associated with people or organisations whose income does not allow them to engage with savings products adequately. Finally, electronic exclusion relates to low-income Australian groups unable to obtain access to electronic financial systems (such as internet banking); this form of exclusion is mostly peculiar to inhabitants of remote areas (Burkett & Drew, 2008).

Several groups facing particular difficulties in accessing affordable financial services can be identified. The following groups represent Australians not considered to be in the target population for financial services providers (Burkett, 2007, p.157):

- Regional and remote communities
- Urban depressed communities
- People on low incomes
- Older people
- People whose primary language is not English
- People with disabilities
- People with literacy difficulties (general and financial literacy)
- Indigenous people.

2.6.1 Peculiarities of the Australian Situation

As a complex and multidimensional phenomenon, Australian financial exclusion can be fully understood if certain peculiarities are taken into account. For example, as Wilson (2008) underlined, financial exclusion of certain Australian groups depends on the cost and safety of available products; in other words, mainstream and alternative or ‘fringe’ products (supposed to be unsafe, to involve high fees and charges, and to be associated with onerous or unfair terms) clearly emerge in the Australian context (p. 91). In addition, according to Arachiro (2010), low-income groups have poor access to high-quality financial products and, therefore, appear to be extremely vulnerable to financial exclusion because in Australia there is a particular emphasis on a high quality of mainstream financial services (for example, provision of affordable credit). Because these groups are exposed to financial stress and indebtedness, they cannot participate fully in the socio-economic activities of the country (Wilson, 2008). Moreover, financial exclusion in Australia refers not only to reduced participation, but also to increased financial hardship and exacerbated poverty, measured by income, assets and debt (Arachiro, 2010). Overall, the phenomenon of Australian financial exclusion originates from the inaccessibility of safe and affordable financial products and services for economically disadvantaged groups (Howell, 2009).

In the 21st century, a detailed insight into the phenomenon of Australian financial exclusion is crucial. For example, the democratic status of Australia and its official recognition of fundamental human rights means that the national government is supposed to provide “fairness and equity of access to financial services for all citizens” (ANZ, 2004, p. 49). In other words, from the perspective of a modern democratic society, access to mainstream financial services is an essential requirement for economic participation in twenty-first-century Australia. As low-income groups have a limited participation in the economic activities of their country, financial exclusion indeed violates the democratic foundations of Australian society (Robbers, 2006).

In the Australian context, ‘financial exclusion’ appeared as a term in the mid-1990s, when it was first associated with social exclusion in general (ANZ, 2004) and following the UK Labour government’s initiative. In 1997, Blair’s ‘New Labour’ government was elected in Britain; social policy focused on overcoming social exclusion and income poverty on the territory of the UK and its overseas Commonwealth countries (including Australia) (ANZ, 2004, p. 27). The Legal Services Research Centre (2009) underlined that this social policy was established to meet the needs of over-indebted households, a problem common to the UK and Australia. In the late 1990s, financial specialists started to use the term ‘over-indebtedness’ to describe debt that presented a major burden for a borrower (Legal Services Research Centre, 2009, p. 75). The UK and Australian governments realised that poorer households were more likely to be over-indebted, so the necessity to help them to solve their financial problems was obvious.

If financial exclusion is viewed as the lack of access, by people or organisations, to financial products and services, the phenomenon is almost absent in Australia (Howell, 2009). According to 2013 data, Connolly (2014) indicated that only 1% of the adult population did not have access to financial products (p. 11). In light of this data, it is not surprising that, in comparison with other countries, Australia does not have the same proportion of persons who do not have access to a bank account, as fewer people are considered fully excluded financially (Connolly, 2014).

Nevertheless, financial exclusion is obvious in today’s Australian society when considering low-income consumers or those in financial hardship (ANZ, 2004). Howell (2009) emphasised that access to the relatively safe and affordable financial products and services from mainstream providers is greatly limited for economically disadvantaged groups. For example, in the credit context, access to small and short-term loans for a reasonable cost is greatly limited, whereas the availability of extremely high-cost products from the fringe or micro-lending market – for example, payday loans that are considered unsafe and exploitative – is high (Howell, 2009). According to the ANZ (2004), for low-income clients of financial institutions, small amounts of consumer credit used to smooth out the costs of a large purchase or to cover emergencies is believed to be an essential service, and these essential financial services become unsafe and unaffordable for low-income groups. Since this negative trend has first been noticed and measured, the current Australian government, financial sector and community organisations have focused their work on strategies to effectively counter financial exclusion (Connolly, 2014).

2.6.2 Causes of Financial Exclusion in Australia

Australian financial exclusion has its own causes. The first cause is poverty, which has resulted in a relatively large number of low-income groups. According to Taylor (2004), the problem of income poverty or income deprivation has been present in Australia since the 1960s. Refugees, migrants, inhabitants of rural areas, people with low-income jobs and unemployed people have usually been considered the main groups facing income poverty and financial hardship (Taylor, 2004). Lynch (2005) added that income poverty encompasses broad factors contributing to an impoverished standard of living, such as poor housing, poor health, discrimination, poor education and vulnerability.

For many years, the national government has been implementing socially inclusive policies to counter this problem but, even today, income poverty is believed to be one of the burning issues that should be tackled. For example, Lynch (2005) noted that, in 2004, more than one million people across Australia experienced income poverty (p. 236). Representatives of the Australian Council of Social Services (2012) underlined that, in 2010, the number of people in such a category reached 2,265,000 or 12.8% of the country’s population, whose income is “set at 50% of the median (middle) disposable income for all Australian households” (p. 7). Overall, since low-income groups are economically disadvantaged, and are more likely to be unable to pay off debts, they usually cannot obtain access to financial services; thus, it is not surprising that they become socially and financially excluded from the rest of society (Lynch, 2005).

Nevertheless, poverty (and social exclusion as its consequence) is not the only reason for Australian financial exclusion. The CSI identified four factors leading to exclusion of people or organisations in a financial domain: cost, accessibility, demographics and supply (Connolly, 2014). In Australia, the high cost of financial services and products excludes low-income groups from the financial domain (Buckland, 2011). In reality, the average annual cost of mainstream financial services (including a low-rate credit card, a basic transaction account and some basic general insurance) is $1,740; this sum equates to more than 15% of income for nearly 10% of Australians (Pro Bono Australia, 2011, para. 8). Accessibility to electronic financial services, in particular, is another factor favouring the growth of financial exclusion (Corr, 2006). Data from 2011 demonstrated that only 54.5% of the Australian population use internet banking and have access to automatic teller machines (ATMs); this slow growth is more common for people residing in rural and remote areas than those living in urban cities (Connolly, 2011, p. 16). The vulnerability of some demographical groups may also trigger financial exclusion. For example, people with low levels of education, aged under 24 or over 65, born overseas with English as a second language, or unemployed are more likely to be excluded (Connolly, 2014). A supply factor also favours the development of Australian financial exclusion. This factor is usually associated with the absence of basic, affordable insurance products, and promotion of inappropriate credit products (Buckland, 2011).

2.6.3 Assumptions Operating in the Financial Services Market

If the growth of Australian financial exclusion is viewed from a more global perspective, according to the research literature, this negative trend is the product of market failure. Burkett and Drew (2008) argued that "financial exclusion in Australia could be interpreted as a market failure because of complex interplays between market imperatives and unintended consequences of regulation" (p. 22). Some assumptions existing in the Australian financial services market may strengthen the financial exclusion of the people living on low or fixed incomes and social organisations or enterprises. Burkett and Drew (2008) identified these assumptions in their work:

1. There are higher costs associated with the provision of financial services and products to these groups—particularly centred on transaction costs.
2. There are higher risks in lending to these groups.

3. There are greater brand and reputation risks associated with engaging in financial services with these groups (p. 22).

These assumptions may greatly limit the involvement of financial institutions in addressing exclusion for low-income groups. In addition, Australian financial institutions do not have regulatory imperatives enforcing them to include these groups, and lack banking transparency (Burkett & Drew, 2008). As a result, financial institutions exacerbate market failures that underpin financial exclusion (Kumar, 2005). For this reason, as Howell and Wilson (2005) concluded, the elimination of market failures is a necessary step for preventing further financial exclusion.

The research literature also suggests that unequal wealth distribution in Australia means that its financial institutions target their services mostly at high-income people and organisations. According to recent data, “from some $74.4 billion that the government distributes (in 2008–09), through housing-related tax concessions and benefits and superannuation, the vast majority goes to the wealthier Australians” (Arachiro, 2010, p. 10). Hugo (2005) revealed that, overall, the current Australian population is clearly separated into high-income and low-income groups; this separation exacerbates unequal wealth distribution. In 2001, the proportion of low-income households (with a weekly income of $300) was 12.8% in metropolitan areas and 16.3% in non-metropolitan areas, while high-income households (with a weekly income of $1,200) comprised 34.2% of the metropolitan and 21.4% of the non-metropolitan population (Hugo, 2005, p. 76). Arachiro (2010) suggested that inequality in income distribution has recently increased, along with the gap between low-income and high-income groups.. Income inequality establishes a discriminative culture that excludes low-income groups from mainstream financial services, and furthers the participation of wealthier people and organisations in the national economic infrastructure (Burkett, 2007).

Detailed information on the outcomes of financial exclusion for Australia can be found in the existing literature. Unmanaged Australian financial exclusion, according to investigation in the Australian context, can lead to personal, business and community consequences (ANZ, 2004). Personal consequences are associated with the high cost of personal banking, which indirectly leads to the “financial strain” on low-income population (ANZ, 2004, p. 49). Negative outcomes in the business domain relate to the impoverishment of enterprises, the involvement of this group in continuous debt cycles, and decreased business performance. Community consequences of financial exclusion are associated with poor financial management knowledge and skills, increased level of distrust in relation to financial institutions and their services, and continuous over-indebtedness that negatively affects quality of life and complicates the socio-economic development of the country (ANZ, 2004).

The literature on financial exclusion indicates that financial exclusion leads to undesirable processes in financial and social domains (Mohan, 2008). For example, the Organisation for Economic Co-operation and Development (OECD, 2005) found that one of its negative consequences is a lack of basic banking facilities. Others have also claimed that inaccessibility to essential banking facilities makes money management a more complex, costly, time-consuming and less secure process (ANZ, 2004). They added that without banking services (for example, routine transactions via bill paying), everyday life becomes more expensive, even for those who do not have a bank account (ANZ, 2004). It has also been noted that a lack of banking facilities strengthens the unbanked status that complicates long-term family self-sufficiency, decreases the level of family assets and prevents people or organisations from having access to other essential financial services (OECD, 2005). Moreover, a lack of basic banking facilities leads to bank branch closures, ultimately causing the following trends:

- Reduced savings
- Increased size of cash withdrawals
- Reduced investment income
- Reduced access to and increased cost of finance
- Reduced access to financial planning
- Increased travel requirements
- Increased security risk

- Increased need for credit from local businesses (ANZ, 2004, p. 50)

Another negative consequence of Australian financial exclusion is lack of access to credit (mainly short-term and longer-term credit) (Wilson, 2008). The Australian Bureau of Statistics (2008) suggested that, if they have no access to credit facilities, people or organisations usually use the services of non-mainstream credit providers. These providers can be pawnbrokers or payday lenders whose services are usually characterised by higher prices and increased exposure to unethical and 'predatory' lending practices (Corones et al., 2011, p. 5).

Further, as a result of financial exclusion, Australians may face new problems. For example, financially excluded people might turn to fringe or unregulated lenders who worsen the problem, increasing the chance that they will also experience social exclusion and financial stress (Pro Bono Australia, 2011; Godinho & Russel, 2013). For example, according to Arachiro (2010), "in 2007–08, approximately 12.5% of Australians were living in households with high financial stress" (p. 8). Therefore, it is essential to underline that, in the Australian context, social exclusion is both a cause and a consequence of exclusion in the financial domain. Moreover, the experience of discrimination in the financial system usually leads to a sense that "these services are not for us" (Arachiro, 2010, p. 6). In other words, the isolation and even humiliation that financially excluded Australian people or organisations may feel could make them turn to alternative high-cost financial service providers, which subsequently lead them to experience unsustainable debt levels (Godinho & Russel, 2013).

2.7 Chapter 2 Summary

As is evident from the literature, financial exclusion is defined as a process whereby people encounter difficulties accessing or using financial services and products in the mainstream market that are appropriate to their needs and that enable them to lead a normal social life in society. Individuals, families, households, NPOs, social enterprises and microenterprises are the clusters that may be vulnerable to financial exclusion. The causes of financial exclusion include structural barriers, lack of income, lack of capability (competencies, capabilities or literacy), and market failure (high costs or risks of providing services). Financial exclusion leads to negative personal, business and community effects, and is both a cause and a consequence of social exclusion. In Australia, financial exclusion is high.

In summary, the current literature on the prevention of financial exclusion suggests that community finance is the most effective way to ensure inclusion of people and organisations into a financial domain. For example, Staschen and Nelson (2013) treated community finance as an essential integrative element of an inclusive financial system. Within the global-scale framework of financial inclusion promotion through community finance services, alternative commercial organisations play a significant role (Jain et al., 2012). The paradigm in which community finance should be understood relates to a world in which poor and near-poor households (as well as economically disadvantaged organisations) have permanent access to affordable and high-quality financial services (Islam, 2007). As Kelkar (2010) points out, 20^{th} century banks relied on the belief that "small and poor borrowers are not bankable, and lending to such a target group was not in the interest of banks, especially in a competitive environment" (p. 61). However, proponents of community finance institutions thought the opposite, and viewed the poor as bankable and having business potential (Kelkar, 2010; Yunus, 2003). As a result, since the end of the 20^{th} century, CFOs have been distinguished from conventional financial institutions. In contrast to banks, community finance institutions have always served the interests of the poor by reducing transaction costs and making essential financial services (including credits, savings, insurance and fund transfers) more affordable. According to the European Commission (2008), community finance institutions occupy an essential place in the financial inclusion process because they target low-income people and those living in remote areas. In addition, these organisations often establish community finance programmes that provide "low-cost, short-term, small-amount loans" that are generally available for low-income consumers (Australian Treasury, 2011, p. 54). In light of this information, it is not surprising that community finance institutions are believed to be powerful organisations in the promotion of financial inclusion. However, with the increasing trend towards commercialisation in the community finance sector, it is not clear how CFOs might best continue to combat financial exclusion. Many factors have been identified in the literature relating to financial exclusion in the Australian context. This investigation into the organisational culture and social performance of Australian CFOs in the state of Victoria hopes to shed light on critical factors that affect financial exclusion and inclusion.

Chapter 3: Literature Review – Section B – Community Financial Services and Evolution

3.1 Introduction

This section of the review covers the following aspects of the research literature relating to CFOs: a general definition; the evolution of community finance and community development finance institutions (CDFIs); an analysis of their types and characteristics; the central aspect of social performance; the trend towards commercialisation and accompanying mission drift; the rise of informal service providers; and, finally, an analysis of the community finance sector in the Australian context, including the role of informal providers.

3.2 History and evolution

Many countries have made efforts to prevent the further development and consequent ruinous effect of financial exclusion on socio-economic and national progress. As Niang (2013) noted, since the early 2000s – when the problem of financial exclusion was recognised as a global concern – the UN and EU member states have been working towards national policies to address this negative trend effectively. For example, in 2003, reflecting upon the inaccessibility of financial services in developing countries, the former UN secretary-general Kofi Annan claimed: “the great challenge for us is to address the constraints that exclude people from full participation in the financial sector,” and he called for the building of an “inclusive financial sectors that help people improve their lives” (Pradeep & Garg, n.d, p. 40). According to the Combat Poverty Agency (2009), EU countries initiated the promotion of an inclusive financial environment for economically disadvantaged people because the importance of governmental intervention into this problem through social and economic policies has been acknowledged by member states since 2007.

An international movement towards financial inclusion has been evident throughout the last decade. In the literature, this concept is characterised in several ways; for example, as Bagli and Dutta (2012) stated, “financial inclusion refers to a situation where people, in general, have connection with the formal financial institutions through holding a savings bank account, credit account, insurance policy etc.” (p. 3). Realising the need for financial inclusion for both people and organisations, the European Commission (2008) characterised this positive phenomenon as a capacity to access and use appropriate mainstream facilities offered by financial services providers. Band, Naidu, and Mehadia (2012) added that “financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups” (p. 60). In other words, financial inclusion is a positive trend focused on the effective inclusion of low-income people and organisations facing financial hardship in active economic participation (Social Investment Australia, 2012).

However, financial service systems for financially excluded communities are complex. Schemes and services have had long histories, and many variations from a range of geographic areas have evolved, with solutions tailored to their particular social and economic conditions (Rutherford, 2000). At the outset, the parameters of community finance providers can be identified and categorised into formal, semi-formal and informal organisations, based on their regulatory requirements (Rutherford, 2000). Organisations such as community banks and non-banking financial institutions (NBFIs) emerged as formal financial service organisations providing services for financially excluded communities, while credit unions, credit cooperatives, building societies and NGO finance organisations established themselves as semi-formal financial service providers (Morduch, 2000; Seibel, 2003). At the same time, the literature indicates that informal financial service providers, such as individual money lenders and pawnbrokers, have long been providing financial services for financially excluded communities (Rutherford, 2000). All three above mentioned financial service providers will be collectively referred to as CFOs (CFOs) for the purposes of this study.

Formal and semiformal CFOs have also been around for decades, providing micro credit and savings services for financially excluded communities and those who were traditionally neglected by commercial banks (Morduch, 2000). One of the earlier and longer-lasting organisations of this type was the Irish Loan Fund system, initiated in the early 1700s by author and nationalist Jonathan Swift (Helms, 2006). Further to Helms, (2006), Swift's idea started gradually but by the 1840s it had developed extensively about 300 funds all over Ireland.

In the 1800s, numerous types of larger and more formal savings and credit organisations has begun in Europe, mainly amongst the rural and urban poor. These organisations were identified as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The idea of the credit union has developed by Friedrich Wilhelm Raiffeisen and his supporters (Helms, 2006). According to Helms, (2006), their motivation has become to support the rural population with cheaper financial services. From 1870 ahead, the credit unions has grown rapidly in Germany. Helms (2006) has also stated that the cooperative movement also replicated in other countries in Europe and North America, and gradually to developing countries with the support of donors agencies and development organisations.

From around 1950 to 1970s, mainly in developing countries governments and donors agencies have dedicated on providing agricultural loans to small and marginal farmers, with the view to increase the income of framers. However, these subsidised schemes not have not been successful due recovery issues and higher operational cost. Specially, rural development banks have faced adverse effect for their capital (Helms, 2006).

Meanwhile, the community finance sector had been receiving remarkable attention by development agencies, including the UN, with the success of Grameen Bank, established by Professor Mohammad Yunus in 1983. The solidarity group concept was the main driving force behind the success of Grameen Bank and they received continuing subsidies could attain wider outreach to clients (Robinson, 2001). The origin of the Grameen Bank is also considered to be an important milestone in the community finance sector and it has influenced the typical charity based development philosophy (Morduch, 2000). In 2006, Professor Yunus was awarded by the Nobel Prize for his greater contribution for the economic and social development with the concept of Grameen Bank (Mersland, 2008).

Subsequently, starting in the 1980s, experimental programs in East Asia and Latin American countries extended small loans to groups of poor women to invest in micro-businesses. As Helms (2006, p. 4) discusses, “this type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members”. Further, Helms (2006) argues that these ‘microenterprise lending’ programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor borrowers, who often were women.

However, in the late 1990s, the landscape of the financial services sector serving financially excluded communities changed dramatically and experienced various trends and issues (CGAP, 2011; Joanna & White, 2006; Kapper, 2007; Perera, 2010; Reille & Forster, 2008; Sundaresan, 2008). For example, the financial sustainability of formal and semiformal CFOs is one of the biggest issues faced by the sector in the recent past, with decreasing donor subsidies and government funding (CGAP, 2011; Joanna & White, 2006; Kar, 2010; Rausch, 2012). Subsequently, formal and semiformal CFOs started to attract private funding sources and generate profits in order to ensure their self-sustainability (Kapper, 2007). Today, most CDFIs have transformed into for-profit organisations and have started to operate according to market-based principles (Joanna & White, 2006). BancoSol in Bolivia and BRAC Bank in Bangladesh are the foremost international examples discussed in the mainstream literature (Christen, 2000).

With increasing financial exclusion, the community financial services sector has presently developed to the level of an industry in developed and developing countries (Lau et al., 2009). Recently, the number of financial service providers in the informal sector has increased significantly (Burton, 2010). Formal and semiformal CFOs seem to be the dominant financial service providers for financially excluded communities both in developed and developing countries (Burkett & Drew, 2008; Kneiding & Tracey, 2012; Stephen et al., 2011). New players, such as commercial banks, and informal sector organisations, such as payday lenders, have emerged with various motivations for their operations in the sector (Barman, Mathur, & Kalra, 2009; Buckland, 2011).

3.3 Community Development Finance Institutions (CDFIs)

Today, both formal and semiformal CFOs are commonly recognised as community development finance institutions (CDFIs) in developed countries (Bakhtiari, 2006; Mustafa, Gill, & Azid, 2000), and as having similarities to microfinance institutions (MFIs) in developing countries (Aghion & Morduch, 2007; Bakhtiari, 2006; CGAP, 2006; Mustafa et al., 2000). However, the CDFI industry in its current form is a relatively new phenomenon (Yates and Hunter, 2011). With the increase of financial exclusion, the number of financial service providers in the informal sector has risen significantly (Burton, 2010).

The formation of CDFIs has a longstanding tradition in developed countries such as the US, UK, Europe and Canada when applied to the alleviation of pockets of poverty in a developed social environment (ANZ, 2004). In the 1970s, the first community development bank, the South Shore Bank, was established in the US. Its commercial success served as a model for many subsequent community development banks, and stimulated the development of the CDFI industry (Benjamin, Rubin, & Zielenbach, 2003). Despite the fact that the credit union movement emerged about a century ago, the scope of the activities of CDFIs was much narrower than it is today. The oldest American CDFIs appeared during the period of former president Lyndon Johnson’s War on Poverty in the 1960s, leading to the establishment of the Office of Economic Opportunity, which oversaw Community Development Corporations (CDCs). These corporations aimed to provide financial services to low-income communities viewed as too risky by large banks.

Some of the most successful CDCs included the Kentucky Highlands Investment Corporation (KHIC) and the Bedford-Stuyvesant Restoration Corporation in Brooklyn (Yates & Hunter, 2011). At the same time, postal banking and credit unions increased, by and large, in the UK and Commonwealth countries. Primarily, postal banking systems were established as an alternative mechanism to promote savings among financially excluded communities due to geographical disadvantage (Ihlanfeldt, 1999).

In the 1990s, CDFIs gained widespread popularity in Eastern and Central Europe, especially in the post-USSR territories, to help people recover from the collapse of the Soviet Union and to re-establish their national financial systems (Rausch, 2012). The specific feature of those territories was a gradual transition from a command economy to a market-based economy, which could not help leaving a trace on the development of private businesses, credit risks and so on. Despite the fact that people using the support of CDFIs were mostly well educated and not poor, the assisted transition contributed significantly to the creation of private enterprises and a smooth change overall (ANZ, 2004). However, presently, the community financial services sector has developed to the level of an industry, in developed and developing countries (Lau et al., 2009).

3.3.1 Definitions of CDFIs

CDFIs can be identified among other financial services providers because of their unique characteristics. They have a dual mission of providing affordable financial services for excluded communities, allowing them to achieve financial sustainability (Mersland, 2008). Therefore, CDFIs do not provide free financial products and services like fully charitable organisations, for which customers are supposed to pay a minimum or at least some portion of the cost of those products (SVA, 2009). CDFIs are supported by donor funding and other subsidised public, private or philanthropic funding sources. However, the literature indicates that there is no universally agreed definition for CDFIs. The CDFI industry body in the USA defines CDFIs as:

> A private sector financial intermediary that has community development as its primary mission and develops a range of programs and methods to meet the needs of low-income

> communities. CDFIs make loans and investments that are considered unbankable by conventional industry standards and serve borrowers, investors and customers not serviced by mainstream financial institutions. They also link finance to other development activities (SVA, 2009, p. 17).

In the UK, CDFIs are defined as:

> Sustainable, independent organisations which provide financial services with two aims: to generate social and financial returns. They supply capital and business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or underserved markets (SVA, 2009, p. 17).

According to Plant and Warth (2013), the community development finance sector in Australia is not at the same stage of development as in the UK or the USA. There are a number of CFOs that operate in the country providing CDFI-like services. Similarly, the literature indicates that there is no agreed-upon definitions for CDFIs in Australia. Foster Community Finance defines CDFIs as:

> independent organisations focused on the use of financial mechanisms to develop and service people, organisations and communities who are often disadvantaged and have been underserved by mainstream financial institutions (Burkett & Drew, 2008, p. 37).

The above definitions show that CDFIs emerged in response to the need for synthesising social and financial skills to address and eliminate financial exclusion, and to solve the troubles of unbanked, under-invested, excluded, and poor categories of population in both developed and developing countries (Burkett & Drew, 2008). This need was solved by means of establishing intermediaries (see Figure 3.1; Burkett & Drew, 2008, p. 36) that would collect capital from a number of financial sources, and would reinvest it in people and enterprises in need of financial support (Cooch & Kramer, 2007). By virtue of their intermediator role, CDFIs and these new organisations would possess the skills necessary for uniting social and financial services, and design a new category of products and services for people and organisations excluded from mainstream finance.

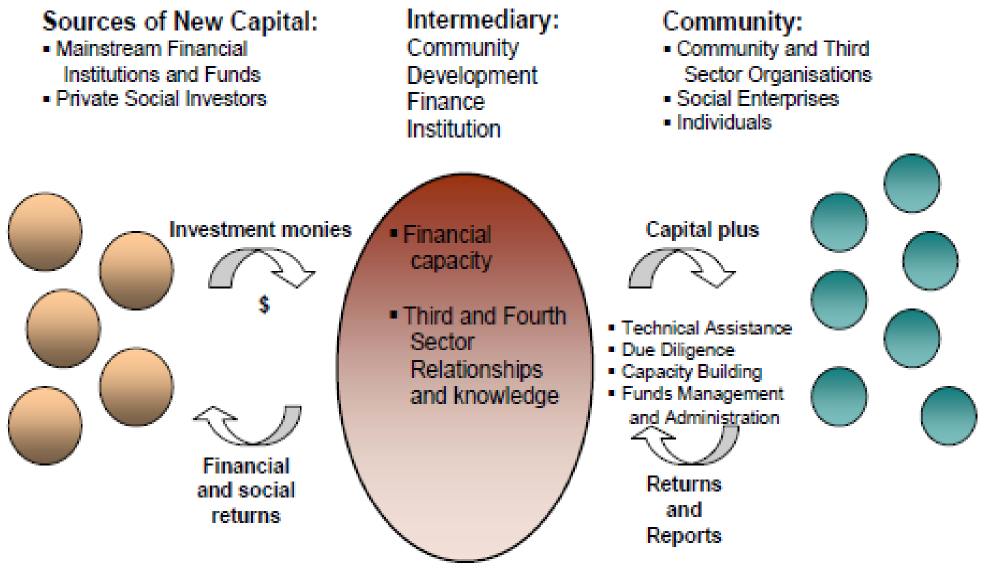


Figure 3.1: Intermediary Role of CDFIs (Burkett & Drew, 2008, p. 36)

Figure 3.1 also explains the main benefit of CDFIs that emerged upon realising the need for such intermediaries was in their capability to bring financial resources (investment, equity, and debt) to previously excluded markets (Burkett & Drew, 2008). They also oversaw the appropriateness and sufficiency of financial flows in these markets, and ensured the achievement of maximum social impact. Due to the cumulative experience in financial and social sectors, CDFIs emerged as institutions able to reduce costs and risks related to using capital (which helped mitigate the risk of market failure), deliver feasible positive social impact through financial instruments, and drive both social and financial performance in low-income, unbanked communities (Burkett & Drew, 2008).

The Community Development Finance Association (CDFA) defines CDFIs as social enterprises that usually help microenterprises, small businesses, and medium businesses, as well as enterprises represented by community organisations or charities. Thus, they perform the following general functions: they recycle finance into neighbourhoods in need by making loans available; they fill the gaps in mainstream lending, and they mitigate market failure risks by providing affordable alternatives to costly loans (CDFA, 2013). More specifically, although the major portion of CDFI finance is allocated to the microenterprise and social enterprise markets, CDFIs also offer loans and financial support to individuals for: working capital; bridging loans; purchases of property and durable equipment; start-up business capital; business-related purchases; personal loans; home improvement and repairs; loans assisting certain categories of people to return to work, and so on (CDFA, 2013).

3.3.2 Common Types of CDFIs

Different types of organisations currently serving financially excluded communities can be identified. Currently, formal and semi-formal CFOs can generally be divided into two main categories: not-for-profit and for-profit organisations. These categories reflect the division between *welfarist* and *institutionalist* service providers for financially excluded communities (see 3.5.1 for additional discussion of these approaches).

There are five main categories of CDFIs that can be commonly identified in developed countries: (1) community development banks (or social banks); (2) community development credit unions (CDCUs); (3) community development venture capital funds (CDVCs); (4) community development loan funds; and (5) microenterprise loan institutions (Burkett and Drew, 2008; CDFI Data Project, 2002; Ihlanfeldt, 1999):

(1) Community Development Banks: These banks specialise in providing capital for the reconstruction of economically distressed communities by using the financial instruments of lending and investing. They can also actually represent for-profit organisations and have community representatives included in their boards of directors (CDFI Data Project, 2002).

(2) Community Development Credit Unions: CDCUs represent the type of CDFI that is specifically directed at promoting ownership of assets and savings for the sake of affordable access to credit and retail financial services. CDCUs often target minority and low-income communities to help them achieve more financial autonomy and stability; they most often represent non-profit financial cooperatives owned by their members. In the US, they are regulated by the National Credit Union Administration (NCUA) or by state agencies (CDFI Data Project, 2002). Burkett and Drew (2008) indicated that CDCUs provide fair and safe alternatives to predatory lenders, which constitutes their key advantage. The most widely known CDCUs in the US include ASI Federal Credit Union (FCU) and Lower East Side People's FCU. In the UK, Southwark Credit Union is the most well-known, and in Australia, the Fitzroy and Carlton Community Credit Co-operative is one of the CDCUs at the forefront of the field (Burkett & Drew, 2008).

(3) Community Development Venture Capital Funds: CDVCs are the type of funds providing equity and debt-with-equity features for small and medium businesses in low-income and unbanked communities. They are usually operated by community representatives and can have either a for-profit or a not-for-profit orientation (CDFI Data Project, 2002).

(4) Community Development Loan Funds: Community development loan funds (CDLFs) are another form of CDFIs providing financing and development services to low-income communities. Loan funds are divided into microenterprise, small business, and housing and community service organisations, each of which specialises in the particular kinds of clientele they serve (CDFI Data Project, 2002). Burkett and Drew (2008) add that such CDFIs usually hold and pool private and institutional investors' money to reinvest it in the development of underserved communities and organisations. Examples of these institutions are the Brotherhood of St Laurence and Good Shepherd Microfinance in Victoria, Australia.

(5) Enterprise loan funds: Enterprise (or microenterprise) loan funds specialise in the provision of loans and various kinds of financial services to microenterprises, social enterprises and social or eco-businesses. Australian enterprise loan funds are now absent, but a financial institution pioneering the establishment of such a financial instrument is Foresters Community Finance in Queensland. In the UK, Bridges Community Ventures Ltd. and the London Rebuilding Society Social Enterprise Fund service large numbers of clients, and in the US, the most well-known enterprise loan fund is ACCION USA (Burkett & Drew, 2008).

3.3.3 Social Performance of CDFIs

Rausch (2012) noted that, although CDFIs have been highly helpful worldwide in increasing the financial capacity of middle- and low-income communities, their modern investors require them to produce a more tangible social effect in addition to financial improvements. However, there is a problem with measuring social performance because CDFIs have turned out to be unprepared to meet such stakeholder demands. The essence of the challenge was described by Rausch (2012, p. 19) as follows: "they most commonly track those end-products that are easily quantifiable, such as the number of loans granted, number of minority clients served, and number of housing units financed".

The literature indicates some unsettled debates on the definition of social performance. Dialogue relating to the social performance of CDFIs has come to prominence with the trend towards the commercialising of CDFIs. Importantly, several recent academic studies have found evidence for mission drift in commercialised CDFIs (Engels, 2010; Hishigsuren, 2007; Mersland & Strom, 2009). For example, Hishigsuren (2007) explicated the three important dimensions of outreach in community financing: (1) quality of outreach – range and affordability of financial and non-financial services for clients [benefits]; (2) depth of outreach – reaching pro-poor communities, and (3) scope of outreach – reaching unreached poor. She used these dimensions in her case study of mission drift in Bancosol (Bolivia) in order to understand the social performance of MFIs, and found that quality, depth and scope of Bancosol's outreach declined after it transformed into a commercial bank. The concerns have intensified in the last decade and sector leaders have formed a Social Performance Task Force (SPTF) with the view to enhancing the quality and outreach of institutions serving financially excluded communities globally (CGAP, 2007). The Social Performance Task Force has identified social performance as:

> the effective translation of an institution's social mission into practice, in line with accepted social values that relate to: serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for

> clients; and improving the social responsibility of microfinance institutions (CGAP, 2007, p. 3).

Chandrabai et al. (2012, p. 8) echo this definition of social performance as follows:

> [The] effective translation of an institution's social mission into practice in line with accepted social values that relate to: reaching poorer and excluded clients; improving the lives of clients and their families; widening the range of opportunities for communities.

The above definitions indicate that a social performance assessment must enable a finance organisation to measure its performance relative to its social mission and objectives. According to CGAP (2007), an assessment of social performance needs to measure the following aspects of CFOs:

(1) Process: organisational process and internal systems – an analysis of the declared social objectives and evaluation of the effectiveness of its systems and service in meeting these objectives.

(2) Results: Client condition – an assessment of social performance at the client level to determine related outputs and success in effecting positive changes in the lives of clients.

Benjamin et al. (2003) indicated that it is hard to measure the social effects of CDFIs, mainly because of the challenge of separating them from other effects. Economic performance also stands out as a significant aspect of the effects of CDFIs on individuals and communities; in these terms, the most important manifestations of these effects include creation of jobs and housing units, and provision of mortgages. As a result, the overall social and economic health of the community in which CDFIs function is improved. However, each aspect of performance requires separate attention and discussion. The evolution of social impact – that is, assessing the impact on beneficiaries and analysing the breadth, depth, scope and worth of outreach – comes only after the assessment of output and outcomes (Karlan & Zinman, 2011).

Cull, Demirguc-Kunt, and Morduch (2007) researched the social performance differences between popular types of CFOs, collecting data from 124 organisations worldwide, and their results indicate that individual-based, for-profit CFOs serve low-income clients to the least extent. At the same time, the lenders mostly target low-income financially excluded communities, thus facing a higher average cost and a reliance on subsidies. Further, Cull et al. (2007) indicate that financially self-sustaining, individual-based lenders tend to have a smaller average loan size and lend more to women, suggesting that pursuit of profit and outreach to the poor can go hand in hand. At the same time, larger individual-based lenders and group-based lenders tend to extend larger loans and lend less frequently to women (Cull et al., 2007).

More recently, Marr and Awaworyi (2012) studied the social performance of 878 microfinance institutions and found that older as well as regulated microfinance institutions tend to perform more poorly than younger and non-regulated institutions. At the same time, the authors stated that institutions with more assets and higher loan ratios for loan officers have a tendency to perform better socially.

Kneiding and Tracey (2012) designed a performance measurement framework for CDFIs and identified two key social performance measures: the number of jobs created or preserved through lending, and the target group focus (i.e. the number of clients belonging to a specific target group in relation to the total number of clients). The measurement of the social performance of CDFIs is related to understanding the ways in which people's lives actually improve as the result of a particular community development effort (Rausch, 2012). CDFIs are measured in terms of their role as catalysts for the improvement of social outcomes in underserved communities.

Recent results of social performance measurements conducted by Bédécarrats et al. (2011) show that not-for-profit MFIs generally score better than for-profit ones, while bigger MFIs are generally less oriented towards the poor. Although there is an effort by external professionals to audit these results, existing social performance indicators and ratings still remain primarily dependent on the subjective responses and perspectives of the CFOs themselves.

There is a dearth of literature investigating the social performance of informal providers. Initial assumptions regarding their purely commercial motivations require much closer analysis. Social performance indicators at present reflect the practice of formal and semi-formal CFOs; given the rapid increase in the informal sector, such investigation is timely and urgent.

3.4 Commercialisation of CDFIs & Mission Drift

3.4.1 Commercialisation of CDFIs

The for-profit orientation of formal and semiformal CFOs has been identified in the literature as the commercialisation of community financial services; in the recent past, most of these CFOs have embarked on a process of commercialisation (Getu, 2007). Commercialisation of community finance can be approached from a number of perspectives – the welfarist and institutionalist schools. Welfarists are almost exclusively focused on the social mission of community finance, i.e. increasing access to financial services and credit for the poor. In contrast, institutionalists ascribe a much more diverse role to community finance, and favour the creation of more useful institutions than those involved solely in the transfer of funds. From the welfarist perspective, the commercialisation of community finance represents a divergence from the social mission of CDFIs, whereas institutionalists envision this practice as a favourable evolutionary step for community finance and an opportunity to take a more stable position in mainstream financial services provision (Dacheva & Gotwalt, 2007).

For instance, as Rosengard (2004) noted, a number of mainstream financial stakeholders—such as governmental officials, donor agencies and commercial banks—do not accept the possibility of helping the poor without the allocation of subsidies. Their stance is based on the opinion that it is challenging and immoral to lend money to microenterprises because of the high operational expenses, credit risk and low economic status of the clients aspiring to borrow. Community finance perceived thus is not seen as a full-fledged financial service, but rather as a community service for poor and underserved population groups. However, the vision of community finance as having commercial potential has evolved among financial services providers:

A consensus has emerged that not only is it possible both to make money and provide essential financial services for low-income households and microenterprises, but that whenever possible, community finance should be done in a commercially based, financially sustainable manner; community finance institutions should cover all of their costs, including operational expenses, the cost of funds, and loan losses, as well as generate a surplus to provide a profit incentive and for reinvestment in new products, delivery systems, and technology (Rosengard, 2004, p. 28).

Although governments and donor agencies are, at present, still interested in promoting community finance services, these services are increasingly perceived as a supplement rather than a full substitute for market-oriented financial services. Judging community finance from that viewpoint, sustainable community finance institutions appear focused on ensuring the long-term provision of core financial services to underserved populations and, at the same time, contributing to the national growth by enabling low-income, high-risk communities to accumulate assets and generate income, thus increasing their participation in the financial life of the country. Moreover, community finance institutions (as well as other CDFIs) represent financial intermediaries able to integrate formal financial markets with informal real markets.

Christen (2000) identified three elements of a commercial approach to community finance: profitability, competition and regulation. Profitability of community finance institutions is closely connected to their financial performance; as in the case of Latin American organisations, Christen (2000) discovered that organisations that adopted a commercial approach have become more profitable than their peers in other developing regions, and in some aspects, they have even surpassed traditional commercial banks. As for competition, it is an indispensable element in an environment where market participants struggle for their clients and operate on a commercial basis. The increasing profits generated by commercialised NGOs attract the attention of other market participants and urge them to enter the same field of market activity, thus intensifying the competition inside this financial services sector. Given such intense attention on commercialised community finance opportunities, Christen (2000) assessed some markets as reaching their saturation point in this field. The achievement of sustainability is a basic precondition of obtaining a licence, so Christen (2000) concluded that all registered and licensed organisations offering community finance and possessing a more or less stable position in the market are sustainable. Moreover, these organisations have usually adopted a commercialised approach to community finance, which led the author to conclude that sustainability and commercialisation are two inseparable features in the Latin American CDF sector.

The commercialisation of formal and semiformal CFOs has been debated in the recent literature. One section of the literature indicates that this process is natural and that it has advantages to offer the sector (Ayayi & Sene, 2010; Drake & Rhyne, 2002; Lau et al., 2009). On the other hand, the disadvantages have been critically discussed because of the potential risk of social mission drift (Armendáriz et al., 2009; Charitonenko et al., 2004; Engels, 2010; Getu, 2007; Kapper, 2007; Mersland & Strom, 2009). Importantly, several recent academic studies have found evidence of mission drift in commercialised CFOs (Engels, 2010; Hishigsuren, 2007; Mersland & Strom, 2009). At the same time, the informal sector of financial services providers, such as payday lenders, has grown rapidly and exponentially in developed countries seeking opportunities and enormous profits in the community finance sector (Burton, 2010).

Currently, the influence of CDFIs is clearly increasing, both individually and collectively, as a distinct financial sector, particularly in developed nations. The CDFI field is currently affected by reduced government funding and greater focus on performance from potential financial partners. Another aspect of influence can be seen in the dramatic changes in mainstream financial sector operations. All these effects bring about new opportunities to align CDFIs to mainstream financial services systems, and to create cooperative schemes. The common opinion among CDFIs is that mainstream banks are “perpetrators of disinvestment,” so cooperation between them was initially met with suspicion, although more partnerships were soon established; additionally, CDFIs are, at present, fluent in the language of business and command typical of mainstream banks, which allows them to accomplish their functions better (Newberger, Berry, Moy, & Ratliff, 2008, p. 16).

The biggest challenge CDFIs encounter is to maintain the balance of financial and operational sustainability while focusing on their primary social mission of serving financial excluded communities with affordable financial services (Plant et al, 2013). Hence, adequate funding and subsidies will be an important determent for CDFIs as they provide services for a high-risk market with a higher operational cost (Banks et al., 2011). Therefore, funding inadequacy has become a critical issue for the development of CDFIs. For this reason, CDFIs currently approach private funding. Microfinance Investment Vehicles (MIV)[4] are the prime sources of private capital for CDFIs. At the same time, current economic downturns and the decline in stock market performance has adversely affected the availability of grants, which is also a negative trend for CDFI development (Wilson, 2011).

On the other hand, Newberger et al. (2008) envisioned a much more optimistic future for CDFIs; the authors indicated that “participation of conventional lenders in the community development field is in many ways evidence of success for the development of the finance industry” (p. 16). The only threat to CDFIs seen by the authors is the increasing participation of mainstream financial organisations in markets previously unnoticed by them – the prime domain of CDFI functioning. Therefore, there is the view that CDFIs

[4]Microfinance Investment Vehicles (MIVs) are independent investment entities with more than 50% of their non-cash assets invested in microfinance and which are open to more than one investor.

have a future in the modern world, in which the alleviation of poverty and financial exclusion is one of the top priorities of all developed and developing countries, but they may have to reconsider and renegotiate their outreach within the context of the mainstream financial sector.

Commercialisation of community finance is a natural method of social and financial advancement; as Paudel, Khatri, and Paudel (2010) noted, contemporary financial development in any country is intricately connected with the promotion of economic activities through commercialisation. Commercialisation is now considered in some quarters as development work, and perceived as an instrument of social empowerment and wealth generation. Because community finance is one of the core CDFI instruments for assisting underserved communities in increasing their access to financial services and resources, the commercialisation of community finance is also considered to be one of the approaches to this task. The way in which Shil (2009, p. 205) visualised the community finance commercialisation model is presented in Figure 3.2. Rosengard (2004) discussed community finance commercialisation and stated that social entrepreneurship and sustainable community finance are highly congruent concepts. The main similarity between them is their approach to business practice with a conscience, which makes social entrepreneurship and community finance similar to good internal and external corporate behaviour, CSR and corporate philanthropy – the tenets of CDFI existence (Rosengard, 2004). These features imply that social entrepreneurship is a tool of social empowerment in many ways similar to CDFIs.

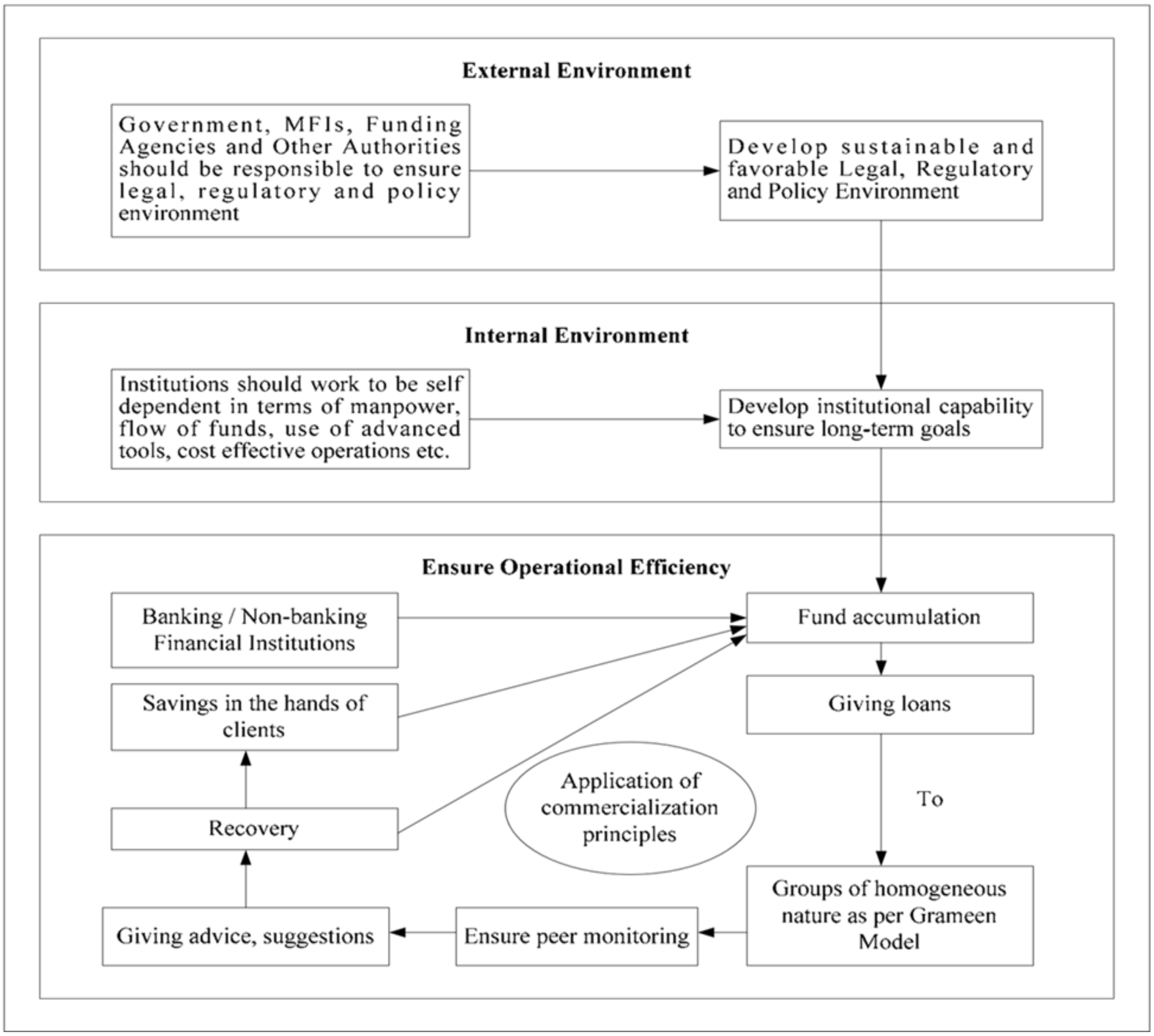


Figure 3.2: Community Finance Commercialisation Model (Shil, 2009, p. 205)

The commercialisation of community finance is closely connected with the concepts of poverty and poverty alleviation. Shil (2009) pointed out that poverty is a multidimensional phenomenon characteristic of both developed and developing countries, and helping the poor at the national level is not an easy task. The continuum of the commercialisation of community finance is represented in Fig. 3.3 (Shil, 2009, p. 205).

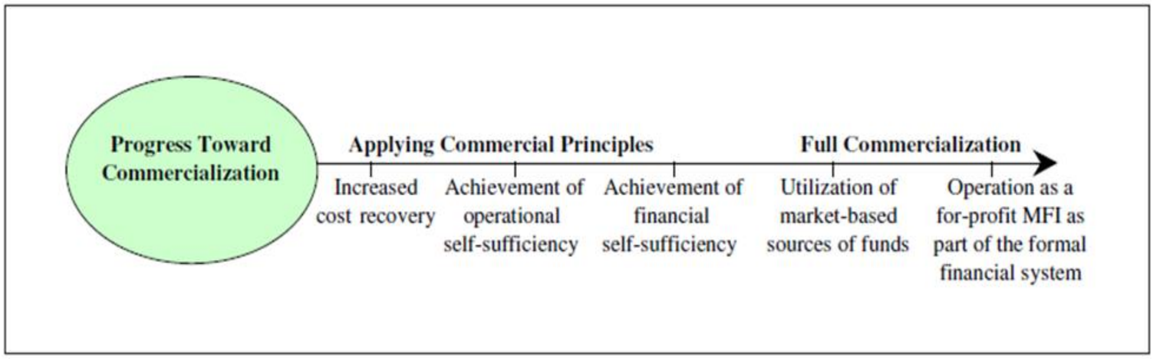


Figure 3.3: Continuum of Commercialisation (Shil, 2009, p. 205)

Benjamin et al. (2003) indicated that, because the greatest growth in the field of CDFI was in the 1990s – a period of consistent economic prosperity and strong stock market returns – there is little hope for further development of the CDFI industry. At present, multiple concerns emerge regarding the future viability of CDFIs as alternative financial instruments. In light of the commercialisation trend in the community finance sector, an examination of the organisational culture governing the operation of CDFIs and the extent to which their social mission can be maintained is timely.

3.4.2 Mission Drift

Mission drift relates to the way in which community finance institutions view, perceive, and present themselves and their services. The core mission of CFOs is commonly associated with poverty reduction, and the smaller the loans provided by a community finance company are, the deeper its outreach is (Armendariz & Labie, 2011). Hence, in clarifying what mission drift is, it is necessary to comprehend what makes community finance institutions increase the loan size, thus narrowing their outreach and losing a portion of their clientele. One solution to this dilemma is the method of progressive lending, which presupposes that clients of community finance institutions can reach a higher credit ceiling after serving a 'clean' repayment period at the end of each credit cycle. Another variant presupposes the application of cross-subsidisation, a method of reaching out to the unbanked wealthier clients by financing a large number of poorer clients with smaller loan sizes (Armendariz & Labie, 2011).

Following from these changes in the appeal of CFOs, a mission drift can be defined as a state of discrepancy between the announced mission of the organisation and its actual practices (Aghion & Morduch, 2007; Armendariz & Labie, 2011). Grace, McClellan, and Yankey (2009) defined mission drift as a condition of either temporary or constant loss of sight of the organisational mission by a CDFI. They identified the source of mission drift in the deterioration of leadership, resulting in the crumbling of systems within the financial organisation. In the case of CDFIs, the organisational focus often shifts from the social perspective of increasing access to financial services and alleviation of poverty to a more market-based and profit-oriented purpose. CDF organisations often divert from meeting the needs of the community to pursuing tactics for controlling internal problems.

Male (2012) agreed that almost every organisation has a tendency to drift away from its initial mission when following the path of increased profit, which is often the result of market success and successful growth. Hence, after entering the mature stage of organisational development, CFOs have to beware of the administration’s appetite for money. When a not-for-profit organisation with a strong social objective starts to grow and develop, the company’s leaders understand that they need more people and more resources to survive. This is the point at which, as Male (2012) observed, the shift of means and ends often occurs, and the maintenance of the CDFI becomes a more urgent priority than the accomplishment of community development and poverty alleviation.

As Gueyie et al. (2013) stated, the debate over mission drift is one of the major topics of concern in current community finance research, along with issues such as predatory lending, governance and regulation of CFOs, funding constraints and over-indebtedness. The majority of researchers envision mission drift as a consequence of CDFI commercialisation, occurring naturally because of the intensifying competition in the community finance sector.

The debate over mission drift and its connection with CDFI commercialisation emerged in 1992 when a Bolivian CDFI, PRODEM, evolved into a shareholder-owned commercial bank and was renamed BancoSol. Similarly, Goldin and Reinert (2007), when discussing

CDFIs that end up unable to unify commercialisation demands with the social objective of poverty alleviation and increased financial access provision, identified MFIs such as BURO Tangail (BT) in Bangladesh and Bank Rakyat's microbusiness division in Indonesia. Despite the widespread scepticism surrounding the issue of aligning commercialisation and the social objectives of CDFIs, there is sound empirical evidence that some organisations are managing to become commercialised while avoiding mission drift:

- Goldin and Reinert (2007) named a number of aid organisations and CDFIs that launched AFRICAP, a commercial CDFI facility in Africa. It is a for-profit equity investment organisation located in Mauritius and operating out of Dakar, Senegal. AFRICAP brings revenue to its investors by investing in leading CDFIs, and its present-day capitalisation equals about US$13 million. Moreover, according to the findings of Storey and Onn (2009), commercialisation of CDFIs is a process promoted by the government, which makes it a widely approved and encouraged incentive. It is also implied that its negative side effects, such as mission drift, need to be tackled to reap the whole range of its benefits for all categories of CDFI clients.
- The case of Banco Compartamos, a Mexican CDFI that went public in 2007 (Gueyie et al., 2013), demonstrates a different outcome as a result of commercialisation. There are fierce debates over commercialisation in the community finance field because many actors advocate for the promotion of markets in areas where financially excluded communities are living, whereas some CDFIs prefer to drop that objective and to enter the mainstream commercial finance services field. This was the case with Compartamos, a Catholic NGO in Mexico that became a profit-making financial institution. The debate over Banco Compartamos was explained in detail by Roy (2010): the author noted that the Banco is an example of ethical capitalism. When Compartamos made its public offering in the Mexican stock market, it raised $458 million, and private Mexican investors, including the bank's top executives, received about $150 million from that deal (Roy, 2010). The rest of the funds were returned to the institutions that

> had financed Compartamos during its shift from a not-for-profit CDFI to a commercial organisation. One such organisation receiving a portion of funds from Compartamos's going public was the Action International Organisation, a Boston-based NPO providing technical assistance and capital to CDFIs. This organisation gained tremendous revenue from the changes in Compartamos because it invested only $1 million in it, sold half of its 18% stake of the company on the stock market, and received $135 million from that deal. Moreover, the rest of Compartamos's stake brings an $80 million annual profit to Action International, with more than one million borrowers of Compartamos per year (Roy, 2010). It is evident that CDFIs can successfully commercialise their activities and contribute to the development of other CDFIs as a result of their mission drift.

The connection between commercialisation and mission drift has been illuminated in research from two opposite perspectives. One group of researchers has indicated that there is no connection between these two concepts, and that the commercialisation of CDFIs does not necessarily result in a mission drift. For example, some successful commercialised CDFIs have improved their outreach to give access to financial resources to populations living on less than one dollar per day (Gueyie et al., 2013). Innovative methods of operation allow CDFIs to reach extremely poor populations and still cover their costs. However, an opposite opinion is that there is always a need for CDFIs to be involved in a trade-off between serving the poorest and being financially sustainable. Thus, companies unable to cover their costs are urged to increase their demands to clients to remain afloat and to be economically viable. According to the second view, researchers advise increasing governmental control over CDFI operations to trace the challenging issues and prevent them from diverting from the positive social change agenda for the sake of surviving in the competitive CDFI market (Gueyie et al., 2013).

A number of symptoms that may signal the presence of a mission drift were delineated by Grace et al. (2009):

- Board meetings with little mention of community development programmes and services, and an exclusive focus on the financial statements
- Refusal of board members to be involved in organisational activities except at board meetings, with little or no financial commitment
- Dysfunctional leaders unable to encourage leadership growth and succession
- Fierce competition for control among the board and staff members
- An ineffective approach to organisational priorities, neglecting the needs of constituencies and changes in the marketplace
- A shift from a passionate and enthusiastic commitment to social objectives of the organisation to a more pragmatic, market-based and mercantile view of organisational operations
- Introduction of activities beyond the social improvement scope of the CDFIs
- Lack of strategic objectives and focus at board meetings
- Improper accountability and absence of sound evaluation metrics for assessment of organisational success
- Concerns of the organisation's administration about divergence from the initial corporate objectives of an organisation.

Powell and Steinberg (2006) emphasised that general mission statements enable not-for-profit organisations to engage in commercial activity, but the decision to do so still depends on the authority of decision-makers in those organisations. In this situation, the mission drift can be intentional, which means that the choice of an organisation to redirect its activities in new directions, such as those driven by market competition, donor demands and financial exigency, is conscious. If mission drift occurs voluntarily, an organisation may choose to divert to market-based activities for the sake of gaining an opportunity to obtain a governmental grant, or the motivating force for such a change may come from a powerful grantee or a cash-flow crisis. However, in its more critical manifestations, mission drift may occur solely because of the wish to gain profit, which usually results in the emergence of undesirable behaviours, erosion of the overall morale of the organisation and a lack of the social improvement focus that distinguishes CDFIs (Powell & Steinberg, 2006).

McKeen-Edwards and Porter (2013) highlighted that commercial community finance is problematic for the goal of including the poor in mainstream financial services, mainly because the underlying idea is the possession of financial efficiency – something that the poorest population groups can hardly exhibit. However, in addition to this opinion, there is a widespread claim that CDFI commercialisation is beneficial because it broadens the outreach, which in turn may justify the risk of mission drift. The authors also stated that, in the process of commercialisation, more and more CDFIs become registered financial actors, which contributes to a blurring of the lines between community finance and other banking for the poor.

3.4.3 Analyses of Mission Drift Models

A number of mission drift models related to community finance were analysed:

1. Cost of reaching the poorest (Armendariz and Szafarz, 2009)

The model developed by Armendariz and Szafarz (2009) implied that "mission drift [would] result from the interplay of CDFI specific parameters pertaining to the cost of reaching the poorest" (p. 23). It was found that, in cases when serving the poor is not too expensive, CFOs are unlikely to drift from their mission; this is more typical in the South Asia region, where the poor are easily accessed and the number of poor people is many times higher than in, for instance, Latin America. However, the authors also found that the level of cross-subsidisation in Latin America is much higher than in South Asia, mainly because of a much higher gross domestic product (GDP).

2. Cost-efficiency indicators (Mersland & Strom, 2009)

Mersland and Strom (2009) addressed a similar concern; their study aimed at determining whether community finance institutions indeed experience a mission drift in cases when they become increasingly interested in serving the needs of clients in a better financial position than that of their original customers. They tested the validity of that assumption by analysing the mission drift of a selected sample of CFOs from many countries, according to parameters such as average loan size, CDFI's lending methodology, and main market and gender bias. The authors' findings over 11 years indicated that the average loan size had not increased in the community finance industry as a whole, and that there had been no noted tendency towards more individual loans or a higher proportion of lending to urban clients. Hence, Mersland and Strom (2009) concluded that the major concern should lie within the cost-efficiency indicators of CDFIs, because financial viability has become the core challenge of CFOs in the maturing and saturating of the community finance market.

3. Benefits & challenges (Olteanu, 2011)

A critical review of the effect of commercialisation on CDFIs indicated that, in one respect, it is a highly beneficial process for this type of organisation: it enables companies to offer better services, provides a chance for smaller institutions to mobilise their savings, and broadens the outreach of their community finance offers. However, a negative side of commercialisation is undoubtedly the mission drift phenomenon, where institutional balance tilts towards maximising financial returns at the expense of helping the poor. Judging from this viewpoint, Olteanu (2011) characterised mission drift as the major peril of commercialisation and warned against neglecting the initial target groups in the name of financial return maximisation.

3.5 Community Finance in the Australian Context

In spite of the existence of many providers within the Australian community finance sector (Australian Treasury, 2011), the extent of community finance has not been sufficiently explored. According to SVA (2009), only 10 CDFI-like national level organisations operating a loan portfolio of less than $150 million were identified in Australia during a scoping study conducted in 2009. According to Plant and Warth (2013) the CDFI sector is still emerging in Australia and it could potentially grow further. According to the authors, the government has delivered $6 million seed funding in 2011 among five leading emerging CDFIs to develop the necessary infrastructure in order to offer financial products and services to financially excluded individuals and families. A large number of grassroots-level CDFI-like organisations can be seen serving these communities (Burkett & Sheehan, 2009). For example, Good Shepherd Microfinance has made partnerships with more than 200 grassroot-level, CDFI-like organisations in order to implement an interest-free government loan program. Currently, Australian financial institutions use their corporate social responsibility (CSR) systems to address specific social needs. Some examples of such programmes include: NAB's work with community finance and fringe lenders; ANZ's introduction of microlending and home ownership for Indigenous communities; Westpac's initiative, entitled the Westpac Foundation; and the Cape York partnerships. Nevertheless, despite the widespread introduction of community finance options, little regard is given to grassroot-level, small scale CDFI-like organisations.

Corrie (2011) described Good Shepherd Youth & Family Service as an Australian community finance organisation with a longstanding history. Good Shepherd introduced the first No Interest Loan Scheme (NILS®) about three decades ago, and since then, it has firmly taken its place as a community finance provider in Australia. Later, Good Shepherd Microfinance emerged as a separate entity and formed a series of partnerships with provincial governments, philanthropic trusts and the Australian community sector. Good Shepherd Microfinance has worked with NAB and secured federal funding from the Department of Families, Housing, Community Services and Indigenous Affairs (now Department of Social Services) to extend its assistance to unbanked Australian families (Corrie, 2011). At present, NILS® is offered through 400+ community organisations across Australia. In 2011, Good Shepherd Microfinance had a capital base of over $17 million, and operated over 10,000 active loans. It has since introduced StepUP, a low-interest loan in partnership with NAB.

Community finance options are represented by no- or low-cost short-term, small-amount loans. Community finance is available for low-income consumers and those receiving government benefits; in addition to the NILS, StepUP and AddsUP products of Good Shepherd Microfinance, Australians have access to the Brotherhood of St. Laurence/ANZ Saver Plus programme. In 2011–2012, the Australian government extended access to community finance by allocating $60.6 million for the following four years, and by introducing additional microfinance and financial literacy initiatives (Australian Treasury, 2011).

Burkett and Drew (2008) noted that CDFIs in Australia have the potential to play a profound role in the provision of community finance and microcredit as financial inclusion instruments. The CDFIs' important foci are community finance and personal finance, which are presented as viable alternatives to predatory or exploitative lending. In this category of services, individuals can receive a microfinancing loan of up to $5,000. Another specific service is directed at providing finance and support related to the "establishment and growth of micro and social enterprises – job creation and sustainability in local communities" (Burkett & Drew, 2008, p. 38). The most notable examples of CDFIs providing community finance and personal finance include the Fitzroy and Carlton Community Credit Co-operative. Indigenous Business Australia, and Foresters Community Finance. At the same time Good Shepherd Microfinance, Brotherhood of St Laurence and Many Rivers CDFIs operate on a larger scale in the state of Victoria. Social enterprise and microenterprise finance and support organisations include Opportunity International, Social Ventures Australia (SVA), and Foresters Community Finance. A nationwide CDFI focused on the provision of community finance and personal finance is Fair Finance Australia (Burkett & Drew, 2008).

Foresters Community Finance: One of the most popular and widespread CDFIs in Australia is Foresters Community Finance Institution. It is known for its commitment to financial solutions to promote greater financial inclusion and support for low-income and marginalised Australian individuals. Foresters offers a wide range of finance products to relieve the financial burden of unbanked and underserved population groups in Australia, and to increase their financial participation in the Australian economy. This CDFI has been developing its financial services for more than 20 years and, at present, it offers many instruments for addressing financial exclusion, such as:

- Catering for excluded markets in terms of specialised financial products provision
- Identification of profitable investment opportunities
- Research and knowledge sharing
- CDFI sector development and policymaking (Social Investment Australia, 2012)

Foresters is a member of the UK-based CDFA and has access to an international network of community finance specialists for sharing and adopting the industry's best practices. Moreover, Foresters has created an extensive international partnership network to increase its outreach and to better target financial exclusion in Australia. Currently, Foresters specialises in delivering dual objectives for its customers: it enables financial returns on investment, and it increases access to affordable finance for high-risk, low-income communities in Australia (Social Investment Australia, 2012).

Foresters also formulated a set of foundational principles on which the creation of CDFIs in Australia should be based. In their opinion, to be successful, CDFIs should:

- Be developed exclusively for the Australian context, with a proper regard for Australia's unique culture, environment and social needs.
- Focus on addressing the financial exclusion of individuals, social enterprises and businesses, as well as community sector organisations (CSOs).
- Be focused on the social purpose of delivering wealth creation, asset building and financial recovery for disadvantaged and underserved communities.
- Reveal the skills and knowledge best fitting the private, public and community sector strategies.
- Focus explicitly on sustainability and social effects, and support capacity building in the markets targeted by CDFIs.
- Seek the leading edge in addressing financial exclusion through innovative, unexplored and creative ways.

- Be policy enablers and environment regulators, structured to enable sourcing of capital and investment from a diverse base to the needs of underserved populations (Foresters Community Finance, 2009).

Similarly, Russell, Wall, and Doan (2011) have emphasised the role of community development finance programs in promoting the saving habits of low-income Australian households. At present, there are a number of approaches to community finance in the Australian context; as Dominelli (2007) revealed, they include:

- Initiatives directed at the enhancement of community welfare and alleviation of poverty (community finance services such as credit and savings)
- Initiatives based on mutual principles (developmental processes supporting the formation of voluntary groups for mutual aid)
- Initiatives centred on developing financial systems to support unemployed poor people (initiation of microenterprises to alter economic circumstances).

Community finance initiatives directed at welfare are the most numerous in Australia; they are created by large social service organisations in partnership with large Australian banks. The least developed and explored system of community finance in Australia is the mutual aid model; the present state of this initiative is in part explained by the dominance of neoliberalism in the Australian financial system (Dominelli, 2007). However, given the current emphasis on the elimination of financial exclusion at all levels in the country, all three approaches possess equal potential for development and enhancement in the Australian context.

CDFIs are viewed as having significant potential in Australia, and are associated with many advantages for unbanked and financially excluded populations in the country; however, it has also been observed that there may be certain hardships associated with the adoption in Australia of the CDFI model common in other developed countries (ANZ, 2004). Therefore, the adoption of CDFI models in Australia should be undertaken with proper awareness of the domestic market’s peculiarities, the specificity of the local culture and the particular needs of unbanked Australians. The adoption in Australia of CDFI models more appropriate to developed countries is also challenged because there are a large number of social and economic issues the nation is currently trying to solve, which prevents it from being considered a full-fledged developed nation (ANZ, 2004).

Burkett and Drew (2008) also emphasised that the CDFI development area in Australia is quite narrow, although its growth potential is considerable if the outstanding effect of financial organisations and access to mainstream finance on the local development is taken into account. However, those wishing to promote CDFIs in Australia and expand this sector have to take into account the peculiarities of this field in Australia:

1. The role of finance and financial institutions in the life of Australians has to be acknowledged, and the disastrous levels of financial exclusion of individuals and communities should be recognised.
2. Australian authorities should develop specific policies and regulations directed at CDFI development in disadvantaged communities, which is likely to contribute to the creation of a viable social infrastructure, and the creation of sustainable community investment opportunities.
3. Proper organisation and funding of CDFIs has to be discussed at State and Federal level, and practical initiatives should be worked out for a successful design and implementation of CDFI projects.
4. Existing CDFIs should be additionally supported and funded by Australian authorities and private philanthropic organisations for the sake of promoting social enterprise, eliminating financial exclusion, and building greater involvement into community investment (Plant & Warth, 2013).

Further development of CDFIs in Australia is clearly a beneficial objective promising greater success in the elimination of poverty and financial exclusion of certain population groups in the country. Burkett and Drew (2008) emphasised that in Australia there is a wide range of market-based possibilities that CDFIs could open for Australians previously denied access to mainstream financial services. CDFIs offer a number of alternatives to current welfare responses and 'limited market' responses that have naturally developed in the CSR and corporate community partnership domains. They are also an advantageous alternative to fringe markets and mainstream financial organisations offering predatory credit and financing options. At present, CDFIs occupy a small field of cross-sector partnerships offering low-interest loans. Further potential for CDFI development is also seen in the establishment of closer partnerships between CDFIs and CFOs in Australia (Plant & Warth, 2013).

3.6 Role of Payday Lenders in Australia

The purpose of payday lending differs entirely from community development financing: payday lending organisations provide microloans purely with a commercial purpose, whereas community development financing should have a social focus. In this study, 'payday lending organisations' is used to refer to organisations that lend small amounts of money to financially excluded or included customers for a short period. Corones et al. (2011) define it as the practice of lending small amounts of cash to consumers for short periods of time (less than 62 days, and typically two to four weeks until the borrower's next payday) in exchange for a fee. This practice is also known as 'payday advances', 'cash advances', 'microlending', 'small-amount lending', 'high-cost low-value loans', 'high-cost short-term lending', 'high-cost credit', 'microfinance', and 'microcredit'. The term 'fringe lending' is sometimes used. This generic term can be understood to refer to such providers as pawnbrokers, Cash Converters, hire-purchase services, and the like. It is called 'payday lending' because the money is theoretically lent on the security of the borrower's next pay cheque. However, Schedule 3 of the Consumer Credit Legislation Amendments (Enhancements) Act 2012 (Cth) currently define this type of loans as Small Amount Credit Contracts (SACC), i.e. non-continuing credit contracts for up to $2000, for a term of at least 16 days but not longer than 2 years. They tend to be based on a fixed fee rather than interest rates. According to Sampford (2006), the payday lender's fee is typically set at $20 or $25 for each $100 advanced, and because of the short period of these loans, payday lenders' fees may result in very high yearly interest rates. In addition, they can charge fees for defaulting and dishonouring, as well as deferring or 'rolling over' loans (Corones et al., 2011).

Payday lending is popular in developing as well as developed countries. In Australia, security of payment derives from a direct debit authority, which allows the lender to have first call over the borrower's income. Usually payday loans in Australia do not use post-dated personal cheques, or require property as security (Corones, McGill and Durrant, 2011).

The number of active payday lending clients in the Australian market is estimated at around 500,000, with around 400 lenders nationwide (Corones et al., 2011, p. 8). In its 2015 report, ASIC estimated the overall value of payday loans in Australia in the 12 months prior to June 2014 at around $400 million, a 125% increase since 2008 (ASIC, 2015). Cash Converters, Cash Stop and Cash Store have the largest market shares (Corones et al., 2011, p. 8).

However, the online payday lending market has also been increasing. Corones and colleagues (2011, p. 8) argue that

> Although much of the focus has been on the emergence of store-front lenders, the online payday lending industry has also grown significantly in Australia in the past decade, comprising both Australian and off-shore lenders … With this in mind, it is important that any consideration of payday lending regulation be designed to incorporate and be responsive to this online industry presence.

In terms of regulations, Australian personal loans have been regulated by the Uniform Consumer Credit Code (UCCC), which became law in 1994. The UCCC has been revised several times and a major amendment was made in 2007 to address the misuse by small loan providers (Banks, Marston, Karger and Russell, 2012). In 2008, practitioners also formed the National Financial Service Federation (NFSF) [currently known as National Credit Providers Association (NCPA)], which has been treated as the peak body for payday lenders. With the rapid growth of the payday lending sector, the Australian Government announced credit reforms for consumer loans; the National Consumer Credit Protection (NCCP) was legalised in July 2010, replacing the UCCC (Banks et al., 2012). ASIC also released further regulations in 2011 for payday lending licence holders (ASIC, 2011) and presently the Australian payday lending sector is mainly regulated by the NFSF, NCCP and ASIC.

3.6.1 Client's opinions on payday lending

The most commonly identified benefits of payday lending services include the fact that these services can assist those who do not have ready access to mainstream financial services because they experience complete or partial financial exclusion. For these customers, payday lending services may be the only form of borrowing available (Corones et al, 2011; Malbon, 2005).

Wilson (2002) and Sampford (2006), amongst others, found that payday lenders attract consumers mainly because of their accessibility, convenience and speed of access. According to Burton (2010, p. 35):

> Some consumers are positively choosing this form of lending as a result of deficiencies in what is available to them in the mainstream: they see payday loan fees as clearer than the charging structures for other forms of finance; they feel more able to 'control' their debt by taking out a short-term payday loan than by using other finance options; [and] other forms of finance are often not considered or seen as an option because they were not available to these consumers (e.g. due to poor credit ratings) or negative associations, such as the potential for longer-term debt.

Burton (2010) also found that consumers considered payday lending more understandable than credit card charges (in terms of how much they had to pay back and when); it also limits the problems of traditional credit products, such as overdrafts. In Burton's study, even if borrowers were aware of the high cost of the loan, they believed they were getting value for money in other ways (i.e. speed, customer service and convenience). The advantages of convenience and customer service are reiterated by Malbon (2005, p. 25):

> The front counter experience is a powerful one for many consumers, not just vulnerable consumers. A consumer who feels looked down upon or not treated with respect is likely to take their business elsewhere. Payday lenders are very effective in taking advantage of the humiliating or bureaucratic experiences their customers receive from mainstream lenders. They provide a quick and easy service and make vulnerable consumers feel welcome ... It is the banks' failure to cater for these consumers that, in part, has facilitated the emergence of payday lending.

Similarly, in interviews with payday lending customers, Wilson (2002, p. 76) found that:

> A repeated theme … was the high standard of customer service provided by payday lenders. Payday lenders have been quite explicit about this in their own literature. The commitment to customer service is taken quite seriously, and in this area it is clear that payday lenders have some lessons for mainstream financial services providers. The importance of this to consumers cannot be overstated. Visually, payday lenders mimic mainstream financial providers, and this heightens feelings among consumers that they are active participants in a commercial economy. Further visits to payday lenders also involved a 'personalised' level of service. Consumers spoke favourably of their interactions with payday lending staff, and generally had pleasant recollections of their visits. For most consumers there was no stigma attached to visiting a payday lender. They are viewed as a legitimate means of accessing credit.

In summary, payday lenders meet consumer needs in that they supply customers with a popular financial product whilst offering a personalised and respectful service. They also appear as a legitimate and regulated source of credit, as opposed to informal lending or underground, black market lending. For these reasons, this study includes payday lenders as a special category of organisations providing financial services for financially excluded communities. However, the lack of critique of their actual social performance remains an unexplored and necessary area of investigation.

3.7 Chapter Summary

CFOs in their various forms have been shown to have a long history and to play a highly effective intermediary role in combatting financial exclusion by providing financial services to disadvantaged communities. These services take various forms, depending on their location, the people they serve, and their organisational structure; in addition, CFOs have evolved with a social mission to resist the barriers to financial inclusion experienced by certain individuals and organisations in the community. In recent times, the community finance sector has experienced an increasingly strong pressure to commercialise its operations due to reductions in financial sponsorship and the need to remain financially viable. Thus, the fundamental ethos of the sector is being severely challenged. A consequence of this is that CFOs are in danger of mission drift – in other words, of forgoing their original cultural and ethical ethos. However, an investigation of the social performance of community development finance organisations is yet to be undertaken. Given that the social mission of community development finance organisations is being increasingly challenged by the commercialisation trend, this investigation needs to be addressed urgently. In order to determine the state of mission drift within this sector, it is necessary to examine the relationship between organisational culture and social performance. The following chapter will explore the literature in this regard.

Chapter 4: Literature Review – Section C – Organisational Culture and Evolution

4.1 Introduction

The notion of organisation has a different meaning for different researchers and authors. According to the business dictionary, an organisation is a social unit of people that is structured and managed to meet a need or to pursue collective goals. According to (Robbins, Millett, Boyle, & Judge, 2010, p.), all organisations have a management structure that governs the associations between the various events and the members, and divides and allocates, task and responsibilities with authority to fulfil the activates. Organisations are open systems – they affect and are affected by their environment. Thus, an organisation can be defined as a conscious human activity of linking and coordinating of the production agents or a technique of combining the processes for a purposeful realization of the set objectives (Tracy, 2009).

Organisational culture emerges from the interaction of the members of an organisation and a company's effective functioning depends on its proper management (Keyton, 2010). Since some of the main research studies on organisational culture in the twentieth century, it has been viewed as a strategic asset of every organisation. However, the literature on organisational culture and the social performance of organisations evinces a dearth of analysis relating to these particular aspects in CFOs. Thus, this section of the review aims to establish a framework to conceptualise the organisational culture of CFOs, and to lay the groundwork for a model of the nexus between the organisational culture and social performance of such organisations. Finally, by looking into the corporate social responsibility of organisations, this section of the literature review will align the mission drift occurring in community development finance organisations with general trends in the mainstream finance sector.

4.2 History of Organisational Culture Research

Social research on leadership training and action research in the 1940's developed the notion of a 'cultural island', which meant that "foremen who changed significantly during training would revert to their former attitudes once they were back at work in a different setting" (Schein, 1990, p. 109). In the 1950s and 1960s, organisational psychology was first distinguished from industrial psychology, and a new focus on work groups and whole organisations, rather than individuals, was adopted. Within that field, the germinal understanding of patterns of norms and attitudes within a particular organisation began to be shaped.

Later, cross-cultural psychology contributed to understanding organisations within a society, and finally led to the creation of a distinct vision and formulation of organisational culture (Schein, 1990). The first to use of this term, Katz and Kahn, used it to describe the collective set of roles, norms and values in an organisation, although in their book, *The Social Psychology of Organisations* (1978), they did not use either of the terms 'culture' or 'climate'. The advancement of communication theory in the early 1980s and its application to the organisational context led to a new understanding in organisation management research of the ways in which relationships, cultures and organisations were firstly interpreted and studied and, secondly, constituted (Tracy, 2009). The transmission model studying the ways in which relationships, cultures, and organisations are constituted, allowed for the understanding that meanings within an organisational entity are socially constructed through personal interaction and the sense-making activities of that personnel.

Organisational culture as a managerial concept emerged only recently, although the concepts of group norms and organisational climate have been used for many decades (Schein, 1990). The concept of organisational climate has been widely researched by such researchers as Pritchard and Karasick (1973) and James and Jones (1974). However, it is essential to note that organisational climate is only a superficial manifestation of culture, and organisational climate research did not provide a clear vision of how organisations function (Schein, 1990).

4.3 Definitions of Organisational Culture

Understanding organisational culture and its place within the organisational and community fabric is impossible without working on a comprehensive definition of this term. However, this may be impossible without exploring its supporting definitions, such as culture, organisational climate, and so on.

Culture. Kilman, Saxton, Serpa, et al. (1986) were among the first to define culture as "the shared philosophies, ideologies, values, assumptions, attitudes, and norms that knit a community together" (p. 5, cited in Inceoglu, 2002, p. 16). Dwivedi (1995) added that "culture talks of a system of shared meaning among members institutionalization produces understanding about what is appropriate and, fundamentally, meaningful behavior" (p. 11). Teegarden, Hinden, and Sturm (2010) used the definition of Kotter and Heskett characterizing culture as "the totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and characteristics of a community or population" (Teegarden et al., 2010, p. 8).

Organisational Culture. Taking into account the complex and multidimensional nature of the concept of organisational culture, it is not surprising that there is still little agreement on its unified definition, and there are a large number of interpretations offered by researchers. Inceoglu (2002) reviews some of the most popular ones.

Siehl and Martin (1984) defined organisational culture as "the glue that holds together an organisation through a shared pattern of meaning" (Siehl & Martin, 1984, p. 227)

Deal and Kennedy (1991) chose another approach by defining organisational culture as "a cohesion of valued, myths, heroes, and symbols that has come to mean a great deal to the people who work [in an organisation]" (cited in Inceoglu, 2002, p. 16). Keyton (2010) perceived organisational culture as "the sets of artifacts, values, and assumptions that emerge from interactions of organisational members", thus putting more emphasis on the influence of communication theory on the formation of the organisational culture concept (p. 1).

Among the attempts to define organisational culture, there is also a debate about the relative importance of some of its aspects. For instance, Schein (1990) provided a more detailed definition by stating that organisational culture is a "pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as correct ways to perceive, think, and feel in relation to those problems", revealing a dynamic view of organisational culture (p. 111). At the same time, O'Reilly and Chatman (1996) viewed organisational behavior more statically, defining it as a "system of shared values defining what is important, and norms defining appropriate attitudes and behaviors that guide members' attitudes and behaviors" (p. 166).

As Schein (1990) observed, the concept of organisational culture received increasing research attention in the second half of the twentieth century, and there is still ongoing debate regarding the ways in which culture can be defined and analysed, as well as shaped and changed in practice. La Guardia (2008) underlined that organisational culture is different from social culture; it is a narrower concept, lacking the broad links that help to understand how people understand themselves among others. However, the author also stated that organisational culture is dynamic because it can adapt and change with new influences, and it is also interpretive, allowing its perception even without a formal understanding or definition thereof.

DeRoche (2010) defined organisational culture as a set of work-related world views such as assumptions, understandings, values and beliefs that determine the norms and practices commonly met and shared by members of a certain organisation. Tracy (2009) added that organisational culture also encompasses such attributes as language, symbols and meanings within the organisational system. The organisational culture approach thus envisions every organisation as a set of loosely structured symbols preserved and created through enacting certain psychological and interactional factors within an organisational structure. As a result of those factors, shared and unshared values and beliefs constitute the aligned, coherent system according to which the organisation and its members function (Tracy, 2009).

Flamholtz and Randle (2011) underlined that, although there are many definitions of organisational culture, its core characteristic feature is the company's 'personality' – that is, the embodiment of its core organisational values. Every organisation has a culture that influences the way in which people in it behave, interact and treat customers, what standards of performance they comply with and how they treat innovation. Therefore, the authors emphasised that organisational culture is manifested in every aspect of organisational functioning, and is reflected in the words and language of employees communicating with each other.

In discussing organisational culture, Schein (2010, p. 3) stipulated that it is "both a here-and-now, dynamic phenomenon and a coercive background structure," influencing every aspect of organisational functioning in many ways. It is enacted and co-created in the dynamic and continuous processes of interactions, is shaped by and manifested in the behaviours of organisation's members, and creates the conditions for new culture formation. At the same time, organisational culture is the domain of stability and rigidity preservation because maintenance of a well-defined organisational culture is perceived as a duty of foremost importance for all organisational employees.

Having explored for above definitions, the present study adhered to the definition posited by Schein (1990) of organisational culture as:

> A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as correct ways to perceive, think, and feel in relation to those problems (p. 111)

Categorising CFOs in terms of their structure and function (see Chapter 3 for Common Types of CFOs) is a limited exercise when it comes to considering their organisational culture and how this affects their social performance; the reason for this is that, essentially, CFOs are idiosyncratic and multi-faceted, their clientele is unconventional, their transactions require innovation, and they range from micro- to mid-sized enterprises (Bedecarrats, Baur & Lapen, 2011). Even though the literature has not attempted to analyse the diverse field of CFO operations, it can inform an understanding of CFOs in relation to their adaptability, operating rationale, positioning in the mainstream finance sector, and openness to the realignment of their social mission in process of commercialisation. Therefore, the above definition of organisational culture is ideal for this study.

4.4 Types of Organisational Culture

Organisational culture typology is still the issue of numerous debates in the scholarly community and deserves separate attention to understand the plurality of ways in which organisational cultures are manifested within organisations. The main types of organisational systems determining norms and values are as follows: market, clan, hierarchy and adhocracy cultures (Loughran, 2007); dominant culture and subcultures, strong and weak cultures, and adaptive and unadaptive cultures (Kusluvan, 2003); innovative, bureaucratic, market and supportive cultures (Ashkanasy et al., 2011); and, power, role, task and person cultures (Parker, 1999). The key features of organisations as delineated by these systems provides the backdrop necessary to the selection of a model to assess the organisational culture of CFOs.

In discussing dominant culture and subcultures, Kusluvan (2003) emphasised that the former is the storage of core values shared by the overwhelming majority of organisational members, and the latter reveals the subunits of culture deviating from the mainstream norm. Subcultures can emerge even in small organisations, and if subcultural norms are in conflict with the dominant culture, they can ultimately lead to its weakening and undermining. The division between strong and weak cultures implies the intensity of commitment and diffusion of the main organisational values among its members. If sharedness and intensity are considered the key indicators of a strong organisational culture, the hallmarks of a strong organisation in terms of cultural unity are: a clear, unifying corporate philosophy, vision and mission; trusted and trusting leaders; open and effective communication channels; easy access to top management through communication; emphasis on productivity, people and growth; focus on customers and customer value; strong commitment, and shared activities targeted at the promotion of individual and group achievement (p.42).. The features distinguishing adaptive and unadaptive organisational cultures include the ability to adapt to change and adopt new values, norms, assumptions and behaviours (Kusluvan, 2003).

Accroding to Pheysey (1993), role of culture is typical for organisations with a pyramidal hierarchy. Such organisational culture presupposes the emphasis on conformity to expectations, and it is most often met in governmental organisations and large businesses. An achievement culture is found in organisations focusing on the work needed to be done rather than on following the rules; such culture poses great demands on the people's energy and time, and can exist only under the condition of employees' high job satisfaction, commitment, and enthusiasm regarding their work in that company (Pheysey, 1993).

The power culture type could be said to resemble the mafia structures observable in Western cultures in the twentieth century. An organisation with such an organisational culture is characterised as having a strong leader ruling the organisation with strength, justice and paternalistic benevolence, which is most often typical for family firms and enterprises. Leaders in such organisations are perceived as all-knowing and all-powerful, whereas subordinates are expected to act compliantly and enthusiastically. In its most extreme manifestations, the power organisation is characterised by a rule by fear (Pheysey, 1993). Finally, the support culture type is the opposite of hierarchy; it is defined as deriving job satisfaction from relationships and feelings of mutuality, belonging and connection. An organisation with such a culture exists on the basis of employees' willing contribution and a strong sense of commitment and personal involvement in the success of the company (Pheysey, 1993).

Cameron and Quinn (2011) suggest that the hierarchy culture is the most long-standing approach to organising business in the modern era. This type of culture was widely researched by Max Weber (1930) using examples of government organisations in Europe at the dawn of the twentieth century. In Weber's opinion, such organisational culture was an ideal structure because it contributed to stable, efficient and highly consistent products and services (Giddens, 1981). Its other advantages included a stable environment, tasks and functions, ease of coordination, uniformity in products and services, and tight control of workers and jobs. Clear lines of decision-making and standardised rules and procedures on a background of overall control and accountability were valued features of organisational success, and extensively proliferated through organisational culture. However, the recognition of the importance of considering and including human resources in decision-making and governance processes has undermined the value of a hierarchy culture, especially in the private sector.

Market culture was a new type of organisational culture that replaced hierarchy culture and acquired widespread popularity in the 1960s. This culture type relies on a different set of assumptions, such as transaction costs, maintenance of competitive advantage, profitability, bottom-line results and strength in the occupied market niches. Clan culture is characterised by cohesiveness, participation, teamwork and a sense of family; the leader is a mentor, facilitator and parent figure for the subordinates. The specificity of clan organisational culture is in its emphasis on bonding through loyalty and tradition, and it is known for the strategic focus on the commitment, morale and development of human resources (Kusluvan, 2003). Adhocracy culture, in its turn, is characterised by the spirit of entrepreneurship, creativity and adaptability shared among subordinates, and the entrepreneurial, innovator and risk-taker figure of the leader. Adhocracy cultures in an organisation contribute to the establishment of bonding between its members based on entrepreneurship, flexibility and risk features, and the focus of such an organisation is usually maintained in the field of innovation, growth and new resources' attraction (Kusluvan, 2003).

4.4.1 Popular Models of Organisational Culture

Since the formulation of the concept of organisational culture, increasing attention has been directed at the identification of levels of culture that affect individual behaviour in an organisation, as well as the overall organisational conduct (Cameron & Quinn, 2011). As a result of such research endeavours, a proliferation of models of organisational culture has emerged to explain the interplay of factors inside an organisation. Hofstede (1980) and Trompenaars (1993) were among the pioneers of cross-cultural research and identified some clear distinctions among organisational cultures in different countries.

In contrast, Martin (1987) and Cox (1991) worked on the identification of gender-based organisational culture differences and models, and other researchers developed a number of industry- and occupation-specific models (Cameron & Quinn, 2011). Shuherk (1984) envisioned organisations as miniature societies whose members enacted cultural frames of reference to understand and interpret their ongoing organisational life experiences. This model involved key communication activities within the framework of ritual, ceremony, specialised vocabulary, stories, proscriptions and physical setting of an organisation, and the exploration of their effect on and prediction of output variables such as beliefs, values and behaviour meanings for organisation members.

In relation to a market-oriented culture, Homburg and Pflesser (2000) developed a proper set of metrics for measuring various layers by underlining the explicit differences among values supporting market orientation, its norms, and artefacts predicting its highs and lows. They discovered that artefacts play a determining role in the formation of behaviour within an organisation. Wu (2008), assuming that the current research focus is almost exclusively directed at long-run equilibrium and ignores short-run dynamics, proposed to keep track of diversities and emic and etic analyses, and suggested that deriving two new definitions of organisational culture in terms of accumulated choices and interactions among critical masses of people would add a new and valuable dimension to organisational culture research. Focussing on innovation, Shoham, Vigoda-Gadot, Ruvio, and Schwabsky (2012) tested an integrative model of organisational innovativeness; they discovered that it enhanced two individual-level outcomes – job satisfaction and commitment – and that motivation performance also increased with a greater level of innovation involvement in organisational operations.

In addition to these various developments in the field of organisational culture models, the longstanding, classical models of organisational culture – Schein's model, Hofstede's cultural dimensions model, the competing values framework (CVF), and Denison's model of organisational culture – continue to exert their influence.

Schein's Model

Edgar Schein formulated one of the most influential organisational culture models, including three levels of attributes posed hierarchically – artefacts, espoused beliefs and values (see Figure 4.1; Schein, 2004, p. 26) – and the associated basic underlying assumptions (Newberry, 2008).

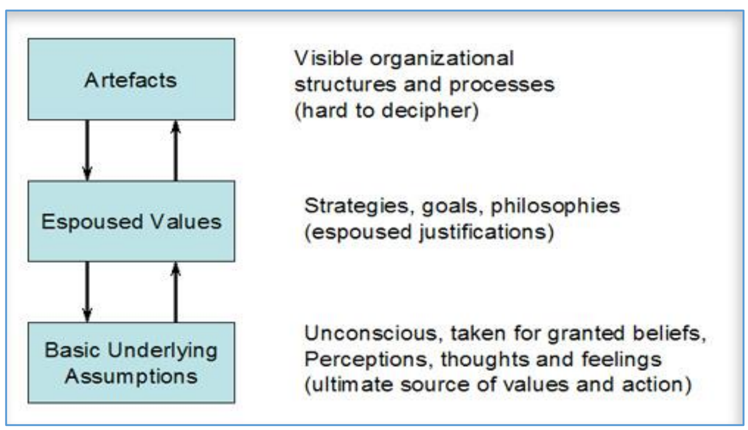


Figure 4.1: Schein's Model of Organisational Culture (Schein, 2004, p. 26)

1. Basic underline assumptions are the ultimate, deepest core of any organisational culture, because they encompass the taken-for-granted beliefs about the nature of reality, the organisation, its relation to the environment, about human nature and

people's relationships within the organisation. Therefore, these assumptions are semi-unconscious beliefs that guide human thinking, judgement, decision-making and conduct in all everyday activities (Alversson and Sveningsson, 2007; Dainton and Zelley, 2010). Thus, they have a profound effect on every aspect of organisational life.

2. Espoused values provide a more in-depth level of understanding of organisational culture than artefacts do, but at the same time are not as deep as assumptions (Newberger, Berry, Moy, & Ratliff, 2008; Newberry, 2008); they refer to the principles, objectives and codes of value within the organisation. They operate at a more conscious level of the organisational culture, and are embedded in the norms and values (or preferences) effectively guiding organisational conduct (Alversson and Sveningsson, 2007).
3. Artefacts operate at the external and conscious level in any organisation and thus are visible and tangible; they also include the visible behaviour of organisational members in which certain patterns of conduct and attitudes can be detected. Popular sources of artefacts may take the form of: workplace routines, written charters and organisational charts (Newberry, 2008); physical, behavioural and verbal manifestations (Alversson and Sveningsson, 2007); and/or physical entities, architecture of office buildings, dress code, documents, or more intangible assets such as patterns of behaviour, e.g. rituals, acronyms, forms of address, approaches to decision-making, leadership and management (Dainton and Zelley, 2010).

Alversson and Sveningsson (2007) underlined that the major strength of Schein's model lies in the mutual influence of all three levels, so that the underlying assumptions and beliefs can be approached in their connection with more superficial and material symbols and artefacts. Hence, although Schein's model is highly inclusive and broad in terms of levels of analysis, it is still highly influential and widely used to inform the formulation of narrower models for organisational culture analysis.

Hofstede's Cultural Dimensions

Geert Hofstede was the first to define cultural dimensions – that is, measurable aspects of culture that enabled researchers to distinguish one culture from another and to undertake a cross-cultural comparative analysis. His extensive international research identified four key dimensions according to which a culture can be characterised: *power distance, uncertainty avoidance, individualism versus collectivism,* and *masculinity versus femininity* (Piepenburg, 2011). Later, additional dimensions of *long-term orientation* and *indulgence versus restraint* were added to the classification.

Hofstede's (1990) cultural onion model, dedicated to the levels of cultural analysis, includes four layers: *symbols, heroes, rituals* and *values* (see Figure 4.2). This model is based on the assumption that the outer layers of a culture are more visible, superficial and potentially changeable, whereas the inner layers represent the stable core of a culture and are subject to a much slower change (Edmundson, 2007). In a culturally diverse organisational environment, more consideration should be given to the outer layers of the onion.

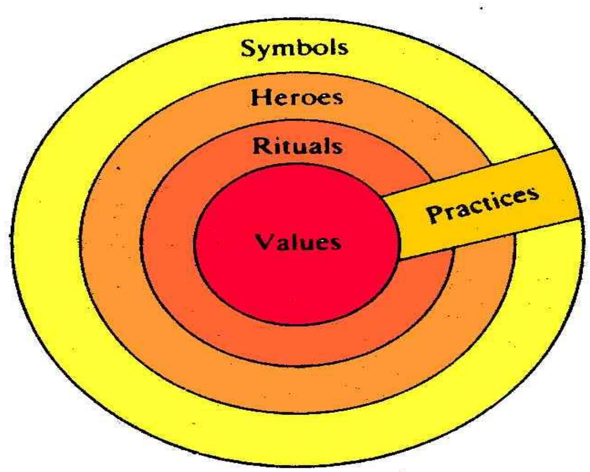


Figure 4.2: Hofstede's Cultural Onion Model (1980)

The onion model includes three layers around the core, which symbolises the values of a certain culture. The core is the most stable component of the organisational culture, and it can be learned about from the organisation's history. The first layer around the core designates the organisational rituals, more typically manifested in workplace routines and procedures. The second layer concerns the organisational 'heroes' – they can be both fictional and real-life personalities embodying the core values of an organisation, and serve as examples and inspiration for all organisational members. Finally, the third layer designates symbols; they are artificially designed to differentiate the organisation from other organisations, and can be changed with the flow of time and fashion trends (Hofstede, 1980/2010).

Edmundson (2007) emphasised that the major implication of Hofstede's onion model is that it attempts to understand the influences that a culture exerts and analyses the particular culture's response to a changing situation, where it is necessary to include all levels instead of focusing only on the more obvious, superficial aspects. Hofstede's cultural dimensions play an essential role in combining individual and organisational sub models, because the underlying values and assumptions influence personal behaviour in all aspects of human life—including the workplace, where individual and organisational values overlap and have to be brought into compliance (Onsrud, 2007).

Competing Values Framework (CVF)

The CVF was developed in the 1980s in an attempt to explain differences in organisational performance. Based on extensive empirical research in effective and successful organisations, the CVF at present serves as a map and an organising mechanism for solving complicated organisational situations. It identifies the competing and paradoxical requirements necessary for the achievement of strategic organisational objectives, and helps to explicate those competing tensions to find effective solutions (Cameron & Lavine, 2006). O'Connor and Netting (2009) added that the CVF is a viable instrument for diagnosing organisational culture and management competency, and its strength lies in its ability to provide a theoretical framework for understanding aspects of organisational culture. Four perspectives of culture are included in the graphical representation of CVF (see Figure 4.3). When the continuum of factors intersects, there is an indication of flexibility and discretion on one end, and stability and control on the other end.

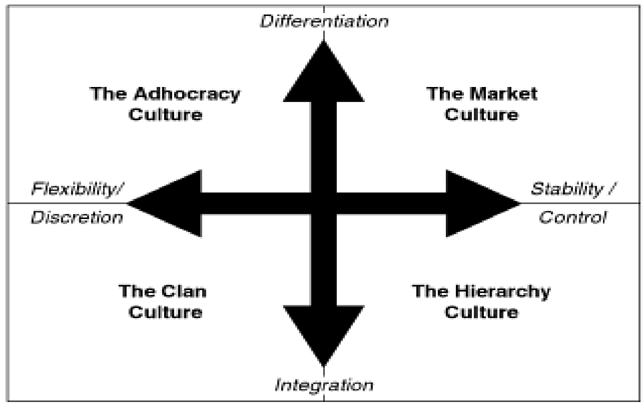


Figure 4.3: The Competing Values Framework (O'Connor & Netting, 2009, p. 59)

Renn, Webler, and Wiedemann (1995) underlined that at the base of the CVF approach is an assumption that two value dimensions combine to define perspectives on effective decision-making within an organisation. The first value dimension is process structure; that is, the process of competition takes place between the focus on flexibility and the focus on control. The second dimension is focus on the process – here, the internally focused emphasis on the needs and desires of employees and other stakeholders competes with external emphasis on the needs of the broader public. When in a particular organisation these foci overlap to a certain extent, one of the four perspectives – rational, empirical, consensual or political – can be identified (Renn et al., 1995).

Thakor (2010) noted that the CVF was initially developed from research on the major indicators of effective organisational performance, followed by research on organisational culture, leadership roles, management skills and information processing styles. At present, CVF is most often used to clarify the organisation's growth strategy, and then to assess its current culture and preferred culture, so that the growth strategy can be effectively implemented to bring the organisational culture to the desired state. In other words, CVF is an effective mechanism for identifying cultural mismatches that can potentially hinder organisational development and may result in unsuccessful mergers (Thakor, 2010).

Denison's Model

Denison's research on organisational performance is intricately connected with the understanding of leadership and competencies in the development of effective organisational cultures. As Mobley, Wang, and Li (2012) indicated, leadership and organisational culture represent related organisational processes, and leaders' activities are often regarded as crucial determinants of the soundness of the organisational culture. Hence, Denison (1990) worked extensively on the design of a 360-degree feedback instrument for identifying skills and capabilities to develop effective organisational cultures. Deriving leadership assessment instruments from prior research on organisational culture, Denison identified four key traits of a successful one: involvement, consistency, adaptability and mission (Denison, 1990). To measure these features of an organisation, the Denison Organisational Culture Survey (DOCS) is usually used (see Appendix D); this instrument was proposed by Denison in 1984 to evaluate the shape of organisational culture and to measure it (Gudlaugsson & Schalk, 2012).

The DOCS is a 60-item survey developed by Denison and Neale (1996) to measure specific aspects of an organisation's culture based on the four traits and twelve management practices of the Denison model (see figure 4.4). When DOCS is undertaken in a company, the cumulative answers of all respondents are tabulated into a graphical profile to compare the organisation's culture with the global normative database of more than 700 higher- and lower-performing organisations (Teegarden et al., 2010).

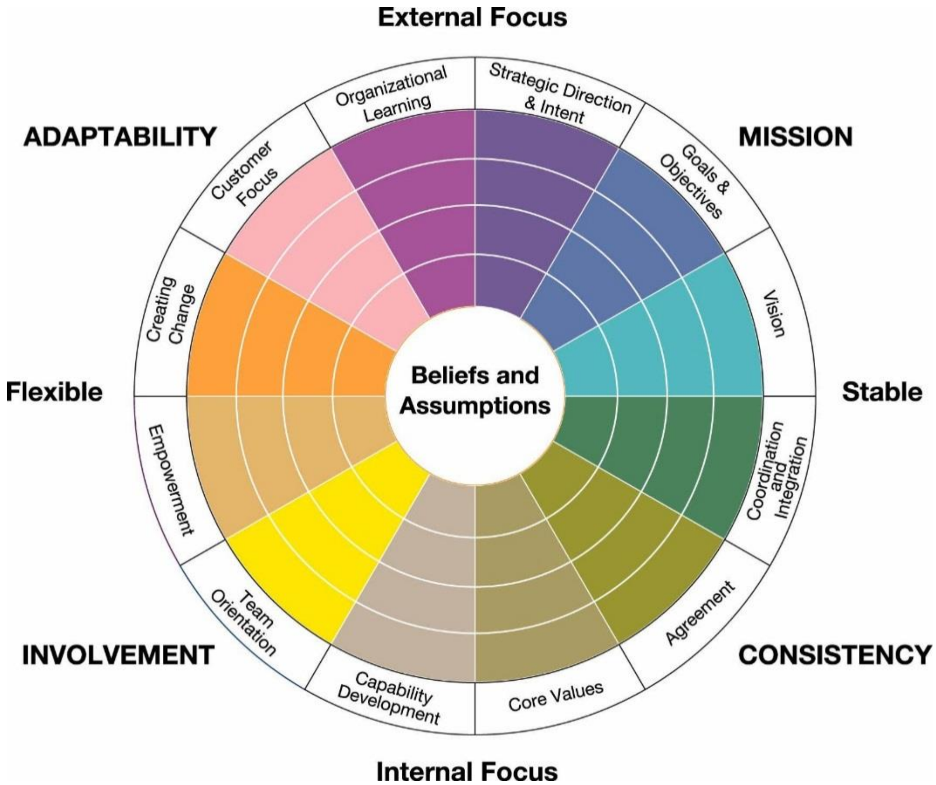


Figure 4.4: The Denison Model of Organisational Culture (Denison et al., 2007)

According to Denison, organisational success indispensably involves the proper combination of internal and external foci. Denison (1984, 1990) conducted a series of qualitative and quantitative studies to identify the effects of organisational culture on organisational performance. Gudlaugsson and Schalk (2012) noted that Denison researched 34 companies and discovered that the results differed substantially depending on the behavioural issues exhibited by the staff of the various companies. Based on his findings from case studies and culture surveys, Denison hypothesised that organisational involvement is an aspect of culture positively related to performance. The degree of shared norms and consistency within the organisational culture are also positively related to performance, as well as adaptability, ability to respond to external conditions, and a sense of mission and long-term vision (Brown, 2007).

Denison devoted his efforts to verifying his hypotheses, which resulted in the formulation of the Denison model of organisational culture. This model has two axes for the identification of culture types, which makes it similar to the CVF. One axis represents the contrast between flexibility and stability, and the second axis explores the tension between integration and differentiation. However, the major difference between Denison's model and the CVF is that Denison's four quadrants are cultural traits or values, whereas the CVF is more specifically focused on specific culture types (Brown, 2007).

There are a number of reasons the Denison model is often chosen as an effective and beneficial instrument for research on organisational culture:

- Its origin is based on the understanding of how organisational culture affects performance.
- It enables the design of proper change initiatives by specifying the elements of culture that need to be changed and modified.
- It encompasses a wide and comprehensive range of organisational culture dimensions.
- It has a direct effect on organisational culture.
- It represents an innovative organisational culture framework.
- It offers a complete and precise measurement of organisational culture.
- It can be used at all organisational levels.
- The visualisation of results transparently depicts the characteristics of organisational culture in external and internal dimensions (Mozaffari, Soltani, and Bozorgzad, 2012).

Horizontally, Denison's culture profile distinguishes between external (top half) and internal focus (bottom half). Involvement and consistency refer to the internal dynamics of the organisation, while adaptability and mission consider the relationship between the organisation and the external environment. Vertically, the profile distinguishes between flexible (left half) and stable organisation (right half). Whereas involvement and adaptability emphasise an organisation's flexibility and capacity for change, the consistency and mission traits emphasise its stability and direction. In Denison and Neale's (n.d.) words,

> A system oriented towards adaptability and involvement will introduce more variety, more input and more possible solutions to a given situation than a system oriented towards a high level of consistency and a strong sense of mission. In contrast, a bias towards consistency and mission is more likely to reduce the variety and place a larger emphasis on control and stability (Denison & Neale, n.d., p. 2-2).

Fisher (2000) provided the following interpretation guidelines for the various culture profiles that may emerge from the DOCS:

- Bottom is heavy, top is light (strong inner focus): Frequently when a company is bottom heavy, sectors, functions and workers compete against each other instead of facing the real competition. This may lead to a decreased focus on competitor activities, and increased frictions within the company itself. When a bottom-heavy profile is matched by a high Objectives score, this might show that the company has become complacent, preserving its existing assets instead of working on future developments. Reforms are often opposed, and those who threaten the company culture are usually distanced.
- Top heavy, bottom light (strong outer focus): This type of pattern is typical of entrepreneur organisations. The aim is on figuring out trends and patterns in the marketplace, and not on the internal systems, processes and controls essential to execute organisational strategies. If change is more important than consumer focus and organisational learning, and the mission index is generally low, this usually means that the company may implement reforms for no apparent reason. Workers are generally aware of this lack of direction or purpose, which usually translates into high concern levels.
- Strong left side, weak right side (high flexibility, low stability): These companies are generally highly entrepreneurial and original, and they respond quickly to reforms in the marketplace. They are usually the first to introduce new goods and services to their consumers. However, they might not have the dedication or the internal systems necessary to execute their projects and ideas effectively. This might make it difficult to deliver on their promises to consumers.

- Strong right side, weak left side (high stability, low flexibility): These companies have both strong systems and procedures. Their operations and plans are usually successful. In a secure marketplace, these companies can surpass their opponents; however, they might have difficulties reacting to market changes because of their strict adherence to rules, regulations, and bureaucracy. These companies are usually victims of their own success, because most of their time and energy is used on protecting the status quo at the expense of meeting changing consumer and product requirements.

Although studies show that the four attributes in the model each have a positive outcome on performance, some of the attributes may appear to controvert others (Denison & Neale, 2000). Consistent cultures may become inbred and be resistant to change, or adaptive cultures may find it difficult to achieve efficiency or a shared purpose. Similarly, the attributes of mission and involvement may seem contradictory because the meaning and direction of a company's mission may prevent staff engagement: a new organisational mission does not automatically lead to increased support and dedication from staff, nor does high staff involvement mean that the company has a clearer sense of direction and purpose. Denison's work shows that an effective company culture shows all of these attributes: it is adaptive, but also constant and predictable, and it fosters high involvement, but with a shared sense of mission. These organisations display a circular profile with high amounts of colour.

Fisher (2000) identified the following culture patterns for each trait in the Denison model:

- **Mission:** When vision and intent are higher than aims and objectives, the company might struggle to operationalise its mission. Conversely, whenever aims and objectives are higher than strategic direction, the company is good at implementation but lacks vision, purpose or long-term planning.
- **Involvement:** When competency development is higher than empowerment, the company may not give competent staff members the responsibility for the decisions affecting their work, which may lead them to leave. Therefore, this

combination is usually a warning sign of a high staff turnover. Whenever empowerment is higher than capability development, the people in the company may be making choices beyond their abilities. This happens when managers confuse staff empowerment with relinquishing their authority. Whenever team development is higher than empowerment or capability development, the team is unlikely to be strong, and its activities may lack purpose or may not contribute to optimal organisational functioning.

- **Adaptability:** Whenever customer focus is higher than change and organisational learning, the company may meet current customer needs, but it does not plan for future ones. Conversely, when organisational learning and change are higher than customer focus, the company may be able to identify best practices and standards, but has difficulties applying them to its own customers.
- **Consistency:** Whenever agreement is set below core values and coordination, this usually means than the company might have good goals, but may lose their determination when conflict or differing opinions arise. During conversations, many people might be seen disrespecting other people's opinions, and withdrawal behaviors may be investigated. The outcome is that nothing usually is resolved and the same problems usually come and go.

Denison & Neale (2000) showed that research on the DOCS involving 60 organisations of different sizes, sectors, and industries connected organisational culture with return on assets. Denison and Mishra (1995) displayed the outcomes of the original research: the correlations of the total sample for 1989 were positive but weak, as the strongest correlation was at 0.14. In addition, none of the correlations were significant at the level of 0.05 and only two out of the four correlations with a three-year average return on assets reached that level of significance. Nonetheless, when only companies with over 100 workers and a top executive respondent were investigated, all correlations were greater than 0.20 and were comprised between 0.22 and 0.55. About half of the correlations were significant at 0.05, and two out of the eight at 0.01. Based on these outcomes, it can be argued that, with a correlation of 0.55 at the 0.01 level of significance, mission was the strongest predictor of performance.

4.5 Linking Organisational Culture and Performance

The study of links between organisational culture and organisational performance requires further specification of the latter term and its constitutive aspects. Because organisational performance is a complex concept, the links between specific elements of corporate culture and planes of organisational performance can be more or less strong. The connection between organisational culture, organisational performance in general, and its financial and non-financial aspects are discussed further. Studies of general enterprise performance have resorted to a range of internal factors that explain the observed performance of a firm. In Barna's study (1962) there was evidence of a persistence of profitability and growth performance within years (Lawriwsky, 1984, p. 48). The critical role of internal factors was implied by the fact that different levels of performance were demonstrated by enterprises working within the same industry. The economic performance and profitability of these firms were to a great extent determined by the fact that "the willingness and ability of different firms to seize upon and exploit opportunities varied greatly according to their basic 'character'" (Lawriwsky, 1984, p. 48).

A later study conducted by Singh and Whittington in 1968 confirmed that profitability and growth were persistent features of firms, and the former was characterised by a higher rate of persistence. The explanation for this is that the growth of an enterprise depends on its ability and wish to grow and expand, whereas the ability to grow is linked to its profitability (Lawriwsky, 1984, p. 48). At the same time, the wish to expand is directly connected to internal factors such as competition, management mode, state of demand and technological opportunities (Lawriwsky, 1984, p. 48). This perspective agrees with the assumption that organisational culture, being a unique internal characteristic, influences organisational performance.

According to Jian, Tingting, and Shengchao (2011), organisational performance can be measured with the aid of two methods. The first method of evaluation is based on the ratio of long-term stock prices and the volatility of stock returns. The other method is based on financial analysis. It operates the data received from financial statements and accounting reports with an appropriate composite indicator for the evaluation of the operating performance of an enterprise. It includes such factors as Tobin's Q, return on assets or price–earnings ratio (Jian et al., 2011, p. 278).

Economists tend to see profit as a determinant of performance, based on the observation that profit as a performance "best captures both the creativity (the revenue side) and the discipline (the cost side) required for survival in a market economy" (Frydman, Gray, Hessel, & Rapaczynski, 1997, p. 7). Frydman et al. (1997) stressed that such an approach is applicable for the measurement of long-term achievements. However, it fails to demonstrate an accurate picture because profits considered in the short term are extremely volatile and influenced by a range of accounting decisions. This tendency is especially strong when costs are involved because they do not seem to bear much relation to long-term performance (Frydman et al., 1997, p. 7).

Studies that relate organisational culture to organisational performance differ in how they measure performance. These differences are also conditioned by the types of organisations involved, and by various organisation-specific goals. According to Lim (1995), who reviewed a number of these studies, variations were also registered in these studies in terms of longitudinal and cross-sectional performance data, as well as in idiographic and nomothetic studies (Lim, 1995, p. 18). Lim mentioned the existence of a relationship between organisational culture and performance, categorising it against two extremes suggested by variances in the conceptualisation of organisational culture. Some studies allowed Lim to assume "the presence of a strong culture as a positive influence on organisational performance" (1995, p. 20). However, this perspective seemed to ignore the influence of subcultures, suggesting that some cultural values within an organisation prevail over others, as shown by Saffold (1988) and Alvesson (1989) (as cited in Lim, 1995, p. 20). In addition, the studies considered by Lim failed to take into account the effect of such internal cultural variables as leadership and organisation structure. Moreover, studies conducted by Kotter, Heskett and Quick (1992) suggested that "culture may only be an intermediary of the impact of effective leadership on organisational performance" (Lim, 1995, p. 20). Finally, Lim stressed that further investigations would require taking into account and possibly removing the effects of additional factors of influence to improve accuracy (1995, p. 20).

A contemporary study conducted by Gordon and Tomaso (1992) indicated that a strong corporate culture, which is measured by the consistency in perceptions of corporate values, is predictive of company performance in the short run. Gordon and Tomaso's (1992) findings suggested that "a culture of adaptability but not stability is also predictive of short-term performance" (p. 794). A strong culture characterised by consistency or appropriateness in terms of content is likely to yield positive results, but a combination of the two seems to be the most effective. Gordon and Tomaso also assumed that management decisions might have a common orientation in specific situations if they have a consistent perception of company behaviour. For instance, valuing 'action' over 'study' as part of organisational culture prompts expectations of a quick response to new opportunities in the future (Gordon & Tomaso, 1992, pp. 794–795). As the authors described it, this approach may win the company leading positions in terms of performance assessment, if the costs of not taking action are estimated to be greater than the predicted losses from ill-conceived actions. Simultaneously, high-level decisions may require more caution, and in this situation, taking action immediately is likely to result in unnecessary losses (p. 795).

Another observation is the ability of management to categorise similar situations in a company's operations and elaborate consistent strategies devised to deal with them. An enterprise in which individual managers take steps based on their own preferences and choices, rather than on a common corporate pattern, may suffer losses. These may be due to missed opportunities as well as the inability to use these opportunities to the company's advantage through skilful management actions (Gordon & Tomaso, 1992, p. 795).

However, difficulties exist in predicting organisational performance because of the possibility of contingencies:

Even if culture has a strong influence on how well people do their jobs and how well the aggregate company performs, external events can sharply affect corporate results, for example, an unfavourable ruling from an Insurance Commissioner or the rush of the market toward a previously unsuccessful product. (Gordon & Tomaso, 1992, p. 795)

A strong connection between business performance and organisational culture was established in a study conducted by Lee and Yu (2004). The results of this study were mixed. The strength of an organisation’s cultural values demonstrated signs of correlation with the performance in several cases, such as “return on assets in manufacturing firms, growth in annual premiums and sum assured in insurance firms”, whereas there were no significant manifestations of such a correlation with hospitals (Lee & Yu, 2004, pp. 355-356). These findings, although suggesting the existence of a relationship between the strength of organisational culture and a company’s performance, failed to provide a definite pattern that could be applied to a wide sample of companies.

Lee and Yu (2004) analysed the data obtained from their study with reference to Barney’s (1986) ideas that culture can be a source of advantage over competitors only if it is valuable, rare (meaning that features of corporate culture are unique and not similar to other enterprises), and imperfectly replicable. Culture can be regarded as valuable if “it improves commitment, loyalty and reduces bureaucratic costs through social control, among other impacts” (Lee & Yu, 2004, p. 356). However, the authors assumed that the strength of cultures could be assessed through their ability to adapt and provide learning opportunities for employees. Otherwise, these cultures “become a liability during the periods of accelerated change” (p. 356).

Mgbere (2009) noted that the managerial literature has adopted the view that organisational culture and leadership styles are connected with performance outcomes, but empirical research data is somewhat mixed and inconclusive, and has failed to present a comprehensive and accurate picture (p. 185). Mgbere also suggested one of the main reasons for linking corporate culture to the concept of strategic leadership in managerial studies:

> An understanding of culture, and how to transform it, is a crucial skill for leaders trying to achieve strategic outcomes. Strategic leaders have the best perspective, because of their position in the organisation, to see the dynamics of the culture, what should remain and what needs transformation. This is the essence of strategic success. (Mgbere, 2009, p. 196)

Mgbere's study addressed the practical aspect of the question. The author believed that organisational performance can be enhanced by referring to corporate culture through matching aspects of this culture to organisational goals. Therefore, management is faced with the challenge of determining the most effective features of organisational culture for the achievement of strategic goals and altering it if necessary to improve organisational performance. In addition, as Mgbere put it, "employees must be in a position to absorb the organisational culture at the maximum strength, even as the top management is expected to provide precise guidelines and directions to motivate the employees in achieving the company's objectives" (p. 197).

Prajogo and McDermott (2011) studied the correlation between product and process quality and innovations, and the contrasting underlying organisational culture associated with them. From the perspective of organisational management, this study helped identify the role that organisational culture plays in the task of achieving competitive performance goals, and how businesses can position their organisation to maintain competitiveness with respect to their unique cultural features and characteristics (Prajogo & McDermott, 2011, p. 724). Prajogo and McDermott's study concentrated on the value of an effective combination of flexibility and external orientation in organisational culture. A developmental culture provides external awareness in order to recognise and meet customer needs. However, it also provides organisations with the ability to demonstrate flexibility in their responses. Such a culture is "consistently positively associated with … performance metrics", as well as with product quality and innovation aspects (Prajogo & McDermott, 2011, p. 725-726).

Shahzad, Luqman, Khan, and Shabbir (2012) also focused on the interdependence of organisational culture and values and organisational performance. The authors have reviewed over 60 research studies conducted over 17 years (between 1990 and 2007) that investigated the business activities of more than 7,600 companies. The results of these studies showed a positive association between a strong organisational culture and performance enhancement (Shahzad et al., 2012, p. 982). The authors concluded that, when joining a company, employees initially adjust to the values and norms traditionally accepted in this organisation. The adoption of corporate culture helps employees to facilitate their activities and increase efficiency in their work. The authors also mentioned a study conducted by Gallagher in 2008, according to which "performance of the employees caused … increase in net profit of the organisation" (p. 982). Strong organisational culture simplifies the process of adjustment for new employees and therefore enhances the performance of organisations; it also helps to reach a competitive advantage under given conditions (Shahzad et al., 2012, p. 982).

Dumitrescu (2012) emphasised that organisational culture is unanimously recognised as a crucial source of competitive advantage and, not unconnectedly, a critical aspect of success of an enterprise in the modern business environment. It also affects the productivity of employees and their morale (Dumitrescu, 2012, p. 286). Dumitrescu concentrated on the effects of national culture on business performance because the former determines the organisational culture to a great extent.

International companies tend to show varying attitudes towards cultural uniformity because this is conditioned by the specific business strategies pursued by different organisations. For example, internationally operating companies such as McDonalds or IKEA choose to build a uniform corporate culture to foster leadership uniformity and similar management systems. They also strive to maintain uniformity of shopping experiences and production offerings in all subsidiaries. In their view, this is a way to enhance the company's performance and consolidate its position on a global scale. Other enterprises, as Dumitrescu (2012) mentioned, do not consider it important to stress uniform organisational culture in their affiliations. These companies regard cultural uniformity as a hurdle preventing them from meeting the interests of customers all over the world. From their perspective, the cultural difference within one organisation can be exploited to reach the operational goals of the company (Dumitrescu, 2012, pp. 289–290). In either case, it is evident that companies acknowledge the existence of a strong connection between national culture and organisational culture, as well as the relevance of this connection to a company's business environment and economic performance (Dumitrescu, 2012, p. 290).

The connection between organisational culture and the performance of an organisation, which varies according to its 'character', has been shown to depend on certain key features. There is evidence of a prevalence of some cultural values over others in the measurement of performance, namely consistency, persistence, flexibility and adaptability. The present study emphasises adaptability as being critical in ensuring performance during periods of change. The literature indicates a frequent tendency to identify profit as a key measure of performance, and to ignore the role of subcultures; however, overall, a strong organisational culture is recognised as being essential to performance enhancement.

4.6 The Nexus between Organisational Culture and Social Performance

Although the financial performance of an organisation is often regarded as a priority in evaluating success or performance, other factors should not be ignored. For example, Abu-Jarad, Yusof, and Nikbin (2010) clearly distinguished between the financial and non-financial performance of a firm when studying the effects of organisational culture on organisational performance. The non-financial performance aspects linked to organisational culture include "job satisfaction, organisational commitment and employee turnover" (Abu-Jarad et al., 2010, p. 32). These internal aspects are taken into account when assessing the performance of an organisation on a social plane.

Organisational performance can be viewed not only from the perspective of financial returns, but also in terms of meeting the interests of the society in which a company operates. According to Cooper (2004), taking social performance into account is consistent with the belief that businesses should provide benefits to society through their activities, a principle consistent with the social contract theory that originated in the works of Hobbes and Rousseau. Social contract theorists believe that society allows a business to operate if the benefits of its activities exceed its disadvantages to that society (Cooper, 2004, p. 23).

The social performance of a company is linked to the concept of corporate social responsibility (CSR). The Institute for Corporate Culture Affairs (as cited in Pohl, 2006) defined CSR as “the ongoing commitment by businesses to behave ethically and contribute to economic development, while improving the quality of life of its employees and that of the community within which it operates as well as society at large” (p. 52). The practical implementation of the CSR principles involves steps based on an organisation’s set of values, norms and beliefs; that is, the aspects normally embedded in an organisation’s corporate culture. Pohl (2006) argued that CSR can only be realised through corporate culture in order to avoid the possibility of being misinterpreted as another “add-on” (p. 52).

However, to make a meaningful contribution and adopt an efficient approach to CSR, organisations should be aware that “understanding the relationship between CSR and the company’s cultural memory is of importance to the developments in the field and in the companies themselves” (Pohl, 2006, p. 53). It is essentially a practical instrument for translation of corporate culture into business processes and operations based on underlying beliefs and values. To achieve effectiveness, transparency and integration, sustainability-oriented activities must be embedded strategically into the company’s organisational structure and attributed the same status and importance as economic activities. Corporate culture departments must deal with organising and integrating activities guided by CSR. They should provide a necessary focus and strategic vision for a company’s CSR initiatives, aligning them with the overall economic and business goals

(Pohl, 2006, p. 54). As a result, complex relationships arise, determined by a complicated interaction of such variables as CSR, corporate social performance (CSP) and corporate financial performance (CFP). There are no consistent, direct or permanent outcomes from this interaction. According to Esen (2013), corporate reputation moderates or mediates the relationship between CFP and CSR (p. 142).

Steger (2008) outlined important social and business tendencies that significantly affect the perceptions of CSR and organisational performance. These have been quite irregular in the eyes of society. For example, at the end of the preceding century, economic recessions decreased the importance of environmental issues. However, this was also a time when the non-financial aspect of organisational performance was extended to include the social dimension of CSP in addition to the environmental aspects. As a result, “the integration of social, ecological and economic goals became the conceptual mantra of the day” (Steger, 2008, p. 562). A change in the global economic paradigm resulted in political resistance to the process of globalisation and the rapid development of the media industry through the expansion of the internet, as well as massive conflicts of interest and an abundance of contradictory information. All these events and developments altered social attitudes towards corporate ethics, increasing its visibility and making the issue of CSR a significant part of the public discussion (Steger, 2008, p. 562).

Nevertheless, empirical evidence obtained by Steger (2008) showed that the public interest in CSR did not affect the operational activities of the corporate sector. What is more, “even for the most risk-exposed companies or industries, everything beyond the (hard-) core business is of secondary importance” (Steger, 2008, p. 562). In the most favourable case, global companies alter their business models to demonstrate a more responsible attitude to their activities and strive to improve their social and environmental performance. Optimists tend to stress growing levels of CSR reporting, but it is important to keep in mind that reporting is not necessarily an accurate representation of actual performance (Steger, 2008, p. 563). However, many studies address the question of a link between corporate CSR (which for the purposes of this thesis can be associated with corporate culture) and CSP. These studies are discussed below.

Gössling's ideas on CSP comply with the abovementioned theory of social contract. (Gössling, 2011) used large empirical datasets to compare profitability rates of different organisations (or CFP) with varying levels of CSP. Comparing CSP and CFP levels of respective organisations showed the existence of a positive connection between the two, implying that socially responsible organisations appear to be more profitable than irresponsible ones (Gössling, 2011, p. 4). This view is shared by Esen (2013), who claimed that corporate reputation, social performance and corporate financial performance are interdependent. Esen found clear empirical evidence of a positive relationship between social responsibility, reputation and financial performance of a company (pp. 141–142). However, "the relationship between corporate reputation and financial performance can vary according to CSR and organisational performance activities. If the organisations are profitable, they would have the funds to invest in socially responsible activities" (Esen, 2013, p. 142). Social elements are integrated into business strategies, thus affecting CFP.

The social performance of an organisation influences its public image and reputation. Reputation, in turn, affects the legitimacy (or the publicly granted licence to operate). The latter has a significant effect on consumer and investor decisions, which are directly linked to efficient business performance. It is true that legitimacy and reputation are determined by a wide range of other factors, such as resource dependency, management practices, and operational approaches among others (Alan, 2000), and that buying decisions are influenced by many other key considerations such as social class, group opinion, culture, and so on (Hornic & Miniero, 2009). Nevertheless, corporate social performance appears to play a notable role in the financial performance of a company (Gössling, 2011, p. 7). In addition to this, Gössling (2011) argues that "the overall social performance of an organisation will affect the image that the employees of the organisation have. This goes together with the attitude of employees towards their organisation" (p. 7). This attitude determines the level of commitment and, eventually, the performance of employees in the job.

Jaakson, Reino, and Motsmees (2012) studied the coherence between organisational culture and changes in CSR during an economic downturn, but their research failed to find any explicit coherence between CSR practices and dominating organisational culture types. The authors assumed that this might be explained by the limitations of the study and specifics of the organisational culture phases that are described in the model by Maon et al. (as cited in Jaakson et al., 2012, p. 211). According to the model, there are seven phases of organisational culture development, characterised by different dimensions of CSR. Evidently, in the first stages (referred to as ‘reluctance stages’) there is no coherence between organisational culture and CSR because socially responsible activities are not part of the priorities of the organisation. The stage of ‘cultural grasp’ presupposes the existence of CSR initiatives, but they appear to not be fully integrated into the company’s performance. Coherence between CSR and organisational culture in this case can be called partial, which is confirmed by the findings of the study (Jaakson et al., 2012, p. 211). The authors concluded that

> organisational culture directly determines the nature of CSR practices only in those organisations which have made strategic decisions about CSR policy; those approaching CSR as a holistic concept and important ideology, i.e. organisations having reached CSR cultural embedment phase (Jaakson et al., 2012, p. 211).

An important conclusion is that full coherence between CSR and organisational culture is rare because companies must travel a long way to reach the cultural embedment phase in their development.

According to Tobey and Perera (2012), an important fact that determines the relationship between organisational culture and social performance is that values are, in part, culturally based. Therefore, culture can moderate the effect of competing values produced on CSR programme sustainability. CSR is essentially a nation-specific construct whereby national culture plays a significant role in the societal expectations of a company (Tobey & Perera, 2012, p. 101).

Svensson and Wood (2011) discussed the effect of corporate and business ethics on their performance. Because ethical considerations of a company are part of its organisational culture, they are adapted to the cultural context of every organisation. Corporate and business ethics should be viewed as iterative and continuous; this means that "a constant ethical attention and revision of organisations' business practices across organisations is needed" (Svensson & Wood, 2011, p. 30). Expectations and perceptions across societies suggest modifications to the ethical framework of organisations and determine what concerns must be addressed to achieve ethical practices. These perceptions and expectations affect organisational beliefs, norms and values in tactical, strategic and operational practices, and are essentially the fundament of corporate ethical performance. It is crucial to acknowledge that "ethical business practices across organisations are dependent upon the actions of staff and their behaviours and they therefore need supporting structures and processes" (Svensson & Wood, 2011, p. 31).

The corporate and business ethics of organisations depend on existing ethical structures, processes and performance measures. The globalisation of businesses has resulted in the interdependence of organisations on a global scale and implicit shared responsibility for ethical performance across organisations. These developments have resulted in "organisations extending their spheres of influence across countries and different continents where the ethical values and principles tend to some extent to be different or variable to the organisation's country of origin" (Svensson & Wood, 2011, p. 31).

Dobrea and Gaman (2011) stressed the connections between CSR, social performance and the efficiency of organisations. CSR is the element that links the private environment and the community by addressing the societal requirement of the sustainable development of the company. Practices of social responsibility take corporate competitiveness beyond financial profitability (Dobrea & Gaman, 2011, p. 239). One reason why CSR is ascribed so much importance is that it has a direct effect on the financial performance of an organisation through attracting new customers or boosting sales. Executives use CSR as a strategic tool that helps build positive corporate reputation, and it is a company's "most valuable intangible asset" (Dobrea & Gaman, 2011, p. 240). Therefore, social responsibility strategies produce a double positive effect, boosting benefits for both the organisation and the community in general.

Corporate responsibility presupposes that companies must build cultures of trust, honesty and integrity, which would require that businesses adhere to these principles at all levels of their operation, from planning to implementation, in all objectives, practices and processes. The idea of CSR does not only mean that businesses should be conducted in an ethical way; CSR embraces responsibility for the effect of corporate activities on a wide circle of stakeholders (Collier & Esteban, 2007, p. 20).

This observation is in line with the ideas expressed by Cegarra-Navarro and Martinez-Martinez (2009). Companies engage in a wide variety of social responsibility activities, among them actions aimed at environmental sustainability, steps ensuring fair and equal treatment of employees, valuable contributions to art or participation in the cultural programmes of the community. The benefits that they might expect while planning or implementing a CSR initiative may include: meeting expectations of customers; demonstration of a commitment to being environmentally responsible; improvement of the company's environmental performance; motivation and incentives for employees, and staying ahead of legislation (Cegarra-Navarro & Martinez-Martinez, 2009, p. 499). However, the authors indicate that companies undertake these steps without being certain as to their outcomes, as there exists only selective evidence that adopting these practices results in improved organisational performance. Nevertheless, involvement of the organisation in CSR activities may have many organisational outcomes, which include not only financial profitability, but also "quality of products and services; corporate culture; ethical obligations; effectiveness in doing business globally, and innovativeness" (Cegarra-Navarro & Martinez-Martinez, 2009, p. 507). The authors argued that companies operating in the modern business environment are still reluctant to adopt CSR and make social performance one of their priorities. This is conditioned by the fact that many businesses perceive social responsibility as detrimental to the company's performance and goals. The authors' findings showed that this general assumption is not accurate because CSR companies showed better achievements in the quality of provided services or products, corporate culture, ethical obligations and other aspects of organisational performance than non-CSR companies examined in the study (Cegarra-Navarro & Martinez-Martinez, 2009, p. 508).

According to Muller and Kolk (2010), drivers of CSP can be extrinsic and intrinsic. In an attempt to establish the catalysts of increasingly robust CSR initiatives of companies, researchers tend to adopt one of these two existing attitudes. Approaches that are based on the explanations of social performance as extrinsically driven build links to external pressures (e.g. media influence, regulations and shareholder demands) (Muller & Kolk, 2010, p. 1). Intrinsic approaches argue that CSR is determined by morality and, therefore, is not only an instrument with which to achieve organisational goals, but an end in itself (Muller & Kolk, 2010, p. 2).

Most studies concentrate on the extrinsically driven model, although some seek to integrate the two approaches. Extrinsic pressures on social performance are compliant with the belief that social behaviour is a social responsibility. The emphasis on responsibility is a guideline for what companies should or should not do to satisfy external expectations. For example, Ho, Wang, and Vitell (2012) stressed that stakeholders have started to put emphasis on social responsibility because of societal pressure along with marketing or altruistic considerations (p. 423). The extrinsic recommendations are opposed to what organisations can do with regard to their capabilities and the desire to take part in social behaviour (Muller & Kolk, 2010, p. 4). Managerial intent and firm-level incentives and motivations can foster social behaviour. Therefore, greater emphasis should be placed on the intrinsic forces leading to a higher level of CSR. As Muller and Kolk (2010, p. 4) put it, “such intrinsic forces are conceptualized … as the drive of managers to ‘do the right thing’, a morality-based claim linked to the ‘norm’ arguments associated with integrative social contract theory”. The strategic choice of a company is guided by a combination of the company’s ethical orientation and value sets and the external expectations of society.

The results of Muller and Kolk’s (2010) study suggested that management’s commitment to ethics is strongly connected with a higher level of corporate social performance, which testifies to the importance of organisational and managerial values as part of organisational culture (p. 19). The authors stressed the necessity of disentangling social behaviours as well as their outcomes from their underlying drivers. In fact, social behaviours and their drivers can be directly related to corporate social performance and corporate culture. Muller and Kolk indicated that there may be a universal interpretation of corporate social performance and its indicators because they are perceived in society, such as gender diversity, philanthropy or recycling. As for the drivers underlying a company's social performance, the results of the study suggested that identical social behaviours could be caused by different motivational drivers. Moreover,

> if intrinsic, moral motivation is considered ethical while acquiescence to extrinsic pressures is economically prudent, one might argue that the two are in conflict. In the "strategic choice" perspective, however, managerial moral imperatives and trade-related pressures are mutually reinforcing (Muller & Kolk, 2010, p. 20).

In sum, corporate values and culture are intrinsic drivers that are combined with external motivations to contribute to a better level of corporate social performance in order to meet organisational objectives.

Overall, the study of a connection between organisational culture and organisational performance has shown that there is a connection between the value sets of organisations, their operational choices and the levels of performance they show. However, the results obtained by researchers appear mixed and inconsistent, possibly owing to varying specifics of organisational cultures. In other words, the existence of a connection between a strong corporate culture and successful organisational performance is confirmed by a significant number of studies, but the data obtained from them have failed to provide a consistent pattern applicable to different organisations. Organisational culture also appears to be linked to social performance and the concept of CSR. Organisations whose cultures operate according to the values of social responsibility and sustainability seem to show a connection to the social and financial aspects of organisational performance. The social performance and CSR of firms can be driven by intrinsic motivations (ethics and values as elements of organisational culture) and extrinsic societal expectations.

4.7 Summary of the Literature and Conceptual Relationship Theoretical Model

The notion of 'financial exclusion' was found to be a popular term in development agencies, including the UN, WB and ADB, and can be commonly defined as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and which enable them to lead a normal social life in the society to which they belong (Burkett, 2008); such access, it was discovered, includes being able to obtain facilities such as transaction banking, savings, credit, insurance, online payment of bills, and receipt of pensions and other payments. Therefore, financial exclusion was found to be a process that prevents economically disadvantaged social groups from gaining access to mainstream financial services. Moreover, it was identified as operating in both economic and social domains, and as being a manifestation of socio-economic inequality. Individuals, families, households, NPOs, social enterprises and microenterprises were delineated as the clusters that may suffer from financial exclusion.

Further, it was found that lack of capability (competencies, capabilities and literacy) and market failure (high costs or risks of providing services) are two main causes of financial exclusion. Some other factors that could be highlighted included higher barriers (costs and otherwise), perception of the financial sector by clients, strict rules of financial transactions and income inequality. Importantly, poverty, social exclusion and structural obstacles were identified as the main reasons for the exclusion. Additionally, systemic factors were seen to be at play, such as exclusion based on ethnicity, gender and geographic area. Obstacles created by government policies and low levels of financial literacy also compound the problem. Financial exclusion has personal, business and community consequences, which increase indebtedness, susceptibility to fringe products, exploitation, difficulties in accumulation of assets and savings and, ultimately, lead to social exclusion.

The literature also indicated that community finance is clearly considered the most effective way to ensure the inclusion of people and organisations in a financial domain. It was identified as a collection of banking practices built around providing small loans (without collateral) and accepting small savings deposits, with positive effects in supporting entrepreneurship, reducing poverty, empowering women, ensuring equality and uplifting communities. Further, it was clarified that CFOs can help provide customised financial services, increase involvement of individuals and organisations, foster community development and build innovative financial mechanisms for the improvement of financial inclusion.

The literature review further identified that, in Australia, the level of financial exclusion is high, and one in seven Australians does not have access to basic financial services (Connolly, 2011). The community finance sector is represented by community finance and personal finance organisations, third sector support, and social enterprise and microenterprise finance and support, but this sector is relatively underdeveloped in Australia.

Commercialisation (profitability, competition and regulation) was revealed through the literature to be a part of the evolutionary process of CFOs. There are different schools of thought related to commercialisation. Some research opines that it leads to mission drift, and others argue that community finance should be carried out in a commercially based, financially sustainable manner to make it more stable in the mainstream financial services market. Further, arguments were put forward that it can increase the outreach in the long term, which in turn can help fulfil the social purpose. Deterioration of leadership and conscious choices by organisations were seen as other causes of the drift.

The aim of this study is establishing to what extent commercialisation, or commercial orientation, is impacting on the social performance of the community finance sector. Further to literature review on potential factors affecting the social performance of CFOs, the following conceptual relationship model (figure 4.5) was proposed for the current study.

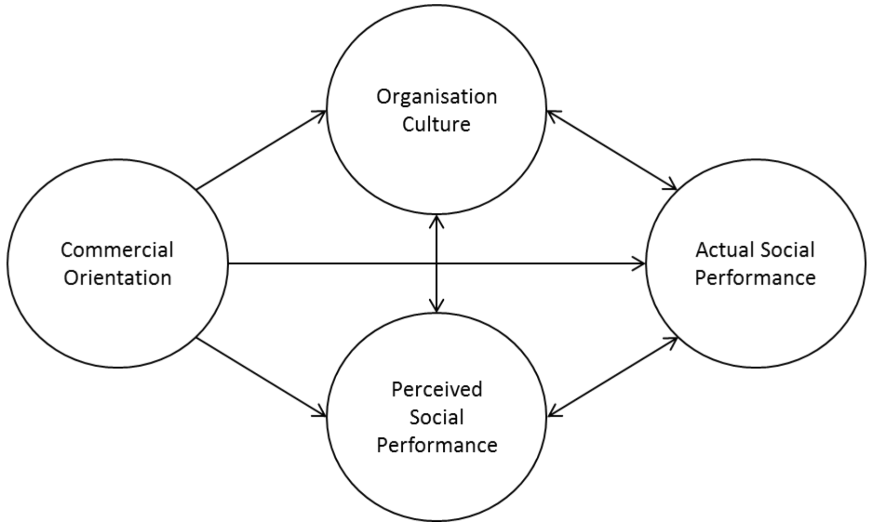


Figure 4.5: Conceptual Relationship Model of Commercial Orientation, Organisational Culture and Social Performance of CFO in Victoria, Australia.

The model depicts the three variables (organisational culture, actual social performance and perceived social performance), their mutual dependence relationships, and the way they are affected by commercial orientation. These relationships will be examined in organisations within the community finance sector in the state of Victoria, Australia, with a view to establishing the way in which commercialisation (commercial orientation) may induce mission drift in these organisations.

Considering the vital role of CFOs, it is imperative to fully understand the factors that affect their social performance. Organisational culture was identified through the literature as one of the factors that affects the performance of any organisation. The influence of organisational culture was seen to be even more relevant for CFOs because it can play a major role in maintaining focus on the social objectives and preventing excessive drift to exploitative commercial practices.

Despite the literature evincing a variety of opinions relating to the concept of organisational culture, it was possible to identify shared basic assumptions and values that define what is important in the concept, as well as norms defining appropriate attitudes and behaviours. Various models and dimensions relating to organisational culture were identified and these were explained through the popular models of Schein, Hofstede's cultural dimensions, CVF and Denison's OCSI. The latter model of organisational performance is intricately connected with understanding leadership and competencies in the development of effective organisational culture. Traits such as involvement, consistency, adaptability and mission help to achieve success as a leader.

The literature also demonstrated that organisational culture can be recognised as a crucial source of competitive advantage, and that it affects productivity and morale. Organisational culture also appears to be linked to social performance and the concept of CSR; additionally, social performance can be driven by intrinsic motivations (ethics and values as elements of organisational culture) and extrinsic societal expectations.

The relationship between organisational culture and corporate social performance was found to be the subject of numerous studies that have gathered evidence to confirm the positive relationship (Ahmad, 2012; Mozaffari et al., 2012; Nongo, 2012; Otelea & Popescu, 2009; Passarelli, 2011; Pirayeh et al., 2011; Shaw, 2012; Stare, 2011; Zhang et al., 2009).

The literature also shows that, more recently, attention has turned to the effect of organisational culture on corporate sustainability performance; emphasis is being placed on the role of social and environmental organisational performance in relation to the long-term sustainability of organisations (Linnenluecke & Griffiths, 2010; Smith & Sharicz, 2011). Similarly, many scholars have argued that an organisational culture dedicated to sustainability is a precondition for corporate sustainability initiatives (Cunha Callado & Fensterseifer, 2011; Darren & Robert, 2009; Ki-Hoon & Reza Farzipoor; Linnenluecke & Griffiths, 2010; Schneider, 2009; Smith & Sharicz, 2011). Similarly, most studies in the literature appear to be intent on understanding better the relationship between organisational culture and the financial performance of organisations.

However, the empirical evidence appears to be weak in understanding the relationship between the organisational culture and social performance of organisations (Linnenluecke & Griffiths, 2010; Wilson, 2003). Thus, the potential is presented for an examination (within the community finance sector in the state of Victoria) of two mutually dependent variables – organisational culture, and the staff perceptions of social performance in organisations. Therefore, the proposed conceptual relationship model was used to establish the research questions and hypothesis for this study. At the same time, the analysis of the variables (detailed in Chapter 5 – Methodology) will also be instructed by the above model.

Chapter 5: Methodology

5.1 Introduction

This chapter presents the paradigm perspectives, research design and methodology of the study. More specifically, it describes the sample and corresponding population, survey instruments, research variables, research questions with respective hypotheses, an outline of data collection methods and analyses that were utilised in the study.

5.1.1 Research questions

The objective of this study was to answer the following research questions:

1. What are the main characteristics of not-for profit, for-profit socially oriented, and payday lending CFOs in the state of Victoria, Australia?
2. What are the dominant cultural traits and differences between these organisational groups?
3. What are the differences in staff perceptions of their organisation's social performance between these organisational groups?
4. What are the differences in current actual social performance between these organisational groups?
5. Is there any relationship between CFO's commercial orientation and organisational culture? If so, what is the nature of the relationships?
6. Is there any relationship between CFO's commercial orientation and actual social performance? If so, what is the nature of the relationships?
7. Is there any relationship between CFO's commercial orientation and staff perceptions of their organisation's social performance? If so, what is the nature of the relationships?
8. Is there any relationship between CFO's organisational culture and staff perceptions of their organisation's social performance? If so, what is the nature of the relationships?

9. Is there any relationship between CFO's organisational culture and the actual social performance? If so, what is the nature of the relationships?
10. Is there any relationship between CFO's actual social performance and staff perceptions of their organisation's social performance? If so, what is the nature of the relationships?

5.1.2 Formulation of Hypotheses

Hypotheses were also formulated to test the relationship between organisational culture, staff perceptions of their organisation's social performance and actual social performance of CFOs as follows. These hypotheses were formulated based on the proposed conceptualisation presented at the end of literature review.

$H_1$1 There is a significant relationship between CFO's commercial orientation and organisational culture.

$H_0$1 There is no relationship between CFO's commercial orientation and organisational culture.

$H_1$2 There is a significant relationship between CFO's commercial orientation and actual social performance.

H_0 2 There is no relationship between CFO's commercial orientation and their actual social performance.

$H_1$3 There is a significant relationship between CFO's commercial orientation and staff perceptions of their organisation's social performance.

H_0 3 There is no relationship between CFO's commercial orientation and staff perceptions of their organisation's social performance.

$H_1$4 There is a significant relationship between CFO's organisational culture and staff perceptions of their organisation's social performance.

H_0 4 There is no relationship between CFO's organisational culture and staff perceptions of their organisation's social performance.

$H_1$5 There is a significant relationship between CFO's organisational culture and their actual social performance.

H_0 5 There is no relationship between CFO's organisational culture and their actual social performance.

$H_1$6 There is a significant relationship between CFO's actual social performance and staff perceptions of it.

H_0 6 There is no relationship between CFO's actual social performance and staff perceptions of it.

5.2 Research Design

The purpose of the present research is to expand the existing knowledge base in the community finance sector in relation to the concept of social performance. The main objective is to analyse the effect of organisational cultural traits on social performance. Therefore, this study belongs to social science research because it is primarily seeking the knowledge for building the capacity of CFOs.

Regarding culture and its dimensions, it is assumed that the personal world view of an individual will largely determine the respective organisational culture (Brenot, Bonnefous, & Marris, 1998). For this reason, cultural research demands explicit awareness of individual attitudes and social constructs, which is in line with the ontological position of the social sciences. However, the study intends to measure the existing cultural dimensions and social performance indicators numerically, using a quantitative approach, and to adapt existing scales to test the relationships between the constructs under study. Therefore, this research has chosen a positivist approach with a view to carry out a cross-sectional survey study.

5.3 Population

Mouton (1996) defined ‘population’ as the entire set of data from which a sample is selected and about which the researcher wishes to draw conclusions. Therefore, based on the above objectives, the population for the current study is comprised of finance organisations providing direct financial services for financially excluded communities in the state of Victoria (Australia).

Australia was selected as the location for the research project because studies related to the social performance of CFOs seems to be lacking, especially in the Pacific Region. It is also noteworthy that Australian financial exclusion is relatively high. As of 2013, “16.9% of the adult population (18+) in Australia either fully or severely excluded from financial services” (Connolly, 2014, p.5).

At the same time, the literature indicates that the evolution of financial service providers for financially excluded communities in Australia reflects the global trend in which a considerable number of community development finance organisations have been transformed into fully commercialised banks in recent times (Worthington, 1998). Examples of this evolution are the Pyramid Building Society (Geelong, VIC) and the Commonwealth Bank of Australia.

Victoria was selected as the geographical location of this study since most of the abovementioned types of evolving CFOs were available for investigation in the Victorian sector. As the study intended to examine socially focussed organisations, for-profit organisation which have an explicit social mission, and for-profit organisations which have no social mission, payday lenders (which play a considerable role in developed countries) were included in the study as representative of the latter category.

5.4 Sampling Procedure

Senior executives, managers, front-line staff and volunteers of CFOs in the state of Victoria were the population targeted for the study. Purposive and stratified random sampling techniques were used in several steps to select participants for this study. According to Foxcroft and Roodt (2002) purposive sampling will be done by the researcher with a pre-determined purpose in the mind and it is a type of non-random sampling in which respondents are precisely selected or used when collecting investigative data from a population. Further Foxcroft and Roodt (2002) have stated that the opinions of the target population can be obtained, and it is also conceivable to take many respondents for one subgroup and fewer for others. Further, Franck (2005) has mentioned that purposive or stratified sampling approaches usable to obtain broader variety of opinions within the population. Therefore, this study adopted both purposive and stratified sampling techniques to capture different types of financial service organisations and staff categories. At the same time, this type of sampling assists in comparing the behaviour of the independent and dependent variables (see para. 5.5) among the different groups of financial service organisations that target financially excluded communities.

Step 01: Business Directory Search

A central source of information was not available in the state of Victoria in order to identify formal, semi-formal and informal financial organisations that serve financially excluded communities. The following business directories were consulted:

1. www.abacus.org.au – Association of Building Societies and Credit Unions
2. www.apra.gov.au – Australian Prudential Regulation Authority (APRA).
3. www.asic.gov.au – Australian Securities and Investment Commission (ASIC)
4. www.coopdevelopment.org.au – Co-operative Development Services Ltd, a Victorian-based cooperative that specialises in the formation of cooperatives in Australia

5. www.dhs.vic.gov.au – Department of Human Services, Victoria
6. www.yellowpages.com.au – Yellow Pages

350 CFOs, including payday lenders, were found. Furthermore, CFOs that did not have a public website or published audited annual reports were removed from the list in order to target only CFOs for which independently validated financial information could be obtained; this resulted in a short list of 102 CFOs.

Step 02: Filtering finance organisations that provide services mainly for FECs in the state of Victoria (Target Population)

In this stage, the identified organisations (except payday lenders) were further filtered based on the following criteria of community development finance institutions (SVA, 2009) to identify those mainly serving financially excluded communities:

- Providing specialised financial services and training to promote growth, renewal or sustainability
- Fostering community economic development in disadvantaged and underinvested communities
- Providing access to capital through investment, loans, debt finance and/or equity
- Developing innovative financial mechanisms that facilitate financial inclusion
- Providing government subsidised loan schemes such as NILs, Good money etc.
- Providing financial counselling.

The above information was acquired from mission statements, self-provided descriptions, annual reports and websites of the respective organisations. Further, the organisations were contacted in order to confirm the information reported.

The filtering process resulted in 58 different types of CFOs and they were defined as the target population of the study. Finally, inaccessible CFOs – that is, those CFOs that couldn't generalise research findings, such as larger-scale national-level commercial banks – were removed from the target population. Community Banking CFOs and larger-scale NPOs were also removed because they declined to participate in the study. For example, two larger-scale NPOs in Victoria – Good Shepherd Microfinance and Brotherhood of St Laurence – did not participate in the study due to the complexities of their approval process of signing the consent forms. The data collection process of the current study was also delayed due to the difficulties of recruiting larger-scale CFOs. Finally, 46 CFOs were shortlisted and those CFOs were defined as the accessible population for the study. There were 2,107 staff employed by the time of data collection.

Letters of invitation containing information on the proposed project were sent to all 46 CFOs to capture all the organisational categories. 17 CFOs formally agreed to support the study. The total staff of the 17 CFOs was defined as the sample of the research project (n = 416). A summary of the sampling and enrolment process is displayed in Figure 5.1.

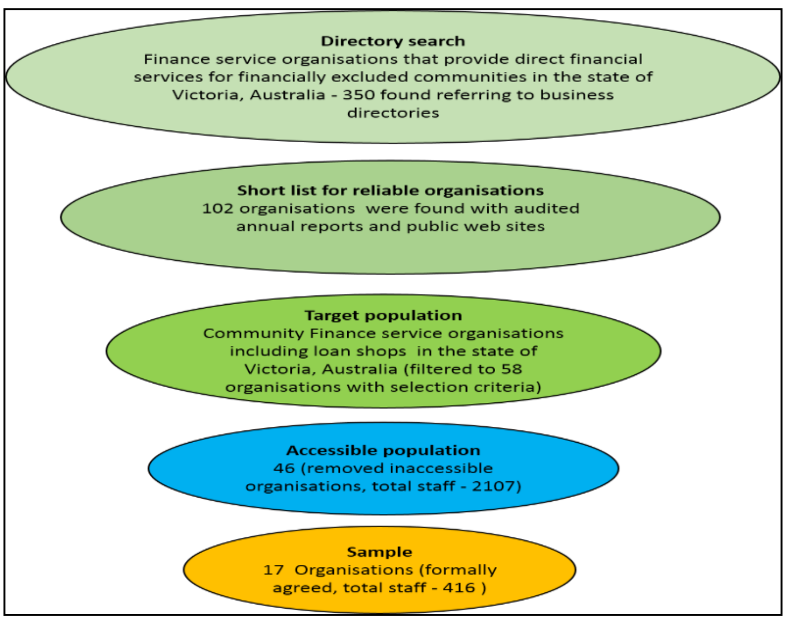


Figure 5.1: Sampling Summary

Step 03: Categorising finance organisation types

The 17 CFOs were further categorised into the three groups of 'not-for-profit', 'for-profit' and 'payday' lenders. As indicated in the literature, different types of institutions provide financial services for low-income or excluded people globally using a wide range of models and methods (De Aghion & Morduch, 2007; Bakhtiari, 2006; Clerk, 2004; Drake & Rhyne, 2002; Rutherford, 2000). Different groups of organisations have various motivations and methodologies for engaging in community finance activities. However, as mentioned in the literature review, community financial service providers could be generally divided into two main categories: not-for-profit and for-profit organisations. Payday lenders were treated as a special group of for-profit organisations which has evolved from the informal sector and which appears to be operating with a fully commercial purpose. Table 5.2 shows the staff size of each group of CFOs, and the anticipated characteristics of the sample organisational categories are presented in Table 5.3.

Table 5.1: Staff Size of Sample Cell CFOs

Organisational type	No of organisations participated	Total staff size	%
Not-for-profits	8	207	50
For-profits	4	89	21
Payday Lender	5	120	29
Total	**17**	**416**	**100**

NB: % = % of total no. of participating organisations

Table 5.2: Key Characteristics of Sample Cells

	Not-for-profit	For-profit	Payday lenders
Purpose of community financing	Social impact, sustainability and growth	Social impact, profitability and image	Profitability
Legal form	Non-profit foundations, associations, building societies	Banks, credit unions, non-banking financial institutions	Private or sole proprietor companies
Clients	Financially excluded individuals, microenterprises	Financially included and excluded individuals, small enterprises and microenterprises	Financially included and excluded individuals
Services	Individual credit, solidarity loans, community banking, savings	Individual credit, group loans, leasing, savings	Individual credit
Source of funding	Donations, soft loans, shares, savings and guarantees	Commercial loans, soft loans, guarantees, shares and savings	Commercial loans

5.5 Research Constructs

The following independent and dependent variables were defined, based on the objectives of the study:

5.5.1 Independent Variables

The commercial orientation of CFOs is the primary independent variable of this study. At the same time, the recorded measurements of organisational culture traits and indices using Denison and Mishra's (1995) Organisational Culture Survey Instrument (OCSI), later reformulated as the Denison Organisational Culture Survey (DOCS) (Denison et al., 2007), form the secondary independent variable set for the study. The DOCS consists of four dimensions reflective of organisational culture – namely adaptability, mission, consistency and involvement – with three sub-indices that have been widely investigated in the academic literature and have been confirmed as influential in relation to organisational performance (Artiach, Lee, Nelson, & Walker, 2010; Linnenluecke & Griffiths, 2010) (see para. 5.6.1.2).

5.5.2 Dependent Variables

The indicators of social performance (SPIs) as measured by the CERISE social performance audit survey were the main dependent variables for this study. The CERISE social audit survey is highly recognised in the community development finance sector and has been utilised in various academic studies (Bédécarrats et al., 2011; Chandrabai et al., 2012; Engels, 2010; Zohra & Pandey, 2011). Poverty outreach, adaptation for services, benefits for clients and social responsibility are the main SPIs measured by the CERISE instrument; this is discussed further in Section 5.6.2.

In addition, a social performance perception survey questionnaire was developed in parallel with the CERISE social audit survey items. Subsequently, a perceived SP scale was formed for individual respondents as a mediating variable between the organisational culture and actual social performance of the CFOs.

5.6 Instrumentation and Data Collection Procedure

Figure 5.2 summarises the instrumentation and data collection procedure:

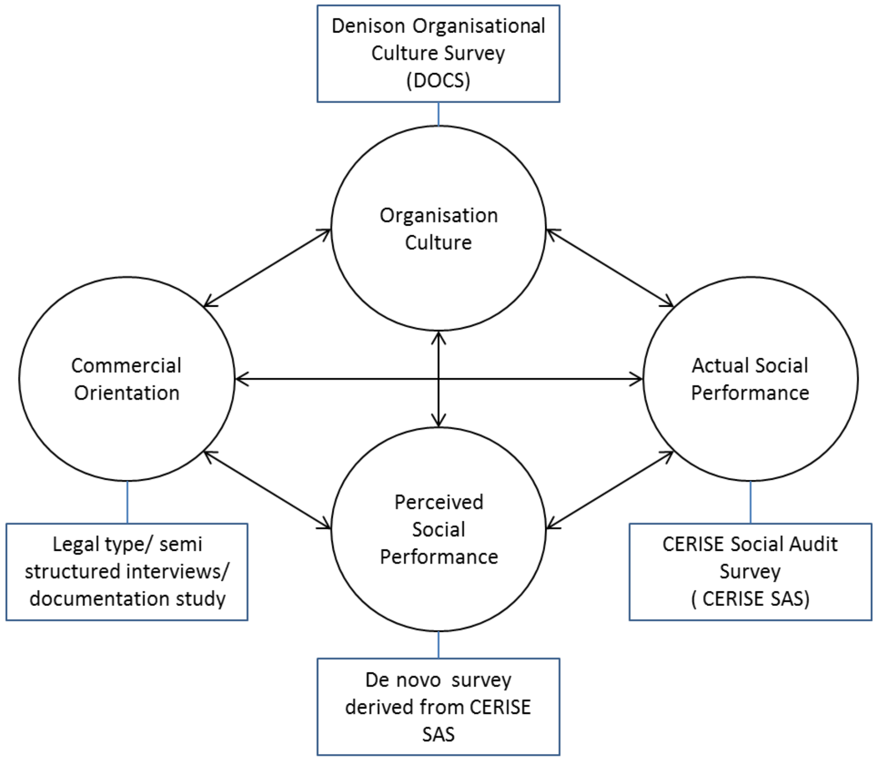


Figure 5.2: Instrumentation and Data Collection Procedure

5.6.1 Denison Organisational Culture Survey (DOCS)[5]

The purpose of the organisational culture survey was to collect empirical data on the organisational culture of the selected financial organisations, in order to compare organisational culture in and across the principal types of financial organisations and study

[5] For the full text of the DOCS, see Appendix D.

the link with their social performance. Surveys also have relative advantages for cultural studies. For example, Mouton (1996) listed the following advantages of surveys:

- They are an efficient way to collect information from a large number of respondents;
- They can be used to study attitudes, values, beliefs and past behaviours;
- They are standardised and therefore are relatively free from several types of errors;
- They are relatively easy to administer.

Hence, survey methods have been frequently used in empirical research studies on organisational culture (Abe & Iwasaki, 2010; Deem, 2009; Cameron & Quinn, 2006; Deshpande & Farley, 2004).

Accordingly, the DOCS (Denison et al., 2007) was selected for the current study after reviewing various cultural survey instruments available in the literature. All staff members in the above sample organisations were invited to participate in the survey because they were relatively small population sizes. Surveys can also be easily administered for a large population (Creswell, 2009; Babbie & Mouton, 2001; Mouton, 1996).

The DOCS has four culture traits and 12 (3x4) related indices, which are supported by five questions each (Table 5.2), for a total of 60 questions. The questions must be ranked using a five-point Likert scale, from disagree (0) to fully agree (5). The estimated time to complete the questionnaire is around 20 minutes. It can be easily administered and published electronically, to minimise time and cost (Cunha, Aldo & Fensterseifer, 2011; Subasinghe, 2010; Denison et al., 2007). Therefore, the DOCS software was installed onto several computers at the organisation’s premises. An online facility was not arranged because the researcher intended to administer the survey by visiting the respective branch locations in person in order to address any queries that might arise. The meetings were first organised at the head office of each CDFIs in order to obtain permission to conduct the study; presentations were made to senior executives to explain the rationale of the research. Thereafter, a memo was delivered to all employees explaining the purpose of the research, assuring potential participants that confidentiality would be maintained and that participation was voluntary.

Table 5.3: DOCS cultural traits and related indices

Culture Traits	Culture Indices
Involvement	Empowerment
	Team Orientation
	Capability Development
Consistency	Core Values
	Agreement
	Coordination and Integration
Adaptability	Creating Change
	Customer Focus
	Organisational Learning
Mission	Strategic Direction & Intent
	Goals & Objectives
	Vision

Involvement suggests that when members are encouraged to participate, a sense of ownership and responsibility develops, leading to commitment to the organisation. According to Denison et al. (2007), involvement includes: empowerment (or the authority, responsibility and initiative granted to and displayed by the individual relative to managing his or her own work); teamwork (or the amount of effort the organisation places on the team to accomplish goals); and capability development (or the emphasis placed on developing new skills to improve the competitive position).

Consistency is indicative that, when the organisation's culture (comprised of shared beliefs, values and symbols) becomes internalised, consensus and coordination are more effectively achieved. Denison et al. (2007) asserted that the DOCS measures the following: consistency through core values, or the degree to which members of the organisation have those shared values, identity and expectations; agreement, or the ability of the group to arrive at agreement and reconcile differences; and coordination and integration, or the way that diverse elements of the organisation are able to work together to achieve organisation goals.

Adaptability is the organisation's ability to recognise changes in the external and internal environment, and respond appropriately to accommodate those changes. Denison et al.

(2007) defined the measures of adaptability as follows: creating change (the ability to adjust to the changes in the external environment); customer focus (the degree to which the firm is driven by customer satisfaction); and organisational learning (the ability of the organisation to translate information from both the internal and external environments into actionable knowledge).

Finally, *mission* refers to the extent to which, in the presence of a clearly communicated, broadly shared mission, the organisation finds purpose and meaning as well as direction. According to Denison et al. (2007), the DOCS measures for mission include: strategic direction and intent, or the degree to which the organisation's purpose is clearly stated and understood by each member; goals and objectives, or the degree of linkage of goals and objectives to mission, vision and strategy; and vision, or the degree to which the organisation has a shared view of the future that is based on the core values of the organisation.

The results of the DOCS traits and indices are displayed in a circular profile based on Denison's model of organisational culture, previously introduced in Figure 4.4.

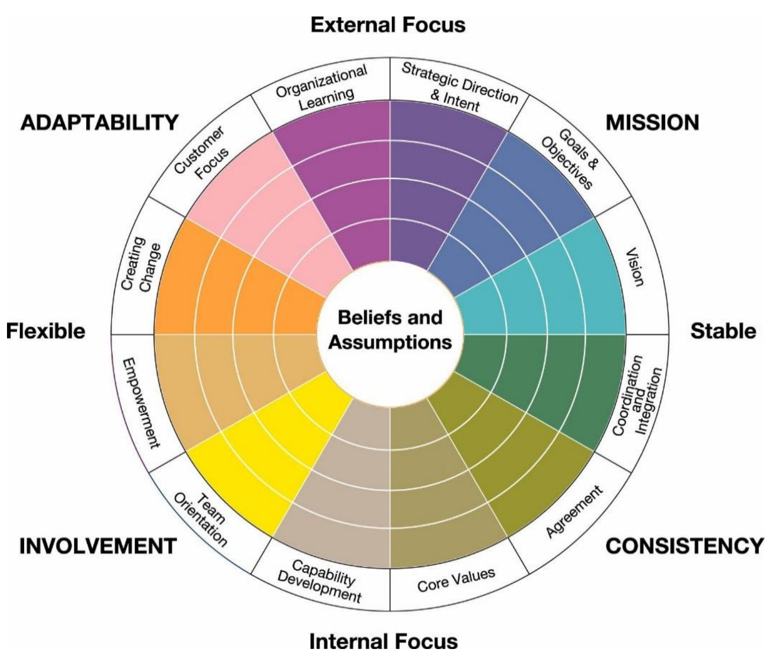


Figure 5.3: Denison Organisational Culture Model (Denison et al., 2007)

The diagram shows scores in quartiles and percentiles that can be compared with organisations performing higher- and lower in the existing database. Respective results of organisations can also be compared against a different variety of organisations that are currently available in the database. This database comprises different types of large and small organisations from different parts of the world in different industries such as manufacturing, service, retail, financial, technological, and non-profit and government organisations.

5.6.1.2 Rationale for selecting the DOCS

Organisational culture is a multidimensional and it has various hidden beliefs and assumptions with visible artefacts and practices (Ravasi & Schultz, 2006). Therefore, selecting the appropriate cultural typology and tools needs to be done very carefully because they have enormous influence on desired outcomes of the research (Mobley & Fang, 2005; Parker & Bradley, 2000; Voyt, 2011; Whitaker, 2011). Jung et al. (2009) conducted a comprehensive analysis on various cultural typologies and tools in the extant literature and suggested some very important criteria for selecting the proper typology and tools for a culture study, which Birbeck (2008) further emphasised. The major criteria they have highlighted are: purpose of the study and applicability, grounded theory of rigour, validity, reliability, manageability, access to the instrument, copyright implications, and prior number of studies used. Denison et al. (2007, p. 21) found strong support for the validity of the DOCS as a set of measures for the constructs in the theoretical model. Accordingly, Denison’s cultural modality and its related instrument (the DOCS) were ideally selected for this study.

Studies on the relationship between organisational culture and performance are also limited on agreements about the suitable measurements (Deem, 2009). Despite these challenges, a better understanding of this topic remains critical to the development of organisational culture studies. The DOCS was deliberately designed by Denison and Neale (2000) to measure the relationship between the appropriate dimensions of organisational culture and performance (Birbeck, 2008; Deem, 2009; Denison et al., 2007;

Deshpande & Farley, 2004a). Based on the above discussion, the DOCS also contains all of the elements of a work culture with corporate sustainability initiatives as discussed in previous chapters. Perhaps most importantly, it includes a measure for organisational performance. Accordingly, the DOCS was determined to be the best match for this project.

According to (Jung et al., 2009) organisational culture studies need to be designed according to the aim or purpose of the research investigation: is it driven by formative, summative or diagnostic reasons. Further Jung et al., (2009) have stated that a formative investigation gives insights on the cultural characteristics and performance of an organisation and findings can be used to organisational development and learning process. Authors have also mentioned, summative investigations can conclude different appearances and dimensions of an organisational culture, and those findings can be used in performance management practices in the organisation. At the same time, an organisational culture study can bring findings on existing cultural traits and procedures within an organisation and functionality of them on encouraging necessary organisational procedures and results (Jung et al., 2009). However, the main purpose of an organisational culture diagnostic study is to understand the strengths and weaknesses of cultural dimensions in unit, team or individual level and it can be used to examine organisational capacity, receptivity and willingness for cultural change at the organisation,. This study belongs to diagnostic explorations as it is looking at existing cultural traits and processes within CFOs, and their functionality in relation to promoting corporate sustainability performance. The DOCS is also highly regarded as a cultural diagnostic tool among business organisations in the world and in the literature (Cameron & Quinn, 2006; Deem, 2009; Kimbrough, 2006; Lcasse, 2010; Ravasi & Schultz, 2006). In addition, the DOCS was developed based on the CVF, which is also highly regarded in academia as a diagnostic tool of culture. Therefore, the DOCS is an applicable tool for this study because it is capable of diagnosing the appropriate cultural dimensions for required performances (Cunha Callado & Fensterseifer, 2011; Deem, 2009; Denison & Neale, 2000).

The expected benefit of a qualitative research paradigm for organisational culture is the capability to recognize structures through the patterns exhibited by distinct behaviour of employees (Jung et al., 2009). A trend towards more quantitative organisational culture studies can be identified from late 1980s and this might be attributable to the consultancy experience of widespread authors and tools within the field (Reigle, 2003). However, according to Jung et al. (2009), quantitative organisational research can be administered and evaluated relatively quickly. Further authors have mentioned that, the numerical data obtained can be used for comparisons between organisations or groups, while also providing some indication of the extent to which participants agree or disagree. Quantitative approaches can also be used when the researcher face constraints such as time restrictions and organisational policies that putting limitations of using the other approaches (Reigle, 2003). In addition, a simple quantitative survey can be significantly easier to administer than conducting complex qualitative research, and it can cover a large sample of respondents (Jung et al., 2009). For these reasons, the DOCS was ultimately considered appropriate for the present study.

In addition to the above applicability factors, the DOCS has also been utilised by more than 6,000 organisations throughout the world, and it has been translated into more than 14 languages. Some examples are Ahmad (2012), Cunha, Aldo and Fensterseifer (2011), Subasinghe (2010), Birbeck (2008), and Mobley and Fang (2005).

5.6.2 CERISE Social Performance Audit Survey

Community finance social performance indicators (SPIs) are dependent variables for the current study. The purpose of the social audit survey was to measure the SPIs of the selected financial organisations. For this purpose, the social audit survey instrument developed by CERISE was administered with the organisation’s permission. The instrument was electronically designed and demands qualitative and quantitative investigations to rate the given indicators. The researcher administered the instrument personally by interviewing the relevant senior executives and referring to the appropriate documentation.

Although there is no extensive literature available on the SP of financial organisations that provide financially services for financially excluded communities, some scholars and institutions have proposed a definition and indicators.

The available literature also lists various indicators that have been developed by leading community finance agencies. CGAP (2007, p. 4) has identified eight social performance assessment tools: 1. The CERISE social performance audit, which focuses on institutional process, internal systems and actions on achieving social mission; 2. CGAP and Grameen Ford Progress Out of Poverty index (PPI), which focuses mainly on client outcomes; 3. M-CRIL's social rating, which measures CFOs' likelihood of achieving their social mission; 4. ACCION Social Tool, which evaluates the success of CFOs on achieving their social mission; 5. Social Performance Assessment (SPA), developed by USAID, which emphasises data collection and reporting; 6. FINCA's client assessment tool, which measures CFOs' social performance through metrics on client satisfaction with extensive interviews; 7. Microfinanza Social Rating, especially designed for donors, and 8. Planet Rating, especially designed for donors.

The following performance areas have commonly been highlighted by these social measurement tools:

- Serving large numbers of poor and financially excluded communities, furthering CFO's outreach in a sustainable manner.
- Improving the quality, appropriateness and affordability of the services they offer.
- Creating benefits for poor and financially excluded communities by building social and economic capitals.
- Improving CFOs' social responsibility by fulfilling the needs of their employees, clients and communities.

According to CGAP (2007, p.9), social performance is not just about measuring these objectives and outcomes; it is also about the actions and corrective measures taken by an organisation to generate those outcomes. Social performance does not just focus on final effects; its aim is to determine whether these financial organisations give themselves the means to reach their social goals, by monitoring progress towards them and understanding how to use gathered information to make improvements in their operations.

Various organisational factors affect the SP of community finance organisations, such as organisational governance, management capabilities, financial sustainability, community finance experience, and grants capital (IFAD, 2006; IDS, 2005). According to Getu (2007), organisational mission and business philosophy (culture) is critically important in designing SPIs and objectives. The literature also indicates that several institutions such as CGAP, MIX, the World Bank and CERISE have taken leadership in developing SPIs, although the community finance sector has not yet settled on a commonly agreed set of indicators.

However, the SPI instrument developed by CERISE is popular in the current literature and it has been utilised for academic studies (Bédécarrats et al., 2011; Chandrabai et al., 2012; Engels, 2010; Zohra & Pandey, 2011). The instrument measures the extent to which a financial organisation dedicates the means necessary to fulfil its social mission, by investigating SPIs such as targeting and outreach, adaptation of services, benefits to clients and social responsibility. The CERISE tool has been developed in 2004 in partnership with a wide range of community finance practitioners at its available for public use. At the same time, CERISE tool collects data on 70 indicators that measure the objectives, systems and processes of the four key dimensions of social performance as defined by the SPTF (Bédécarrats et al., 2011). The dimensions and sub-indicators of CERISE's SPI tool are presented in Table 5.3.

Table 5.4: The SPI Tool developed by CERISE

Social Performance main indicators	Social Performance sub indicators	No of items
SP1. Targeting and outreach	SP1.1 Geographic targeting	5
	SP1.2 Individual targeting	6
	SP1.3 Pro-poor methodology	6
SP2. Adaptation of services	SP2.1 Range of traditional services	7
	SP2.2 Quality of services	6
	SP2.3 Innovative and non-financial services	6
SP3. Benefits to clients	SP3.1 Economic benefits to clients	7
	SP3.2 Client participation	7
	SP3.3 Social capital/Client empowerment	4
SP4. Social Responsibility	SP4.1 SR to employees	7
	SP4.2 SR to clients	6
	SP4.3 SR to the community and the environment	4

Source: Bédécarrats et al. (2011)

Each dimension is broken down into three criteria. Targeting and outreach (SP1) refers to the strategies that the financial organisation has in place to reach the poor and excluded. These strategies can be geographic (e.g. targeting isolated, remote and poor areas); individual (e.g. targeting clients based on poverty levels or exclusion), or methodological (e.g. specifically designing services for the poor or excluded).

Adaptation of services (SP2) refers to whether an institution offers products tailored to client needs, and it includes the range, quality and diversity of its financial services.

Benefits to clients (SP3) are at the heart of community finance. They include client participation (strengthening of social networks or including clients in the institution's governance) and client empowerment, as well as economic benefits. However, these are not the only reason for accessing financial services, and need an effort from the financial organisation to ensure that the benefits are specifically aimed to the clients.

Finally, social responsibility (SP4) concerns employees (through appropriate human resource policies), clients (through consumer protection), and the community and the environment (Bédécarrats et al., 2011, p. 8).

The core questions focused on the following topics: the interviewee's background; the values of the organisation; the unique aspects of the history of the financial organisation; the management and business practices of the financial organisation; and the link between the organisation's culture and social performance of CFOs. Therefore, all the senior executives were targeted for the interviews in the case of each financial organisation, since this group is essentially involved in policy design within financial organisations. At the same time, two randomly selected branch managers will also be interviewed, as they are officers responsible for implementing policies.

5.6.3 Social Performance Perception Survey

In addition, a social performance perception survey questionnaire was developed in parallel with the CERISE social audit survey items. Subsequently, a perceived social performance scale was formed for individual respondents as a mediating variable between the organisational culture and actual social performance of the CFOs. The present study endeavoured to develop this perception survey in order to understand the actual social performance of CFOs in terms of employee perspectives. The survey questions were developed in parallel to the question in the CERISE social audit survey. Advice was sought from senior academics and industry leaders in order to shape the questionnaire and scaling of them (see Appendix C). The study also intended to test this survey questionnaire for future studies.

5.6.4 Semi-structured Interviews

There were four main purposes of the in-depth interviews. The first was to understand and verify whether there were considerable disparities in the answers to the survey questionnaire provided by the participants. The second was to obtain a deep understanding of the organisational culture from its historical evolution. The third was to understand the effects the financial organisation culture has on its social performance, and the final one was to understand the profit orientation of CFOs. Mainly, interviews were semi-structured and followed the approach of Merton, Fiske and Kendall (1963) in order to receive constructive responses. The core questions focused on the following topics: the interviewee's background; the organisation's values; the unique aspects of the history of the financial organisation; the management and business practices of the financial organisation; and the link between the organisation's culture and community finance social performance. Therefore, all the senior executives from each financial organisation were targeted for the interviews because this group is essentially involved in policy designing. In addition, two randomly selected branch managers were interviewed because they are the officers responsible for implementing policies. The above core question areas were also mainly based on the DOCS cultural traits and CERISE's main social performance indicators (see Appendix F).

5.7 Response Rate

The survey was sent to each of the 416 staff members electronically in consultation with the human resource departments of the respective CFOs. Of the 320 responses (n = 320) received, seven were rejected because they were only partially completed. Accordingly, 313 completed surveys (N = 313) were considered for analysis, which was a 75.24% response rate from the total survey. The response rates of not-for-profit, for-profit socially oriented and loan shops were, respectively, 72.95%, 78.65% and 76.67%.

According to Greene (2007), electronic survey response rates can vary from a very small percentage to 100%, but they differ based on the sample size; smaller sample sizes should obtain a higher response rate (Deem, 2009). Further, Grix (2004), Johnson and Onwuegbuzie (2004) and Field (2000) have discussed the required response rate for a statistically validated study, and most academic studies are satisfied if the response rate is more than 51% (Mouton, 1996; Rahimnia & Alizadeh, 2008; Shafei, Ghaderzadeh, Salavati, & Lavei, 2011). Therefore, the response rate of the present study is acceptable.

5.8 Ethical Considerations

The researcher followed a code of ethics throughout the research process that included the following: (a) protecting the privacy rights of the participants in the study; (b) following ethical practices when conducting the study; (c) ensuring all participants are safe from any harmful conditions or practices; and (d) conducting and reporting the research data and findings with integrity, validity and credibility (Cooper & Schindler, 2008). These commitments were the responsibility of the researcher and continually modelled and practised.

The potential benefits outweighed the risks of co-creating additional knowledge as to how organisations may more successfully integrate. The researcher is aware that employees and workers are a vulnerable population. Potential risks of participating could have included: (a) pressure from a manager to take part in the study, (b) a repercussion for choosing not to participate or (c) potential loss in job duties based on how a question was answered. These risks were understood and, as a result, the researcher took precautions to protect study participants, ensure anonymity and pre-empt worker vulnerability.

To ensure the protection of study participants, the researcher followed the code of conduct of the research study organisation and the core values of integrity, employee relationships, customer relationships, entrepreneurship and operational excellence. This was practised during all aspects of data collection, data analysis, security of data and summary feedback about the study findings and conclusions.

Human ethics approval was received for the present study and appropriate procedures were followed throughout the data collection process. Confidentiality and anonymity were maintained at every place when dealing with participating organisations and individuals.

5.9 Data Analysis Procedure

Descriptive statistics, analysis of variance (ANOVA), correlation analysis and regression analysis were selected as the main data analysis techniques for the present study. Descriptive statistics were used to analyse the demographic information collected from sample CFOs. SPSS and SPSS AMOS version 23.0 statistical packages were used to analyse the data.

Kolmogorov–Smirnov (K–S) single sample tests and Shapiro–Wilk (S–W) tests of normality were conducted on the data set. Cronbach's alpha coefficients were computed to test the reliability of the data. First, exploratory factor analysis utilising data reduction techniques, including both varimax and oblique rotations, was conducted in order to verify that the data supported the relationships proposed by the Denison culture model. 8 factors were extracted; however, only one of them produced 10 or more loadings greater than .4. At the same time, the Denison culture data set was found to be not normally distributed. Therefore, a weighted culture score for each respondent was developed in order to study the bifurcation of data.

Subsequently, the respondents were categorised into two groups based on their attitude (positive and negative) to their organisational culture based on the Denison culture score. Importantly, the data was found to be normally distributed within the above two groups, which allowed linear analysis to be conducted.

Pearson's correlations were computed in order to understand whether there were relationships between variables. The proposed hypotheses were tested using regression analysis, with a view to evaluate the nature of the relationships between social performance measures and the various cultural trait scores. The techniques employed are consistent with other studies regarding organisational culture and performance (Ahmad, 2012; Deem, 2009; Pirayeh, Mahdavi, & Nematpour, 2011; Zhang et al., 2009). The whole data analysis approach has been summarised in appendix L.

Chapter 6: Analysis and Presentation of Findings

The objective of this chapter is to report the results obtained through statistical analysis of the data on CFOs participating in the study, collected by means of the Denison organisational culture survey [OCSI] (Denison & Mishra, 1995), the CERISE social performance audit survey, and, based on the CERISE instrument, a de-novo survey measurement of staff perceptions of their organisation's social performance.

6.1 Characteristics of the Sample and Generalisability

Demographic data of the defined population was not readily available. However, a comparison of the distribution by organisational type was made based on a Kruskal-Wallis ANOVA test of the population and sample, and it was concluded that the sample was representative of the population.

Table 6.1 shows the proportionate representation of the sample in the accessible population. Data indicate that 36.96% of the targeted CFOs participated in the study, which is 19.74% of the total staff size of the population.

Table 6.1: Proportionate Representation of the Sample

CFO type	No of invited organisations	No of organisations participated	%	Total staff size of invited organisations	Total staff size of participated organisations	%
Not for profit	20	8	40	801	207	25.84
For profits	17	4	23.53	685	89	12.99
Pay day Lender	9	5	55.56	621	120	19.32
Total	**46**	**17**	36.96	**2107**	**416**	19.74

Table 6.1 also indicates the proportionate representation of each organisational type (>10%). The sample size is representative according to the heuristic for determining a sample size (Carmen, Wilson, & Morgan, 2007).

Table 6.2 shows the average size of the sample CFOs compared with the population.

Table 6.2: Average Size of the Sample CFOs Compared with the Population

CFO Type	Population			Sample		
	No of CFOs	Total staff size	Av staff size	No of CFOs	Total staff size	Av staff size
Not-for-profit	20	801	40	8	207	26
For-profits	17	685	40	4	89	22
Pay day Lenders	9	621	69	5	120	24
Total	**46**	**2107**	**46**	**17**	**416**	**24**

Table 6.2 indicates that the average size of the sample CFOs is between 22 and 26, which is smaller than the average staff size of the accessible population (40–69). Only a few of the national-level CFOs among those in the accessible population were found to have a relatively large staff size. At the same time, large scale CFOs declined to participate in the study and therefore findings of the study could not be generalisable to them.

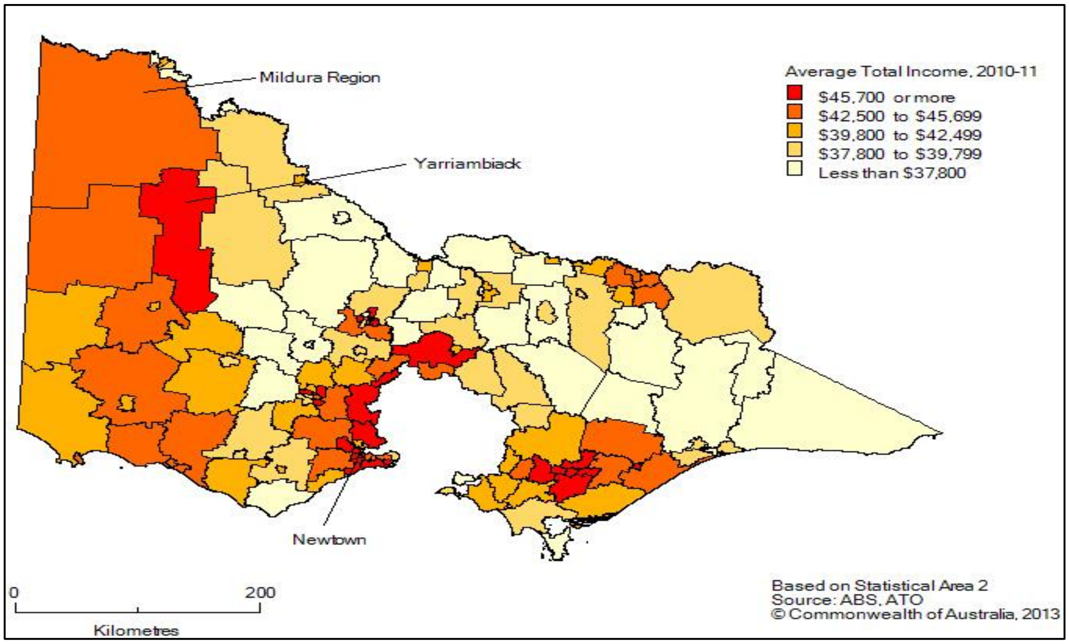
Figure 6.1 illustrates the geographical distribution of each organisational type. It was found that the 17 CFOs were distributed among 15 suburbs in Victoria.

Figure 6.1: Geographical Locations

These geographical locations were analysed in terms of socio-economic status via statistical information held by the Department of Social Services, Victoria. The data indicated that relatively low-income, financially excluded communities live in these geographical locations.

Figure 6.2 also shows the income distribution and growth in Australia for the year 2010-2011, and indicates that the sample organisations operate in low income and low growth areas in the state of Victoria. The business models of the sample CFOs were analysed, and they were found to provide direct (branch-based) retail financial services on a smaller scale for the financially excluded communities in the geographical regions shown in Figure 6.1 and 6.2.

Figure 6.2: Average Income and Growth Rates in Victoria 2010 -2011



Source: Australian Bureau of Statistics (2011)

Generalizability explains to the extent the research findings are applicable to other samples or populations (Field, 2000; Ryan & Bernard, 2000). This uses one set of findings in describing other close situations (Pagano, 2007). Generalization centers on the definition and formation of effective public knowledge (Metcalfe, 2005). It is often taken to be 'external validity' and 'transferability' (Tashakkori & Teddlie, 1998, p. 66) Mays and Pope (2000) says a measure of generalizability may be realized by making sure that the research report is detailed enough for the reader to be able to determine whether or not the findings apply in similar settings. Generalizability can also be made achievable by choosing a research site on the basis of typicality, or through using method involving many sites, but a thick or comprehensive description is important (Schofield, 1993, pp. 200-225) This also indicates that the researcher was fully immersed in the setting and it gives the reader enough information to make sense of the situation (Firestone, 1987).

In this regard, the sample analysis is considered to be typical of CFOs in the state of Victoria and the findings therefore generalisable to this population.

6.2 Descriptive Analysis of the Sample

According to Field (2000), descriptive statistics tell the researcher what the dataset looks like, and what the relationships are between the different variables in a dataset. Together with simple graphic analysis, they form the basis of virtually every quantitative analysis of data. Descriptive statistics are also used to present quantitative descriptions in a manageable form and each descriptive statistic reduces a large amount of data into a simpler summary (Greene, 2007). Accordingly, the demographic data of the sample have been analysed as follows.

6.2.1 General Demographics

Figure 6.3 indicates the breakdown of respondents among the targeted sample cells: 48% (n = 151) were from not-for-profit, 22% (n = 70) were from for-profit socially oriented and 30% (n = 92) of respondents were from payday lending CFOs. Given a medium to large effect size, 30 participants per cell should lead to about 80% power – that is, the minimum suggested power for an ordinary study (Cohen, 1975). Fourteen participants per cell, given at least three cells and an effect size of .50, will yield power of approximately 80% (Kraemer & Thiemann, 1987). Therefore, the respective cells of the present study have adequate respondents for a statistically valid comparison, assuming a moderate effect.

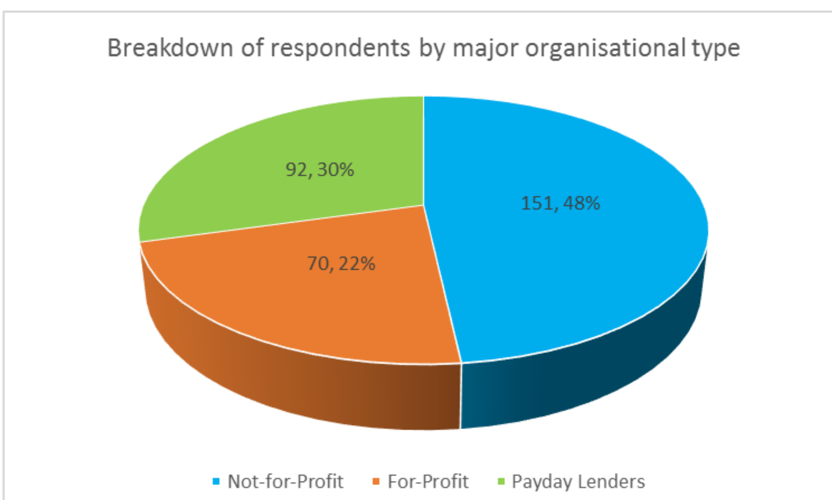


Figure 6.3: Breakdown of Respondents by Major Organisational Type

Figure 6.4 shows the sample split according to gender: 45% (n = 140) were males and 55% (173) were females.

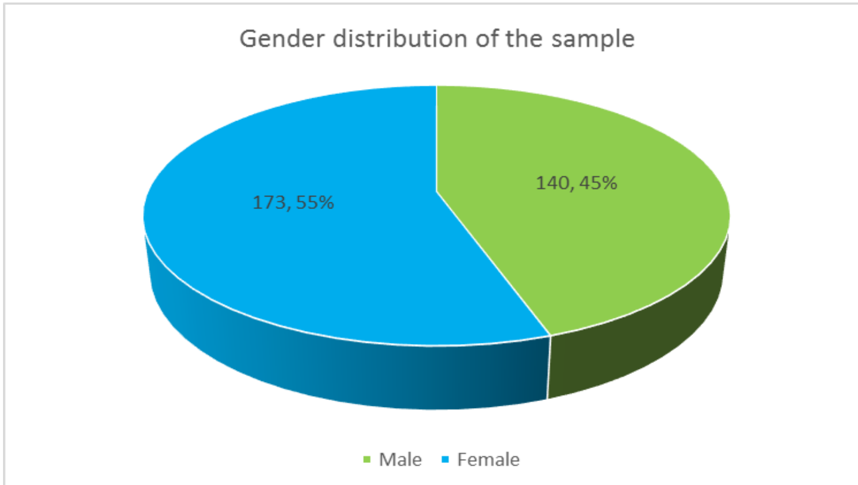


Figure 6.4: Gender Distribution of the Sample

Figure 6.5 shows the age distribution of the sample: the 35–54 age group recorded the highest percentage at 37% (n = 115); the youngest group (aged 18–24) was 14% (n = 43) and the most mature group (aged 55+) was recorded as 15% (n = 46).

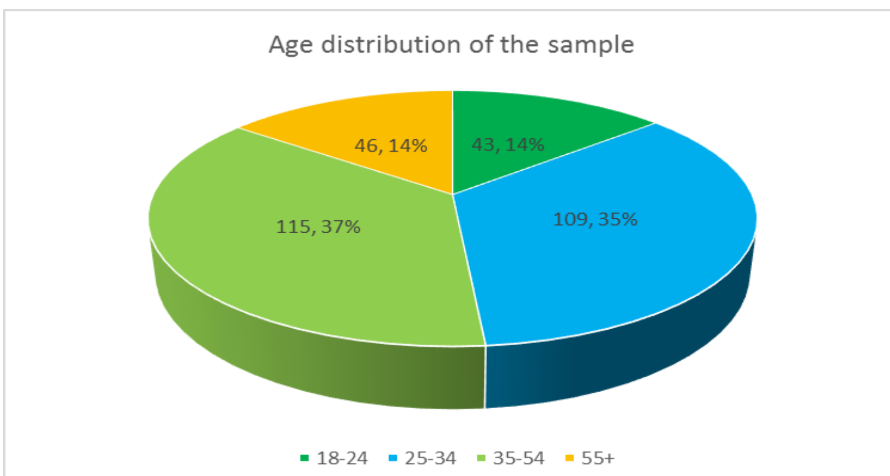


Figure 6.5: Age Distribution of the Sample

Figure 6.6 shows the breakdown of respondents based on level of education. The majority of the respondents (52%, n = 164) had completed technical and further education (TAFE) level education and 26% (n = 82) had undergraduate degrees. A relatively low level of respondents had postgraduate experience (6%, n = 20).

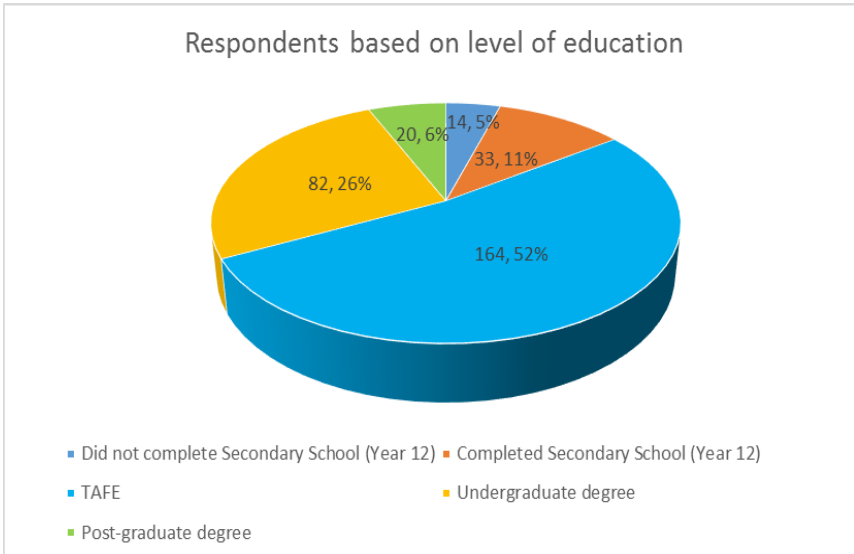


Figure 6.6: Breakdown of Respondents Based on Level of Education

Figure 6.7 shows the split of the sample based on the staff category; front-line staff represented the largest portion (50%, n = 155) of the data sample. The dataset also indicates that 48 senior executives (15%) responded and 27% (n = 86) of the total sample were managers. Typically, a number of volunteer staff was found in the not-for-profit and for-profit socially oriented CFOs (8%, n = 24).

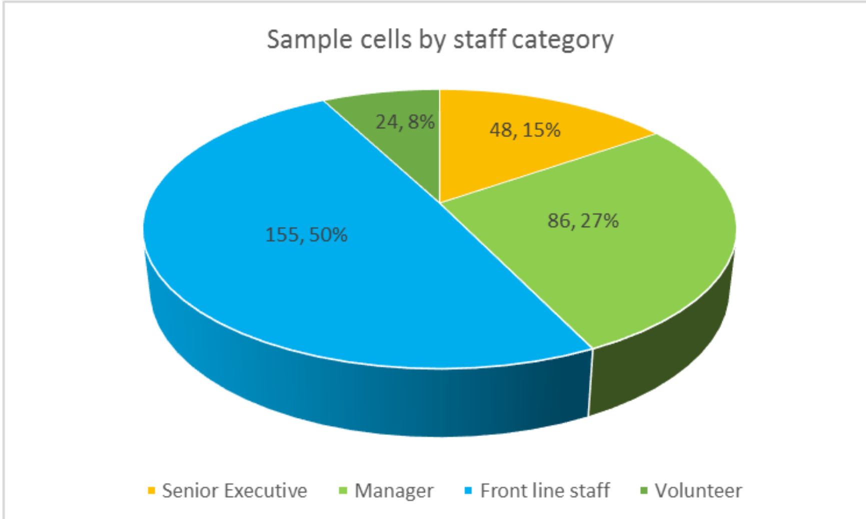


Figure 6.7: Sample Cells by Staff Category

Figure 6.8 shows the breakdown of respondents based on their service period. The highest recorded, at 42% (n = 131), was 2–5 years of service in their respective CFOs. The sample also contained staff with 6–10 years of service (31%, n = 96) and a total of 9% (n = 30) had more than 10 years of service. Overall, the sample is represented by relatively experienced staff, given that only 18% of respondents from the total sample had less than one year of service experience.

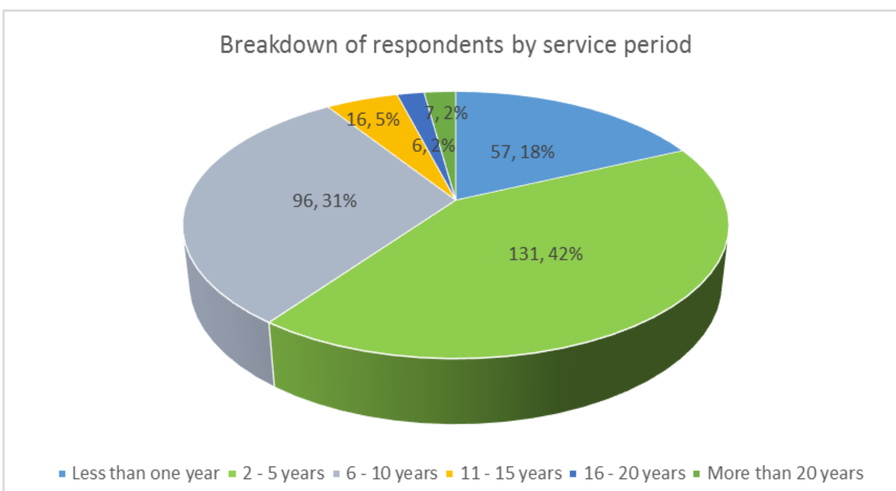


Figure 6.8: Breakdown of Respondents Based on Their Service Period

Respondents were also categorised into two major groups based on their duty locations (field-based staff and head-office-based staff), as shown in figure 6.9. As previously identified in the literature, the field-based staff (front-line staff) play a critical role in taking financial service for financially excluded or low-income households.

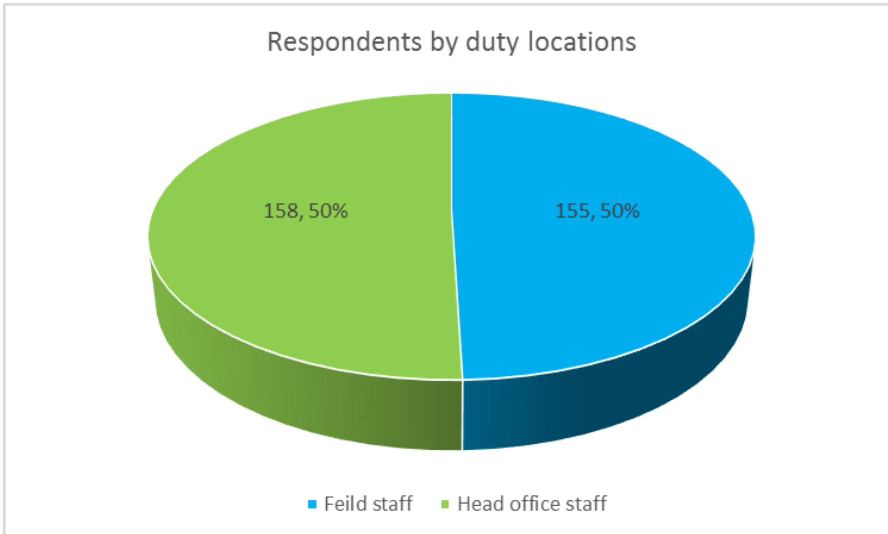


Figure 6.9: Breakdown of Respondent by Duty Location

Figure 6.9 also shows that field-based staff (n = 158, 50.5%) and office-based staff (n = 155, 49.5%) were almost same among total respondents. Further it was found that some organisations operated as single-branch CFOs, while others had multiple branches.

6.2.2 Demographics by Organisational Type

The literature indicated that organisational culture is demonstrated mainly by the people in the organisation. At the same time, CFOs have different subcultures that directly and indirectly influence their corporate culture (Saffold, 1988); people and their job categories play a critical role along with other determinants (see Chapter 3) in improving the social performance capabilities of CFOs. Therefore, the demographics of the respondents were further analysed by gender and staff roles within the major sample cells of organisation types in order to understand their cultural differences and potential influence on the social performance of their CFOs.

Figure 6.10 shows the gender distribution among organisation types. The data indicate that female representation is higher than male representation in all three organisational types.

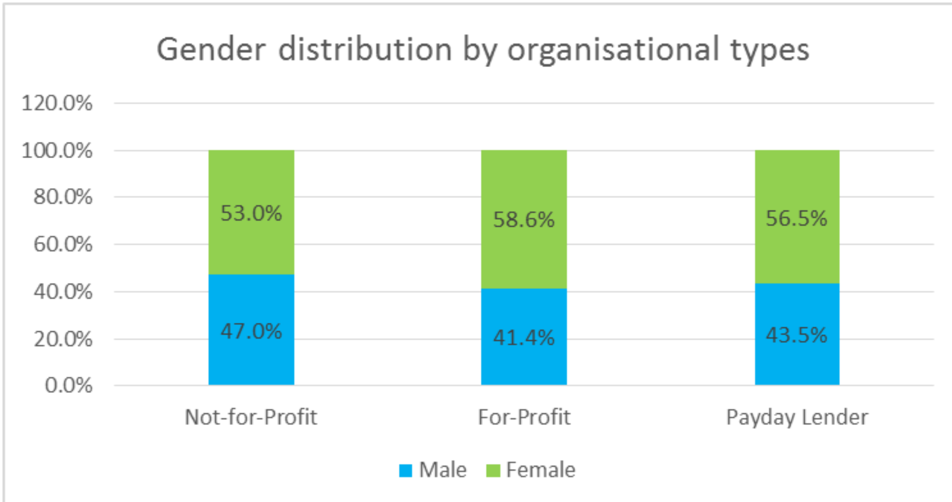


Figure 6.10: Gender Distribution among Organisation Types

Next, male and female respondents were further categorised based on age levels between organisation types, as shown in Figure 6.11. This indicated that most female staff respondents in the age-range 35–54 were from for-profit socially oriented CFOs and most of the female respondents from both not-for-profit and loan shop CFOs were in the 25–34 age group. A higher proportion of male staff respondents were in the 35–54 age group, in both not-for-profit and for-profit socially oriented organisation types. In payday lending CFOs, more male respondents were in the 25–34 age groups.

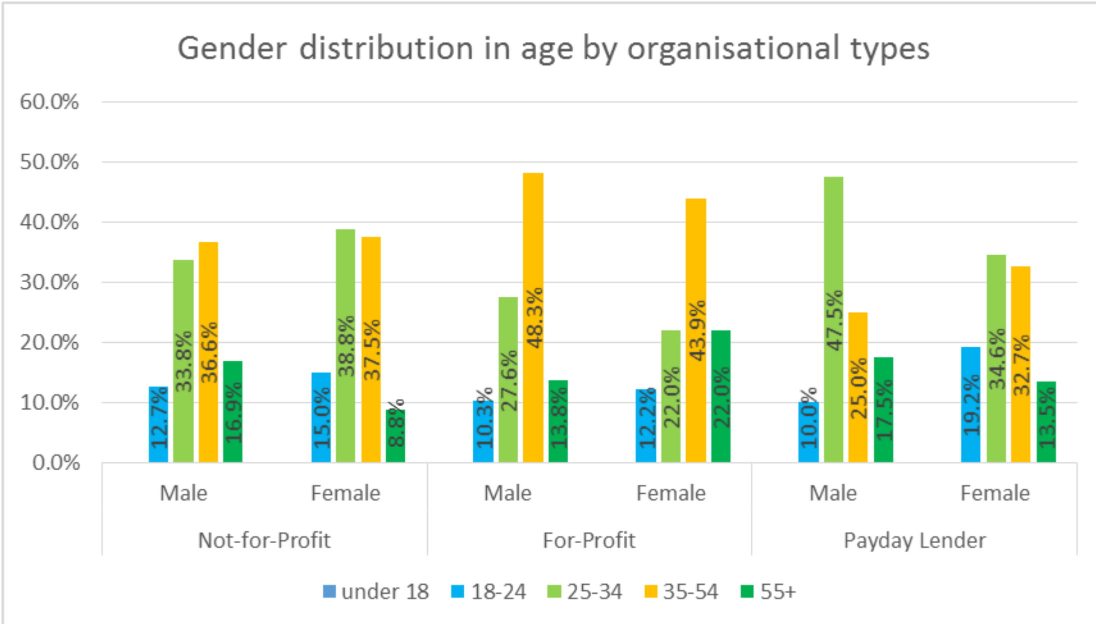


Figure 6.11: Gender by Age among Organisation Types

Figure 6.12 shows the gender differences based on level of education within the sample cells. Clear differences can be identified in TAFE-to-postgraduate level male and female staff between organisation types. Most commonly, male and female staff respondents were found to have TAFE-level education in all three organisation types.

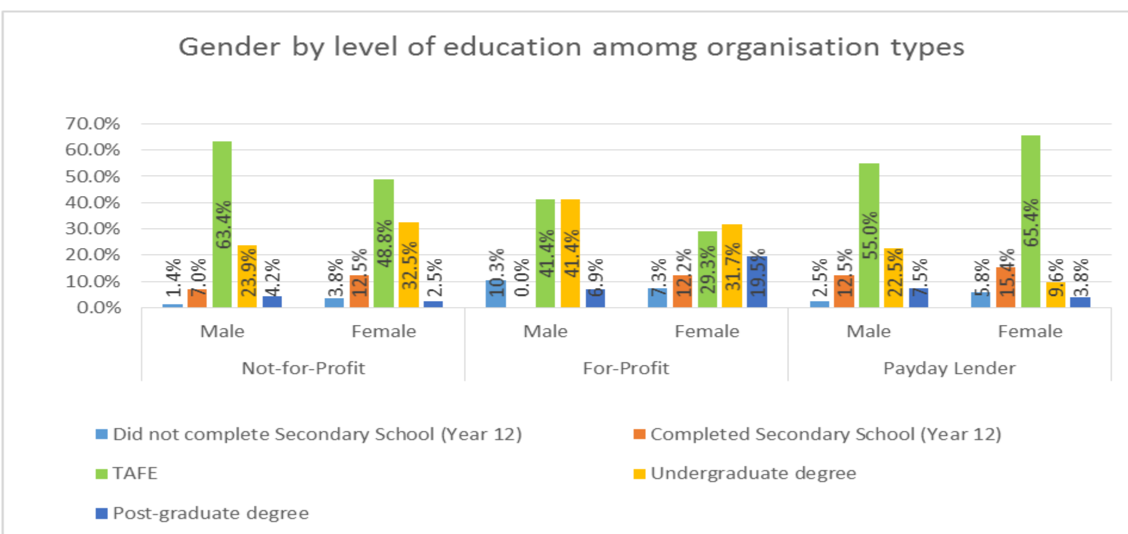


Figure 6.12: Gender by Level of Education among Organisation Types

Second, undergraduate-level-qualified males and females responded in all three organisation types. Postgraduate-level-qualified males and females also responded in the sample and more postgraduate-level-qualified females were found in for-profit socially oriented CFOs.

Figure 6.13 illustrates the gender distribution on service period by organisation types. The majority of females had 2–5 years of service experience, and a pattern of decline can be observed towards higher service experience in all three organisation types. More male staff with 2–5 years of service experience were also observed in not-for-profit and for-profit socially oriented CFOs, and more males with 6–10 years of experience were observed in payday lending organisations.

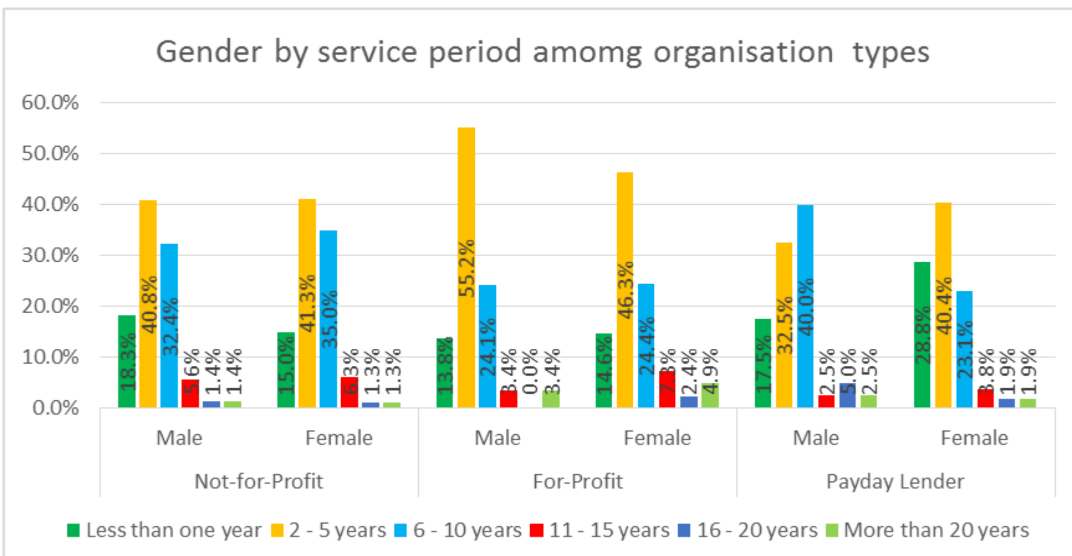


Figure 6.13: Gender by Service Period among Organisation Types

Next, respondents were categorised into different staff categories by organisation type, as shown in Figure 6.14. A high proportion of front-line staff responded in all three categories.

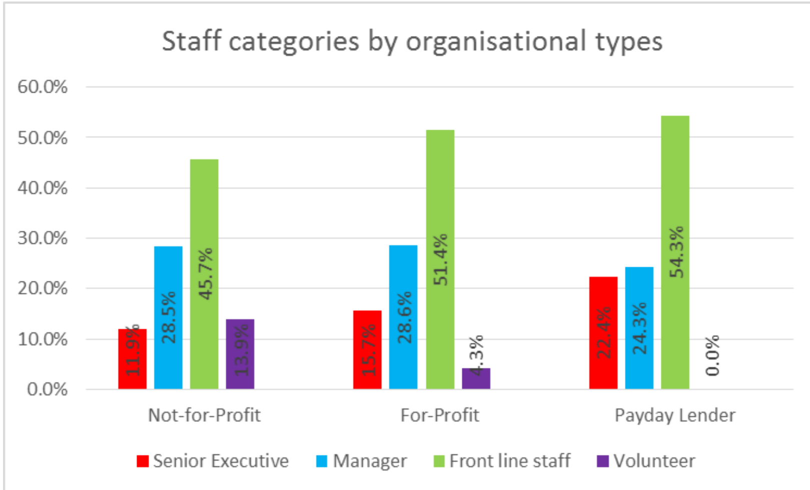


Figure 6.14: Staff Category by Organisation Type

Manager-level staff members responded in each organisation type, but the number of managers was lower in payday lending CFOs. Senior level staff also responded averagely in equal proportion from each organisation type. More volunteer staff responded from not-for-profit CFOs.

The analysis shown in Figure 6.15 was conducted to understand the educational differences of respondents' staff categories by organisation types. Most of the senior executive respondents in both not-for-profit and for-profit socially oriented CFOs had undergraduate qualifications, and senior executive respondents in payday lending CFOs had TAFE-level qualifications. Interestingly, fewer less-educationally qualified senior executives responded from not-for-profit and for-profit socially oriented CFOs. The manager-level staff respondents had mostly undergraduate-level qualifications in both not-for-profit and for-profit socially oriented CFOs, and in payday lending CFOs, most of the managers had TAFE-level qualifications. Most of the front-line staff respondents had TAFE-level qualifications in all three organisation types. Interestingly, volunteer staff respondents serving for-profit socially oriented CFOs had upper-level educational qualifications.

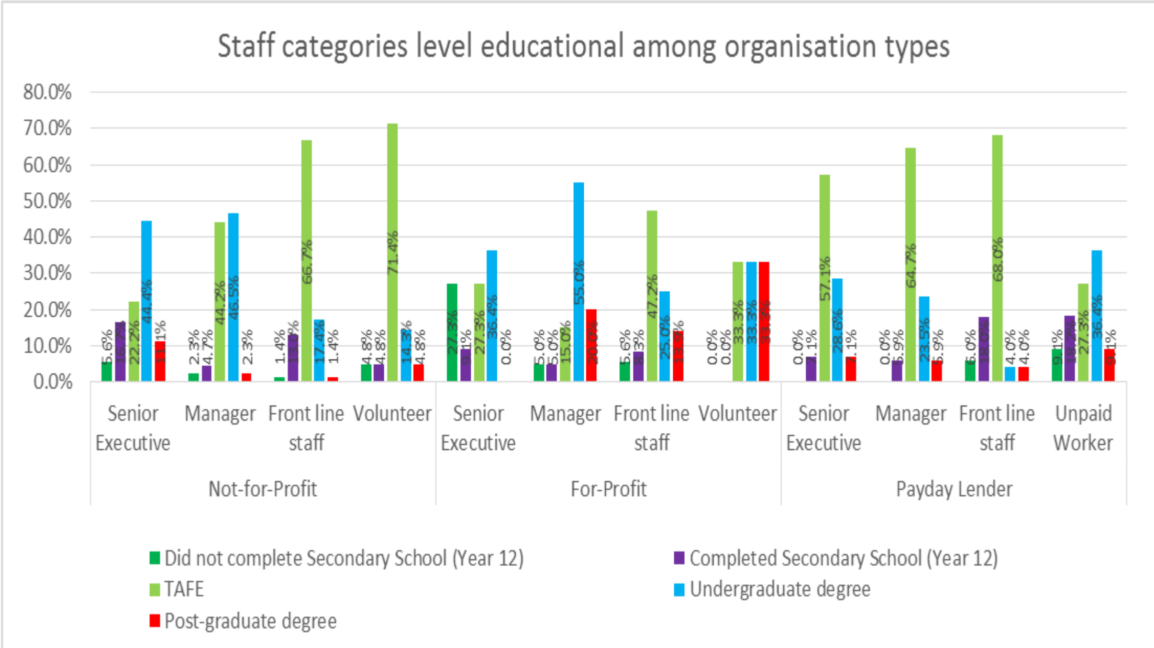


Figure 6.15: Staff Category by Level of Education among Organisation Types

Figure 6.16 shows the age differences of staff categories in the three organisation types. The data indicate that most of the senior executives were in the mature age group (35–54 and 55+) in not-for-profit and for-profit socially oriented CFOs, and, interestingly, senior executives could be identified in all age levels in payday lending CFOs. Most manager respondents were in the 35–54 years age category and this was common for all three organisation types. At the same time, quite younger (25–35) front-line staff could be observed in both for-profit socially oriented and payday lending CFOs.

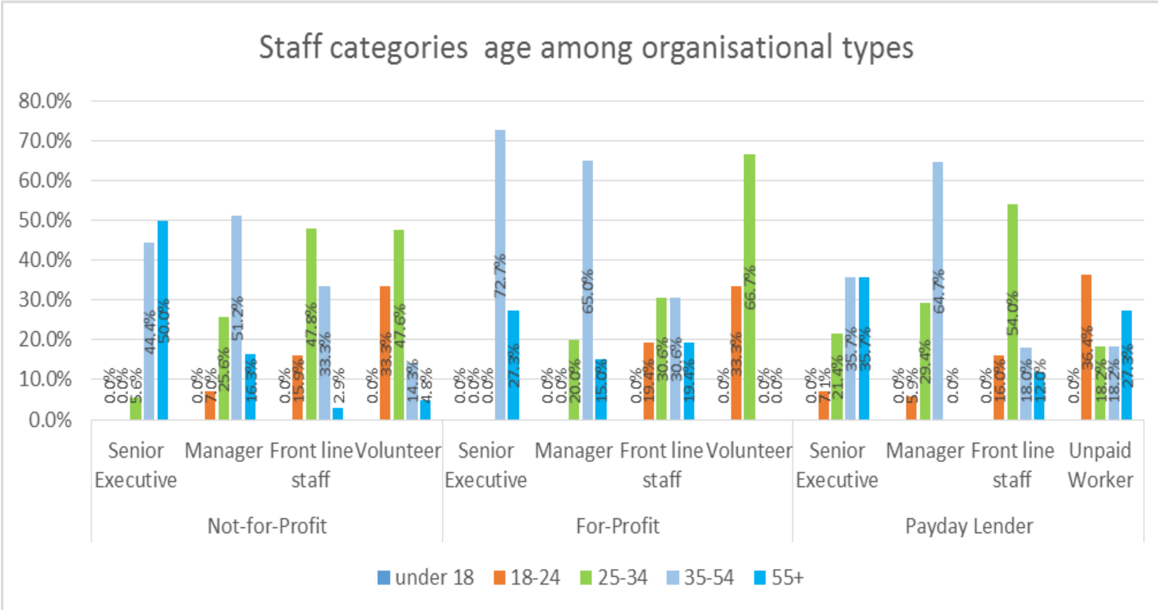


Figure 6.16: Staff Category by Age among Organisation Types

Figure 6.17 shows the service period differences of staff categories by organisation type. Most of the senior executives and managers had 6 to 10 years of service experience in all three categories. A few senior staff members with more than 11 years of experience were found in each organisational type. Front-line staff also showed a pattern in all three organisation types, in that most had 2–5 years of experience. At the same time, more volunteers had less than 1 year of experience. Interestingly, some well-experienced volunteers were observed in not-for-profit CFOs, a factor that would help them to achieve higher social performance.

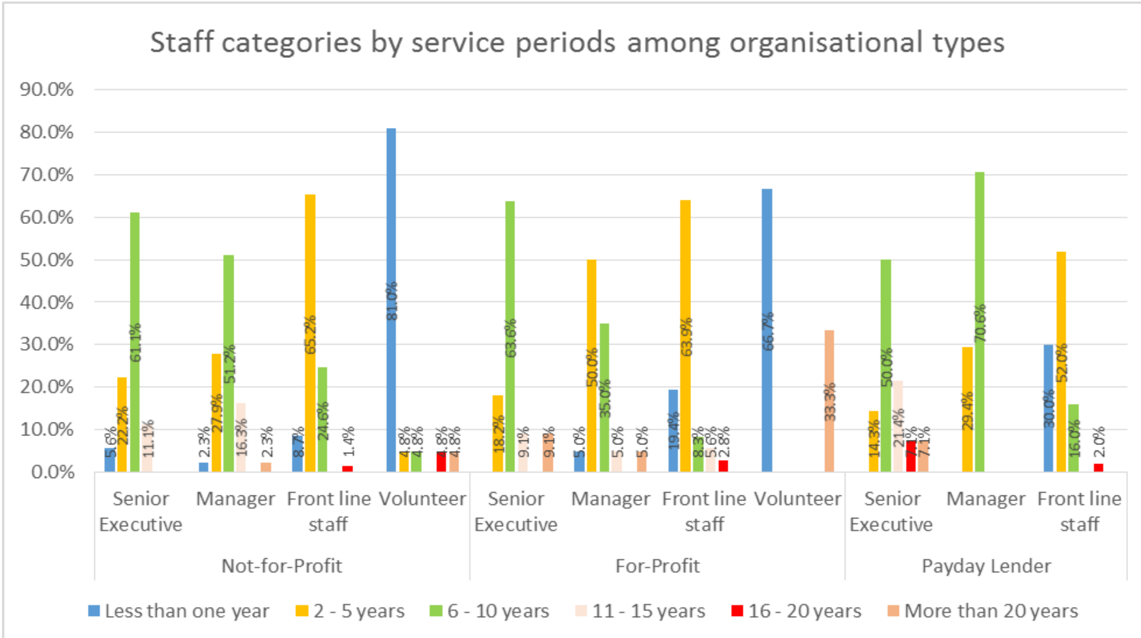


Figure 6.17: Staff Category by Service Period

Figure 6.18 shows the gender breakdown of staff categories by organisation type. The data indicate that more senior executive respondents of not-for-profit and payday lending CFOs were males, but in for-profit socially oriented CFOs, they were female. More manager respondents from not-for-profit and payday lending CFOs were female, but in for-profit socially oriented CFOs, they were male. Most of the front-line staff respondents were female in all three organisation categories, and the same pattern was observed for volunteers and unpaid workers.

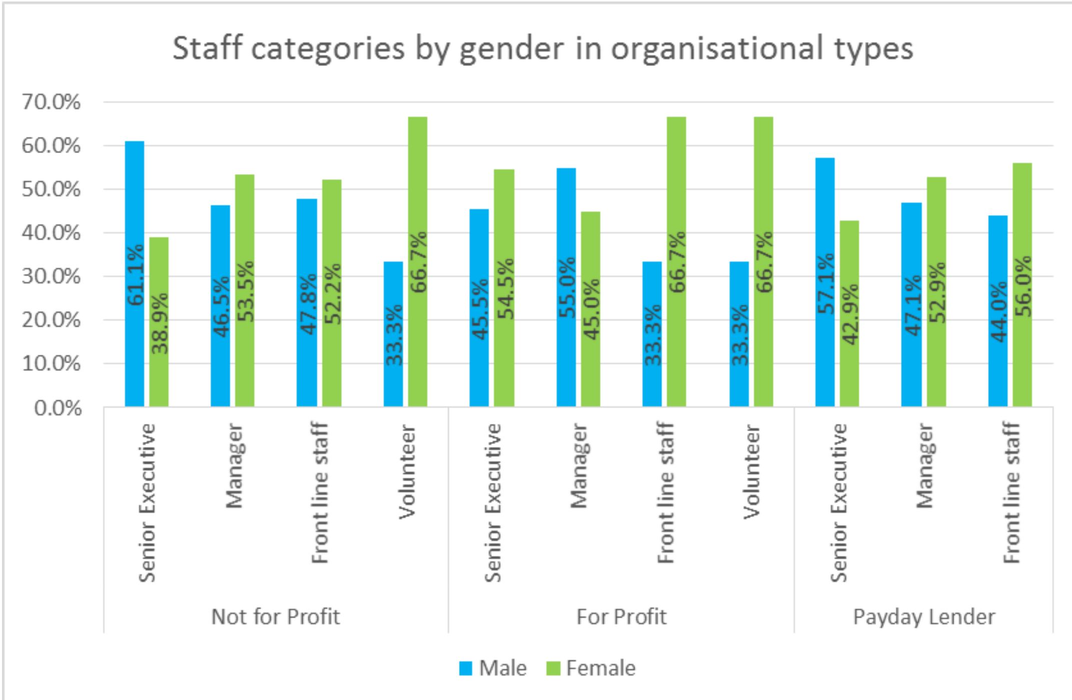


Figure 6.18: Staff Categories by Gender among Organisation Types

The respondents were further categorised into two major groups of front-line staff and management to understand their common demographic differences; the role of front-line staff (comparable to field staff in microfinance institutions) has been broadly discussed in the community finance literature. Figure 6.19 shows a summary of the front-line staff and management staff respondents in the different organisation types. More management staff responded from not-for-profit CFOs, whereas more front-line staff responded from for-profit socially oriented and payday lending CFOs.

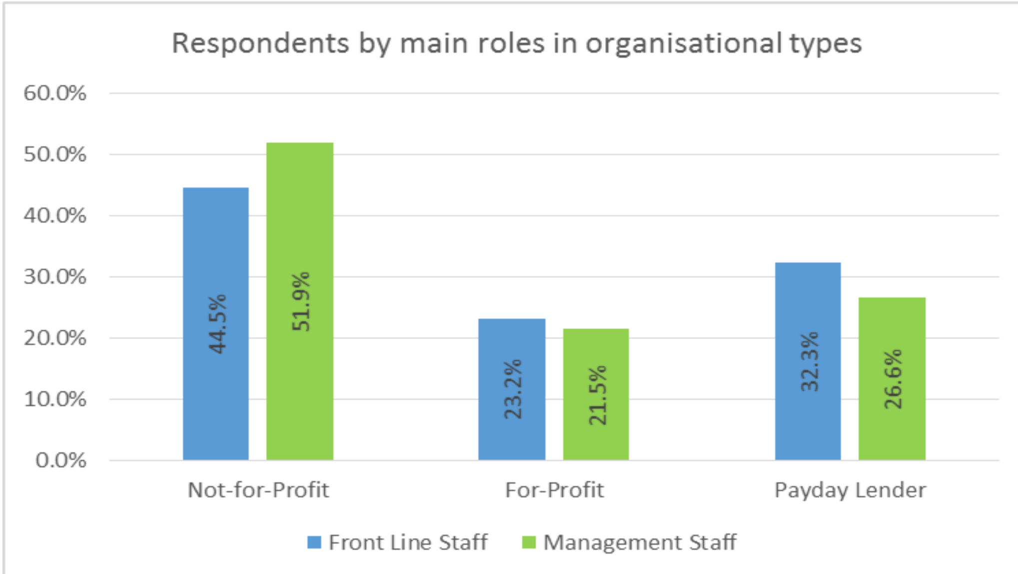


Figure 6.19: Summary of Respondents by Different Organisation Types

The front-line and management staff were further analysed based on gender by organisation type (see Figure 6.20).

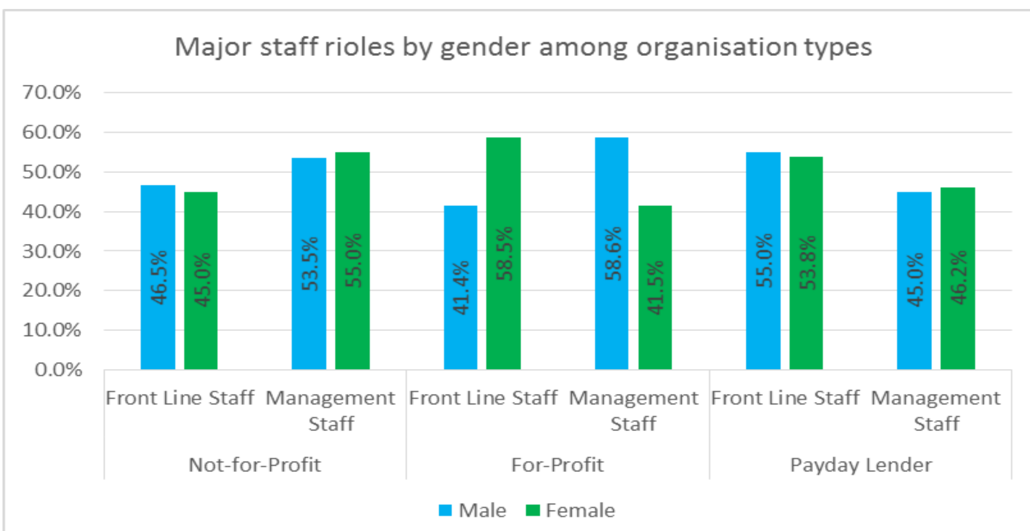


Figure 6.20: Major Staff Roles by Gender among Organisation Types

Most of the front-line staff respondents were male in not-for-profit CFOs, whereas they were female in for-profit socially oriented and payday lending CFOs. Most of the management staff respondents of not-for-profit and payday lending CFOs were female, whereas they were male in for-profit socially oriented CFOs.

Figure 6.21 shows the distribution of educational levels by front-line and management staff among different organisation types. The data show that the majority of front-line staff had TAFE-level qualifications in each category.

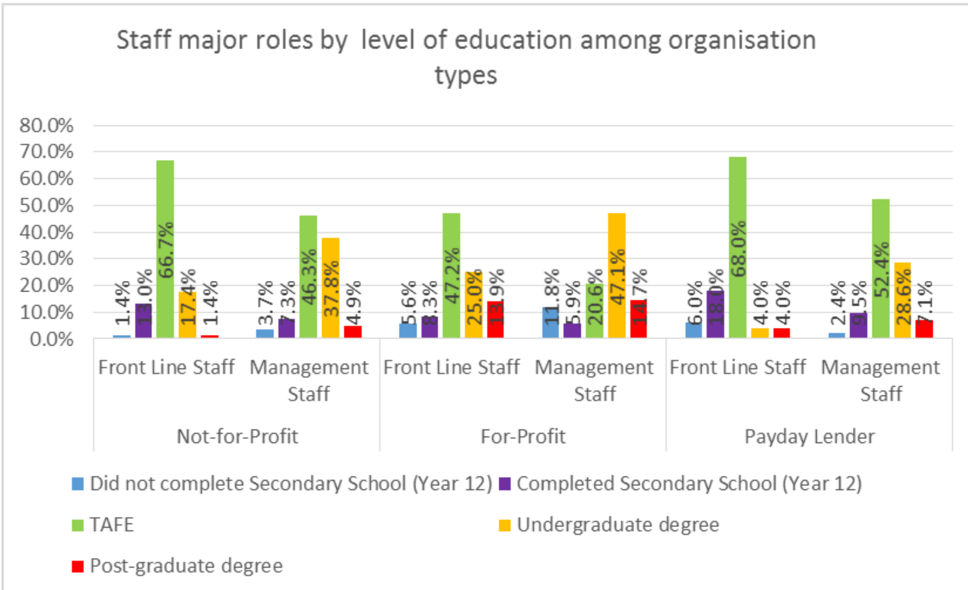


Figure 6.21: Major Roles by Level of Education among Organisation Types

At the same time, most of the management staff of for-profit socially oriented and payday lending CFOs had TAFE-level qualifications, whereas most of the management staff of for-profit socially oriented CFOs had undergraduate-level qualifications.

Figure 6.22 shows the age distribution of the main staff categories of front-line and management staff by organisation type. Most of the management staff were in the 35–54 age group in all three organisational types. Most of the front-line staff respondents were in the 35–54 age groups in each category.

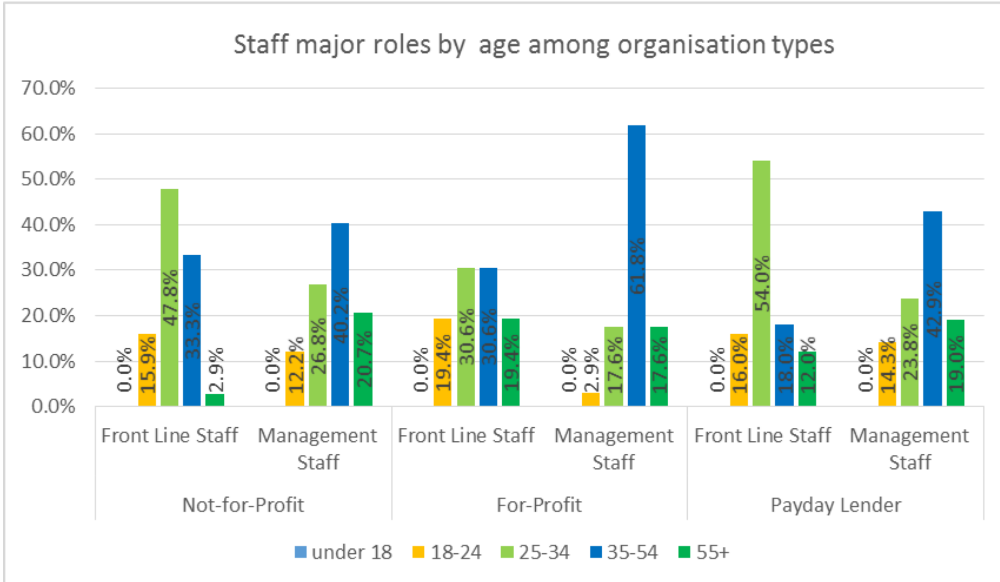


Figure 6.22: Major Staff Roles by Age among Organisation Types

Figure 6.23 illustrates the age distribution of the front-line and management staff respondents in the different organisation types.

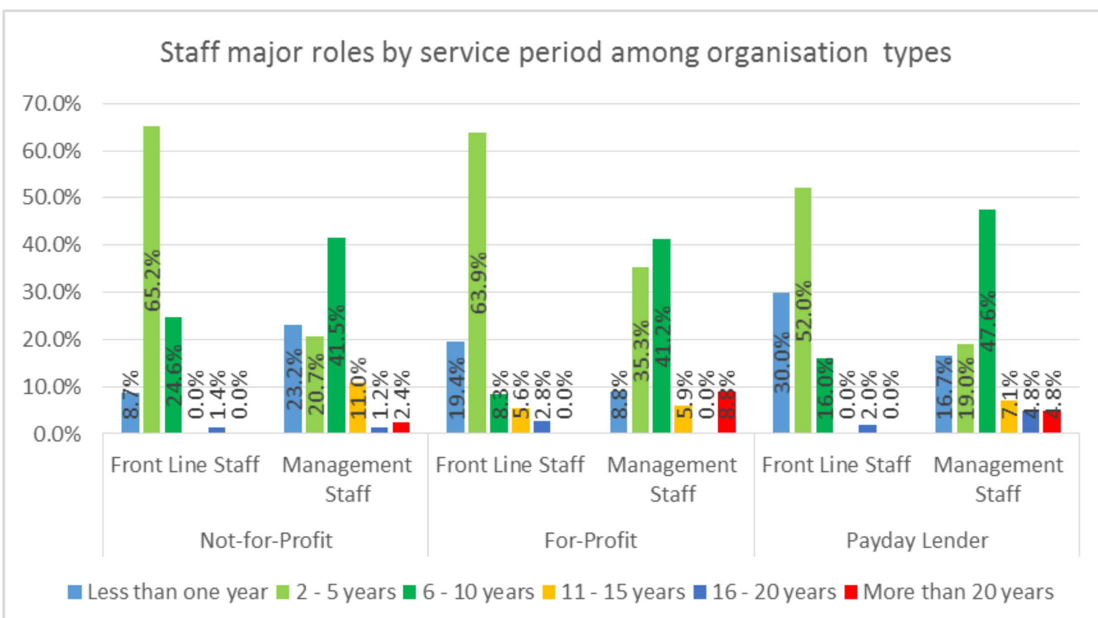


Figure 6.23: Major Staff Roles by Service Period among Organisation Types

Interestingly, most of the front-line staff had 2–5 years of experience in all three organisation types, whereas management staff had 6–10 years of experience.

6.3 Analysis of Organisational Culture Data

6.3.1 Data Transformation

As previously mentioned, Denison's OCSI is a 60-item survey (see Appendix D for full text) for measuring specific aspects of organisational culture using 4 cultural traits and 12 indices. There were 5 questions per index, that is, 15 questions for each of the 4 traits. Responses to each question were to be based on a five-point Likert scale, from *strongly disagree* (1) to *fully agree* (5).

Questions 21, 30, 35, 40, 45, 49, 56 and 64 were negative questions. For the purposes of analysis, the scores were reversed (Denison, Janovics, Young, & Cho, 2006). Accordingly, for those questions, all responses of 1 were recoded to 5, responses of 2 were recoded to 4, responses of 4 were recoded to 2, and responses of 5 were recoded to 1.

The responses to Questions 7–66 were averaged to produce the respective indices. The 4 traits were developed by averaging the corresponding indices. Finally, the overall score was calculated based on an average of the traits. These data were further summarised by organisation type. A similar method was followed in Denison's' original study on aggregating sub-variables by collecting data from thirty-four different companies in 1980. The subsequent publication – *Diagnosing Organisational Cultures: Validating a Model and Method* (Denison et al., 2007) – further clarified the method of dealing with Denison culture survey data, and the present study followed the same approach to aggregating variables for the statistical analysis. Similar guidelines were provided by Fisher (2000) on analysing Denison culture survey data, and no issues have been discussed in the literature on averaging Denison culture survey data for statistical analysis in their respective studies (Deem, 2009; Nongo, 2012; Piran, Jahani, & Al-sadat Nasabi, 2011; Pirayeh, Mahdavi,

& Nematpour, 2011; Rahimnia & Masood, 2008; Reymann, 2008; Zhang, Li, & Pan, 2009).

6.3.2 Reliability of Denison Culture Survey Data in Australia

The internal consistency and reliability of each scale was calculated by calculating the Cronbach's alpha. Internal consistency refers to the degree to which the items inter-correlate or the degree to which the items measure the same trait (Denison et al., 2007; Field, 2000; Pagano, 2007). Accordingly, Cronbach's alpha coefficients were computed, for all of the scale data by five inter-items and coefficients ranged from .689 to .853 (See Appendix G for DOCS reliability and validity data). Mouton (1996) and Argyrous (2000) suggested that alpha coefficients of .7 or higher are acceptable. Three of the alphas from this study fell slightly below the .7 threshold: agreement, coordination and integration, and strategic direction and intent. However, alphas below .70 can be found in the literature (Davidson, 2003; Deem, 2009; Lcasse, 2010; Zhang et al., 2009). Therefore, the alpha coefficients for five scales from this study were considered acceptable.

Results of the alpha coefficient from the 15 inter-items ranged from 0.894 to 0.929. This indicates that the 15 items in each scale had internal consistency reliabilities within the recommended range. The results of the alpha coefficient from the 3 scales under each index ranged from 0.882 to 0.925, thus indicating that the 3 scales within each index had internal consistency reliabilities within the recommended range.

At the same time, the alpha coefficients for each of the indices and the scales increased after deleting each item. If the alpha coefficient increased after deleting an item, this indicated that the item may not fit the scale and its removal should be considered. When examining the results of each item, the alpha coefficients after deleting the items mostly remained the same or decreased, but a few items increased the alpha coefficient by a small amount. It can thus be said that the survey items, scales and subscales had acceptable reliabilities.

6.3.3 Validity of Denison Culture Survey Data

First, data reduction techniques were used to analyse the scale data – that is, the responses to the Denison culture survey questionnaire (7–66). Since Questions 7–66 were in fact the organisational culture index scalars, it was anticipated that 12 factors, one for each of the indices, or four factors, one for each of the traits, might be extracted. Principal component analysis of the data using a varimax rotation yielded an average communality of .627. Because the sample size was greater than 250 (n = 313), this met the criterion for use of the Kaiser guideline for retaining only those factors with eigenvalues greater than 1.0 (Field, 2000). Using this method, 8 factors were extracted. Of these, only one factor produced 10 or more loadings greater than .4. The varimax rotation was followed by an oblique rotation to evaluate the pattern matrix. The pattern matrix could not be generated because the data failed to converge after 25 trials. However, a review of the rotated component matrix did reveal clusters that supported the anticipated relationships.

Therefore, an organisational culture scale (Denison culture scale) was developed for each respondent, following the same data reduction techniques in order to proceed with the rest of the statistical analysis.

The present study endeavoured to verify the validity of the Denison organisational culture model in the Australian context as the literature did not indicate one was present. SPSS AMOS was used to test the following factor structures of the organisational culture questionnaire: Denison's proposed three-indices structure for each of the 4 dimensions – namely, involvement, consistency, adaptability and mission – formed the proposed four-factor structure for the 12 dimensions. AMOS is the acronym for 'Analysis of Moment Structures' and it implements the general approach to data analysis known as 'structural equation modelling' (SEM), also known as 'analysis of covariance structures' or 'causal modelling' (Field, 2000). The AMOS graphics program allows the researcher to draw the model to be tested as a path diagram, using circles to indicate latent or hypothetical variables and rectangles to indicate observed variables. These path diagrams are described as schematic representations of models, and they visually display the relationships that are assumed to exist between the variables being examined (Byrne, 2001).

Represented in Figure 6.24 is the path diagram of the four organisational culture indices as well as the 12 scales of the Denison OC model. There are high correlations of 0.98 to 0.99 between the four organisational culture indices.

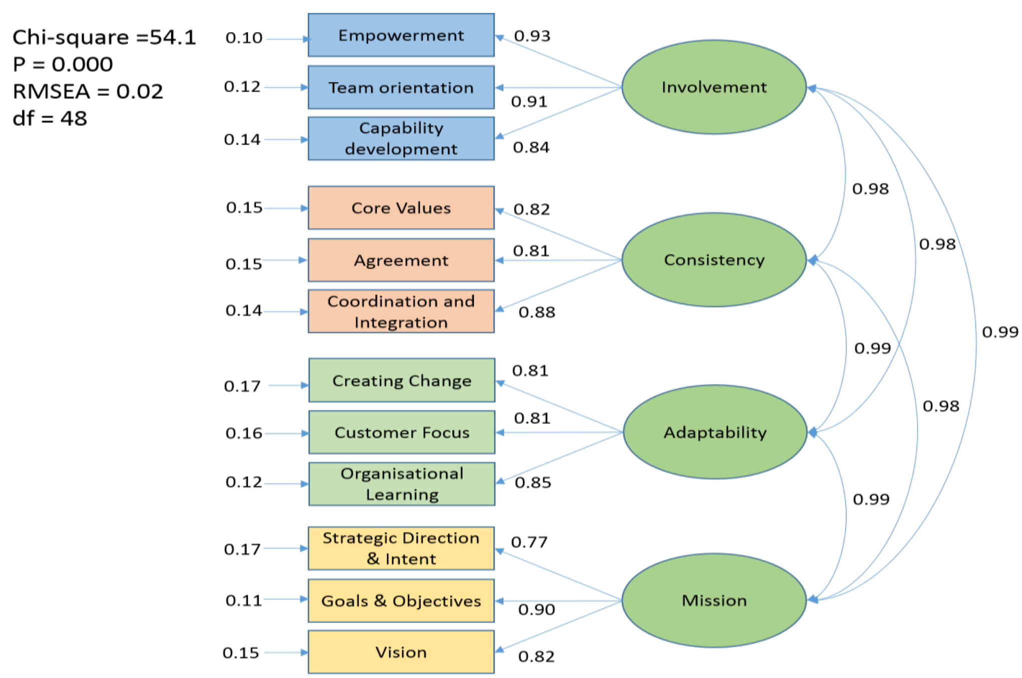


Figure 6.24: Path Diagram of Hypothetical Model of Denison Culture Traits

In the next stage, tests were undertaken to determine if the model of these four cultural traits fit the data. Both the RMSEA and the chi-square results were calculated. However, it was decided to use a goodness-of-fit statistic rather than the chi-square, because the results of the latter often indicate that models do not fit the data in the social sciences (Byrne, 2001). This is because the probability of obtaining a non-significant chi-square becomes extremely small with large sample sizes (Davidson, 2003). According to Byrne (2001), the RMSEA attempts to answer the question as to whether the model, with unknown but optimally chosen parameters, fits the population covariance model if available. RMSEA values of less than 0.05 indicate a good fit, and higher values, such as 0.08, are indicative of reasonable estimations in the population (Fisher, 2010).

However, other researchers have recently highlighted that RMSEA values ranging from 0.08 to 0.10 indicate a mediocre fit and values larger than 0.10 indicate a poor fit (Byrne, 2001). The RMSEA value was found to be 0.020 in the present study, thus indicating a good fit of the overall model. Further goodness-of-fit index (GFI) was found to be 0.83, while the adjusted goodness-of-fit index (AGFI) was 0.80 and the comparative fit index showed as (CFI) 0.96, supporting the good fit of the model.

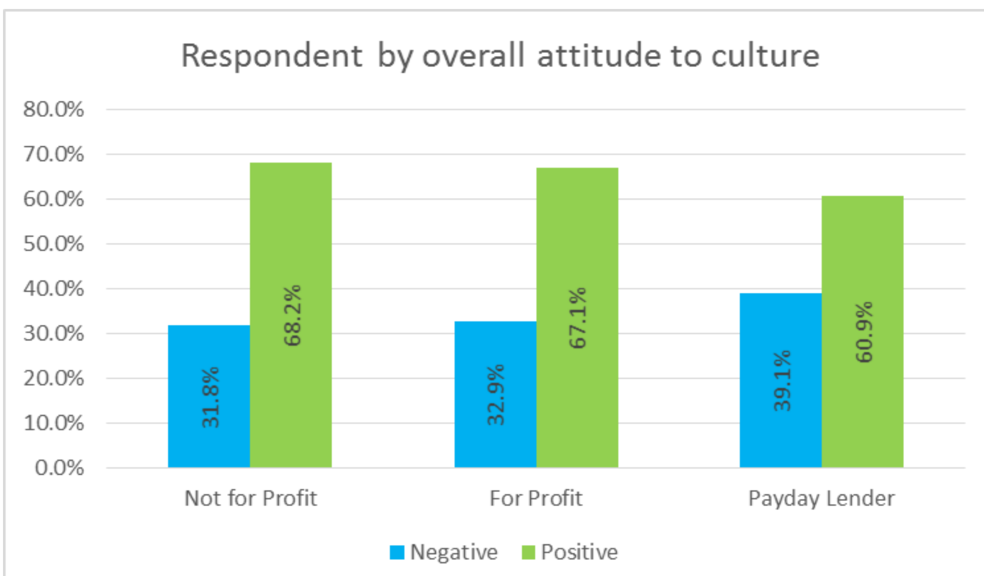
This exercise was also repeated to examine the structure of each of the organisational culture traits. For the involvement dimension, the RMSEA value was 0.010, indicating a good fit; for adaptability, the RMSEA was found to be 0.019, indicating a relatively good fit; for consistency, the RMSEA was found to be 0.026, indicating a mediocre fit; and for mission, the RMSEA was found to be 0.021, indicating a good fit.

6.3.4 Normality of Denison Culture Survey Data

Kolmogorov-Smirnov (K-S) single sample tests and Shapiro–Wilk (S-W) tests of normality were conducted on the Denison culture survey questionnaire (7–66), as well as on the data developed for the indices, traits and overall scores of the different organisation types. According to Field (2000), the S–W test needs to be considered for a sample size of less than 2,000. P values need to be more than 0.05 (alpha) in order to reject the null hypothesis of non-normality of data at a 95% confidence level (Field, 2000). The S–W test is one of the most powerful tests used in “detecting departures from normality” (Pagano, 2007, p. 434). Histograms and probability plots (QQ plots) also need to be observed carefully in addition to other different statistical tests, in order to understand the normality of data (Argyrous, 2000; Field, 2000). Therefore, the K–S and S–W tests were prominently checked for the present study because the sample size was less than 2,000 (N = 313). In general, the ungrouped data were not normally distributed. When grouped by organisation type, the data was also found to be not normally distributed but a binominal distribution could be observed. Therefore, it was decided to use a non-parametric test to find the cultural differences between organisation types, because parametric tests are not legitimate for data that is not normally distributed (Field, 2000).

However, this bifurcation of data (binominal distribution) was examined in this study because a natural mid-point exists in the Denison Likert scale. Accordingly, a weighted average culture scale was developed for each respondent using their responses to the Denison survey questionnaire. Then, the total respondents were divided into two groups: those who responded positively and those who responded negatively about their organisational culture. Figure 6.25 shows the distribution of the two groups of respondents by organisation type and clearly indicates that 30% of the employees of not-for-profit and for-profit socially oriented CFOs responded negatively about their organisational culture. In payday lending CFOs, around 40% of employees responded negatively. Overall, the difference between the percentages of employees responding positively and negatively in each organisation type implies a generally consistent response pattern.

Figure 6.25: Respondents by Overall Attitude to Culture



Generally, bifurcation means splitting of a larger whole or main body into two smaller and separate units (Greif & Tabellini, 2010). Bifurcation can occur when one company divides into two separate divisions. The data in Figure 6.19 indicate that cultural bifurcation has potential within the sample organisation because the proportions of positively and negatively responding staff are considerable in each organisation type. Figure 6.26 shows the staff distribution among these two categories of respondents by organisation type.

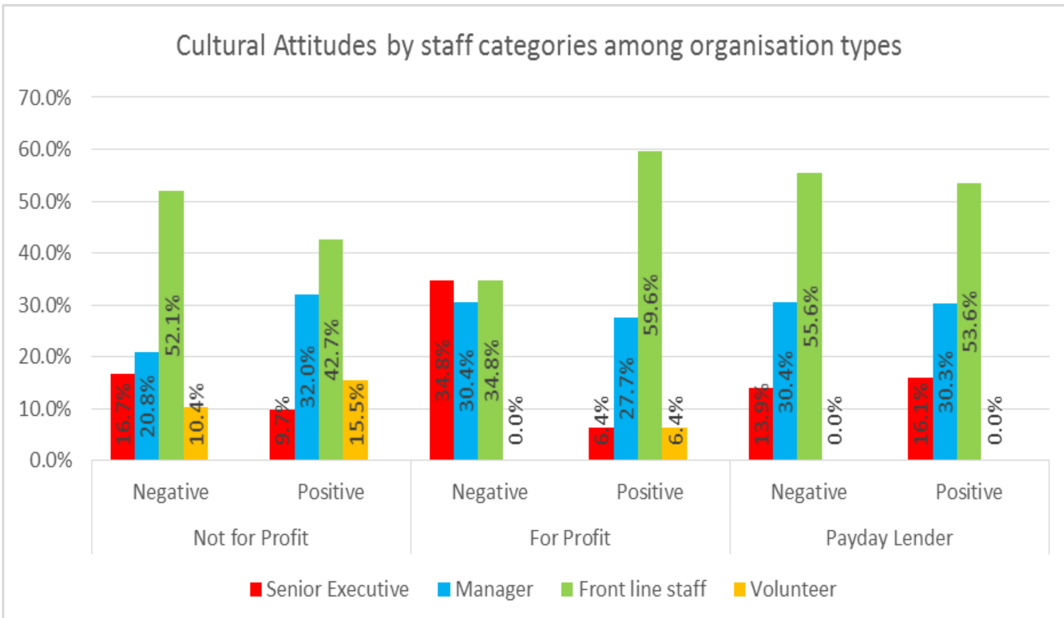


Figure 6.26: Cultural Attitudes by Staff Categories among Organisation Types

The data show that all the staff categories represent each group of positively and negatively answering respondents by organisation type. A considerable percentage of senior executives of for-profit socially oriented and not-for-profit CFOs responded negatively. More front-line staff of not-for-profit CFOs also responded negatively and more front-line staff of for-profit socially oriented CFOs responded positively, whereas responses were proportionately equal in payday lending CFOs. More managers of not-for-profit CFOs responded positively and responses were proportionately equal in for-profit socially oriented and payday lending CFOs. Importantly, 10.4% of volunteers of not-for-profit CFOs responded negatively. Overall, the staff distributions shown in Figure 4.20 imply further cultural disagreements are possible in the sample CFOs. Sources of cultural bifurcation include communication, structure, personal variables and organisational boundaries (Mullins, 1993). Bryans and Cronin (as cited in Mullins, 1993) argued that cultural conflict can occur between corporate and individual goals, departments or groups, formal and informal organisations, manager and managed, the individual and the job, and, finally, between individuals. However, although these factors are standard in CFOs, the amount of conflict varies. The above sign of cultural bifurcation could be a result of ongoing mission drift in the community development sector CFOs, in which employees may have conflicting opinions on their organisational social performance. The respondents' opinions about social performance are discussed in detail in Section 6.10. There are many strategies for reducing conflict, including: standardisation of rules and procedures; shared behaviours; planning and scheduling, which encourage shared values and norms; negotiation and bargaining, which acknowledge differences and strive for acceptance or resolution; and putting aside differences in order to strive for superordinate goals, which encourages organisational commitment (Robbins, Millet, Boyle, & Judge, 2010). However, further investigations are required to confirm the existence of a cultural bifurcation and its nature in CFOs.

Subsequently, the normality of Denison culture trait variables was also checked within the above two groups by organisation types and, interestingly, they were found to be normally distributed (see Appendix F; K–S single sample tests and S–Wilk tests were supported). Further, one-way ANOVAs (parametric tests) were conducted within the same group of respondents and the significant cultural traits differences shown in Table 6.3 were found by organisation types.

Table 6.3: Cultural Traits by Organisation Type

	Denison Scale		Involvement		Consistency		Adaptability		Mission	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Not-for-Profit	29.78	-21.04	3.74	2.53	3.60	2.58	3.53	2.63	3.60	2.65
For-Profit	37.00	-24.80	3.85	2.48	3.79	2.56	3.69	2.53	3.72	2.53
Payday Lender	26.95	-31.23	3.56	2.33	3.48	2.37	3.62	2.49	3.59	2.38
F	9.27	10.62	9.85	6.04	16.64	5.41	4.01	3.21	3.05	8.25
Sig.	.000	.000	.000	.003	.000	.006	.020	.044	.050	.000
Partial Eta Squared	.084	.170	.088	.104	.141	.094	.038	.058	.029	.137

The data confirm that all four cultural traits of involvement, consistency, adaptability and mission were significantly different between the respondents who positively responded and those who negatively responded about their organisational culture, and this was consistent between organisation types. Partial Eta Squared was calculated for all the above significantly different variables and all the differences were found to be moderate or larger. According to Fisher (2000), an eta squared of 0.01 is a smaller effect, 0.06 is a medium effect and 0.14 is a larger effect. Cultural differences were also measured within the groups of respondents who answered positively and those who answered negatively by different demographics (age, gender, level of education and service period), but no significant differences were found.

6.3.5 Dominant Culture Traits and Differences

Firstly, the results from the DOCSs were captured onto the Denison Consulting database and compared against other organisations available in the database by the year 2013. The results for each organisational culture trait and dimension were found to be in the first, second and third quartiles, thus indicating that, for the majority of the culture dimensions, more than 50% of organisations in the benchmark group obtained higher scores than the CFOs in this study. The exact percentile scores for each dimension are reflected in Figure 6.27. As explained in the literature review, the culture profiles of high-performing organisations usually fit into the third and fourth quartiles for all cultural traits. This implies that the culture profile of the community finance CFOs in this study is similar to that of CFOs that do not display corporate performance in the longer term.

The left-hand side of the model displays stronger results than the right-hand side, thereby indicating that the organisation was relatively entrepreneurial and creative, and tended to respond quickly to changes in the marketplace. However, internal systems may have been lacking to support the ability to deliver on promises to customers.

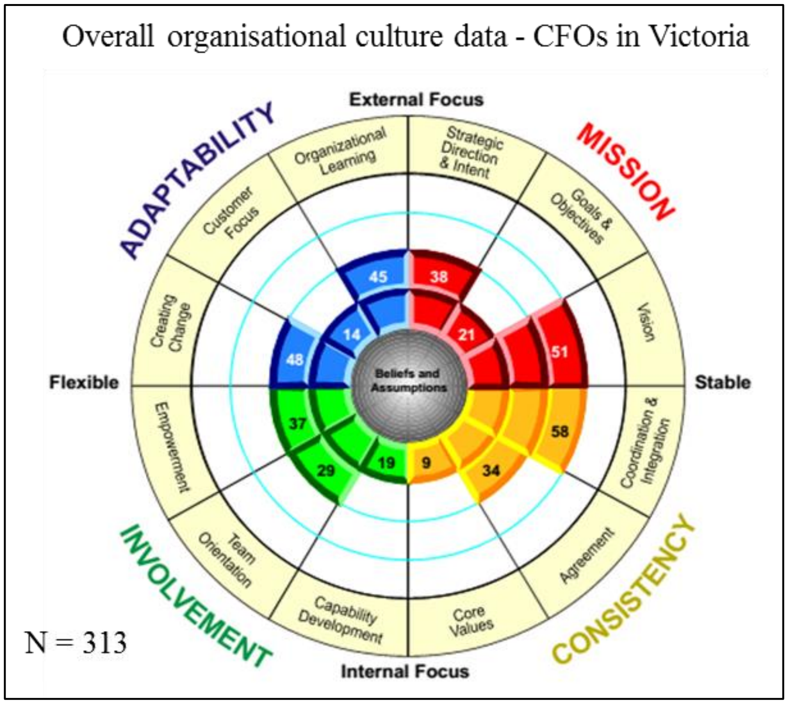


Figure 6.27: Overall Organisational Culture Data—Benchmarked

When examining the results, five key areas of concern can be highlighted. The first area of concern is ‘customer focus ‘for which the organisations obtained a percentile score of 14. This indicates that 86% of CFOs in the benchmark group obtained better scores on this dimension. The second area of concern is ‘capability development’. The organisations obtained a percentile score of 19 for this dimension, thus indicating that 81% of CFOs in the benchmark group obtained better scores for continually investing in the development of employees’ skills to stay competitive and meet ongoing business goals. The third area of concern is ‘core values’, for which a percentile score of 9 was obtained. This indicates that 91% of CFOs in the benchmark group obtained better scores for sharing a set of values that create a strong sense of identity and clear set of expectations. The fourth area of concern is ‘Vision’, for which a percentile score of 51 was obtained. This indicates that only 49% in the benchmark group obtained better scores than the CFOs with a long-term vision; the latter creates excitement and motivation and is not compromised by short-term thinking. The fifth area of concern is ‘coordination and integration’, for which a percentile score of 58 was obtained. This indicates that only 42% of CFOs in the benchmarked group obtained a better score than the researched CFOs in working together to achieve organisational goals.

Although no scores were obtained in the third and fourth quartiles, certain areas can be considered strengths for this particular organisation when the results are compared. The first area of strength is ‘organisational learning’, for which the organisations obtained a percentile score of 46. This indicates that the organisations were likely to “receive, translate and interpret signals from the environment” (Denison & Neale, n.d., p. 2-12) for the purpose of encouraging innovation, gaining knowledge and developing capabilities. The second area of strength is ‘empowerment’, for which the organisations obtained a percentile score of 42. This implies that to some extent, individuals had the authority, initiative and ability to manage their own work. The third area of strength is ‘agreement’, for which a percentile score of 40 was obtained. This indicates that the organisations were likely to reach an agreement on critical issues and to reconcile differences when they arose. When examining the relationship or dynamics between the traits and dimensions, one area of concern clearly emerges. The scores obtained on ‘strategic direction and intent’, as well as on ‘goals and objectives’ were low, whereas the score obtained on ‘empowerment’ was fairly high. This tends to indicate that people had the authority and initiative to manage their own work, but were unclear regarding the purpose of the organisation and the goals and objectives required to drive the achievement of the mission and vision. Thus, there would likely be a lack of alignment to the overall strategic direction of the organisation, and employees could undertake actions that could prevent the achievement of strategic objectives. The ‘organisational learning’ score is also relatively high, whereas the ‘customer focus’ score is low.

This could be an indication that the organisations continuously tried to innovate and adopt best practices, but the initiatives did not necessarily have any value to the customer. These organisations could face the danger of becoming too internally focused. According to Denison’s OC model described in Chapter 4, obtaining results in the first and second quartiles would imply poor to mediocre results for return on assets, return on sales and return on equity in the longer term.

The cut-off point for higher-performing CFOs used by Denison is 21%. The concurrent data thus supports the theory that an organisation would not fit into the high-performing organisation benchmark group if the results obtained on the culture profile fell within the first and second quartiles.

6.6.5.1 Cultural Differences by Organisation Types

As previously mentioned, the Denison culture traits and index variables were found to be not normally distributed and it was decided to conduct non-parametric tests to identify the culture differences between the target organisation types in the sample. For this purpose, a series of Kruskal-Wallis non-parametric ANOVA tests were conducted.

Table 6.4: Culture Trait Differences by Organisation Types Overall

	Denison Scale	Involvement	Consistency	Adaptability	Mission
Not-for-Profit (n=151)	29.78	165.93	161.45	156.12	160.43
For-Profit (n=70)	37.00	178.24	186.57	169.08	173.84
Payday Lender (n=92)	26.95	126.18	127.20	149.25	138.57
Chi-Square	13.171	16.012	1.939	17.848	6.468
df	2	2	2	2	2
Asymp. Sig.	.001	.000	.379	.000	.039
Effect size	0.145	0.160		0.161	0.102

Table 6.4 shows the summary of findings for overall data and significant differences available between organisation types on the Denison scale (ES = 0.145, p = 0.001, df = 2) and, subsequently, on involvement (ES = 0.160, p = 0.000, df = 2), adaptability (ES = 0.161, p = 0.000, df = 2) and mission (ES = 0.102, p = 0.039, df = 2). The effect sizes were calculated based on Cohen's (1988) guidelines and showed a smaller effect size in each significant variable. Cohen (1998) classifies 0.1 as smaller effect, 0.3 as medium effect and 0.5 as larger effect.

Next, a series of Mann-Whitney U tests were conducted to compare each pair of CFOs on cultural traits. Table 6.16 shows the summary of findings between not-for-profit and for-profit CFOs.

Table 6.5: Cultural Trait Differences Between Not-For-Profit and For-Profit Socially Oriented CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
Not-for-Profit (n=151)	106.83	108.58	105.19	108.15	108.24
For-Profit (n=70)	119.99	116.22	123.54	117.14	116.95
Z	-1.422	-.827	-1.988	-.973	-.943
Asymp. Sig. (2-tailed)	.155	.408	.047	.330	.346
Effect size			.133		

Results indicate that only ‘consistency’ culture traits were significantly different between not-for-profit and for-profit socially oriented CFOs (z = –1.988, p = 0.047, ES = 0.133).

Table 6.6 shows the comparison between for-profit socially oriented and payday lending CFOs, and that the Denison scale is significantly different with a medium effect size (z = –3.739, p = 0.000, ES = 0.29). The involvement (z = –3.794, p = 0.000, ES = 0.30) and consistency culture traits (z = –4.035, p = 0.000, ES = 0.32) were also significantly different with a medium effect size and the mission (z = –2.580, p = 0.010, ES = 0.20) culture trait was also found to be significantly different with a smaller effect size.

Table 6.6: Cultural Trait Differences between For-profit socially oriented and Payday Lending CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
For-Profit (n=70)	97.30	97.51	98.53	87.44	92.39
Payday Lender (n=92)	69.48	69.32	68.54	76.98	73.22
Z	-3.739	-3.794	-4.035	-1.406	-2.580
Asymp. Sig. (2-tailed)	.000	.000	.000	.160	.010
Effect size	0.29	0.30	0.32		0.20

The comparisons made between not-for-profit and payday lending CFOs (see Table 6.7) show that the Denison scale is significantly different with a smaller effect size (z = –2.414, p = 0.001,E = 0.15). No significant differences were found on adaptability and mission culture traits between the two organisation types, but involvement (z = –3.227, p = 0.001, ES = 0.21) and consistency culture traits were significantly different, again with smaller effect sizes (z = –2.919, p = 0.004, ES = 0.19).

Table 6.7: Cultural Trait Differences between Not-for-profit and Payday Lending CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
Not-for-Profit (n=151)	130.50	132.26	123.97	87.44	128.19
Payday Lender (n=92)	108.05	105.16	118.77	76.98	111.85
Z	-2.414	-3.227	-2.919	-.560	-1.759
Asymp. Sig. (2-tailed)	.016	.001	.004	.575	.079
Effect size	0.15	0.21	0.19		0.11

Similarly, 12 culture indices were also checked for differences using a series of Kruskal-Wallis non-parametric ANOVA tests.

Data shows that all three indices (empowerment, team orientation and capability development) related to the involvement culture trait; two indices from consistency ('core values' and 'coordination and integration') and one from mission (goals and objectives) were significantly different according to organisation type.

A series of Mann-Whitney U tests was also conducted to compare each pair of CFOs on cultural indices. The data show that there were not many significant differences between not-for-profit and for-profit socially oriented CFOs. Only the core values culture index was significantly different (z = –2.002, p = 0.045) with a smaller effect size (ES = 0.135). Core value is a sub-indicator of the consistency culture trait.

At the same time, in the findings between for-profit socially oriented and payday lending CFOs, seven cultural indices appeared to be significantly different with a smaller effect size: empowerment (z = –3.016, p = 0.003, ES = 0.24); team orientation (z = –3.414, p = 0.001, ES = 0.27); capability development (z = –3.445, p = 0.014, ES = 0.19); agreement (z = –2.112, p = 0.035, ES = 0.17); coordination and integration (z = –2.912, p = 0.004, ES = 0.23), and goals and objectives (z = –2.861, p = 0.004, ES = 0.23)..According to Field (2000), even a smaller effect size should be considered to be valid in social science; Piran et al. (2011) and Pirayeh, Mahdavi, and Nematpour (2011) have also emphasised the relevance of a smaller effect size in social size.

Six indices appeared to be significantly different between not-for-profit and payday lending CFOs as follows: empowerment (z = –2.944, p = 0.003, ES = 0.19); team orientation (z = –3.159, p = 0.002, ES = 0.20); capability development (z = –2.118, p = 0.034, ES = 0.14); core values (z = –2.784, p = 0.005, ES = 0.18); coordination and integration (z = –2.734, p = 0.006, ES = 0.18), and goals and objectives (z = –2.311, p = 0.021, ES = 0.15), with a smaller effect size.

6.6.5.2 Cultural Differences by Groups of Respondents

Subsequently, culture trait differences were measured for different demographics by organisation type to understand the staff categories contributing most to the cultural differences by organisation types. Cultural trait differences were examined by gender, age, service period, job role and level of education; significant differences were found among job roles (see appendix H for summary of findings).

The following three culture traits, as well as the Denison scale, were significantly different among job roles by organisational type: involvement (p = 0.017); consistency (p = 0.006); mission (p = 0.041); and Denison scale (p = 0.009).

Culture index differences were also measured by different groups of respondents (see Appendix G). An important finding is that nine cultural indices were significantly different among job roles by organisation type and only the 'strategic direction and intent' culture trait in the index was significantly different among levels of education.

Further investigation was carried out to identify the significantly different job categories, in particular those with the previously shown cultural differences by organisation type. Accordingly, a series of Kruskal-Wallis non-parametric ANOVA tests were conducted between the three categories by selecting respondents individually according to their job category (senior executive, manager, front-line staff, volunteer and unpaid workers – see Appendix G). Finding shows that front-line staff significantly different among organisation types.

The same series of tests was conducted to find significant cultural index differences of staff categories by organisation type. Further analyses show that nine cultural indices of front-line staff were significantly different by organisation type, while only the 'creating changes' cultural index of senior executives is significantly different by organisation type (see Appendix G).

Subsequently, a series of Mann-Whitney U tests was conducted to compare front-line staff and senior executives by organisation type. First, the front-line staff of not-for-profit and for-profit socially oriented CFOs were compared and a summary of the findings is presented in Table 6.8.

Table 6.8: Cultural Trait Differences of Front-Line Staff between Not-for-profit and For-profit socially oriented CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
Not-for-Profit (n=69)	48.75	50.04	47.83	49.03	48.89
For-Profit (n=36)	61.14	58.68	62.90	60.61	60.88
Z	-1.978	-1.382	-2.409	-1.852	-1.916
Asymp. Sig. (2-tailed)	.048	.167	.016	.064	.055
Effect Level	0.19		0.24		

The overall Denison scale was found to be significantly different ($z = –1.978$, $p = 0.048$, ES = 0.19) with a smaller effect size. Only the 'consistency' ($z = –2.409$, $p = 0.016$, ES = 0.24) cultural trait of front-line staff was significantly different between not-for-profit socially oriented and for-profit socially oriented CFOs with a smaller effect size.

The cultural trait differences of the front-line staff were tested between for-profit socially oriented and pay lending CFOs, as shown in Table 6.9.

Table 6.9: Culture Trait Differences of Front-Line Staff in For-profit socially oriented and Payday Lending CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
For-Profit (n=36)	55.89	56.25	55.79	51.07	52.49
Payday Lender (n=50)	34.58	34.32	34.65	38.05	37.03
Z	-3.904	-4.023	-3.880	-2.389	-2.836
Asymp. Sig. (2-tailed)	.000	.000	.000	.017	.005
Effect Level	0.42	0.43	0.42	0.26	0.31

Table 6.9 indicates that the Denison scale was significantly different with a medium effect size (z = –3.904, p = 0.000, ES = 0.29). The culture traits that were also significantly different with a medium effect size were involvement (z = –4.023, p = 0.000, ES = 0.43) and consistency (z = –3.880, p = 0.000, ES = 0.42); additionally, adaptability (z = –2.389, p = 0.017, ES = 0.26) and mission (z = –2.836, p = 0.005, ES = 0.31) were also found to be significantly different but with a smaller effect size.

In Table 6.10, the cultural trait differences of front-line staff in not-for-profit and payday lending CFOs are summarised. The data show that only the 'involvement' and the 'culture' traits of front-line staff were not significantly different between not-for-profit and payday lending CFOs.

Table 6.10: Cultural Trait Differences of Front-Line Staff in Not-for-profit and Payday Lending CFOs

	Denison Scale	Involvement	Consistency	Adaptability	Mission
Not-for-Profit (n=69)	65.16	66.89	65.07	62.41	62.96
Payday Lender (n=50)	52.88	50.49	53.00	56.67	55.91
Z	-1.917	-2.562	-1.886	-.897	-1.102
Asymp. Sig. (2-tailed)	.055	.010	.059	.370	.270
Effect Level		0.23			

In the next stage, the cultural index differences of front-line staff were tested in the same way. Findings show that the following three cultural indices were found to be different with smaller effect sizes: core values ($z = –2.498$, $p = 0.012$, ES = 0.24), creating change ($z = –2.2782$, $p = 0.005$, ES = 0.27), and goals and objectives ($z = –2.2264$, $p = 0.024$, ES = 0.222).

The cultural indices of front-line staff differed mostly between for-profit socially oriented and payday lending CFOs, and the data show that nine indices were significantly different with a moderate effect size: empowerment ($z = –3.264$, $p = 0.001$, ES = 0.19); team orientation ($z = –4.050$, $p = 0.000$, ES = 0.43); capability development ($z = –2.851$, $p = 0.004$, ES = 0.31); core values ($z = –3.979$, $p = 0.000$, ES = 0.41); coordination and integration ($z = –2.918$, $p = 0.004$, ES = 0.315); customer focus ($z = –3.088$, $p = 0.002$, ES = 0.33), and goals and objectives ($z = –3.427$, $p = 0.001$, ES = 0.37). Two cultural indices were significantly different between for-profit socially oriented and payday lending CFOs: agreement ($z = –2.438$, $p = 0.015$, ES = 0.26) and strategic direction and intent ($z = -1.989$, $p = 0.47$, ES = 0.215).

Four culture indices of front-line staff were significantly different with smaller effect sizes between not-for-profit and payday lending CFOs, as follows: empowerment ($z = –2.444$, $p = 0.015$, ES = 0.224); team orientation ($z = –2.570$, $p = 0.010$, ES = 0.236); coordination and integration ($z = –2.172$, $p = 0.030$, ES = 0.199), and customer focus ($z = –2.330$, $p = 0.020$, ES = 0.214).

Finally, differences between the cultural indices of senior executives were checked for each organisation type. Significant differences could not be found between not-for-profit and for-profit socially oriented CFOs or between not-for-profit and payday lending CFOs. However, significant differences were found between for-profit socially oriented and payday lending CFOs. The data shows that only the ‘creating change’ ($z = –2.452$, $p = 0.014$, ES = 0.490) culture index was significantly different with a moderate effect size.

6.4 Criteria for Success: Social Performance Data

As previously mentioned, the CERISE social audit was conducted among the 17 sample CFOs individually, and four main and 12 sub-SPIs were measured. The CERISE social audit was conducted by the researcher through meeting with senior staff, and consulting policy manuals and annual reports of individual CFOs in the sample.

Table 6.11: Social Performance Indicators

Social Performance main indicators	Social Performance sub indicators	No of items
SP1. Targeting and outreach	SP1.1 Geographic targeting	5
	SP1.2 Individual targeting	6
	SP1.3 Pro-poor methodology	6
SP2. Adaptation of services	SP2.1 Range of traditional services	7
	SP2.2 Quality of services	6
	SP2.3 Innovative and non-financial services	6
SP3. Benefits to clients	SP3.1 Economic benefits to clients	7
	SP3.2 Client participation	7
	SP3.3 Social capital/Client empowerment	4
SP4. Social Responsibility	SP4.1 SR to employees	7
	SP4.2 SR to clients	6
	SP4.3 SR to the community and the environment	4

In addition, face-to-face interviews were conducted with senior staff and a total of 71 items were referred to, as shown in Table 6.24 (see Appendix E for individual items). It was at this point in the project that semi-structured interviews were utilised for the study. The scores gathered from respective CFOs were averaged by organisation type.

6.4.1 Validity and Reliability of Social Performance Indicator Data

The internal consistency of each SPI scale was measured by calculating Cronbach's alpha. The overall Cronbach's alpha coefficient was 0.898 and correlations between each main variable and each sub-variable were found to be relatively strong across organisation types (see Appendix I). It shows the correlations between the main SPIs; the 'targeting and outreach' variable positively correlated to the 'benefits clients' and 'social responsibility' SPIs.

Therefore, it is reasonable to conclude that range benefits tend to rise when a CFO's targets improve its outreach. Clearly, the 'social responsibility' score would be expected to match a CFO's capabilities on achieving a higher level of outreach. Further, the social performance variables of 'social responsibility' and 'benefits to clients' were positively correlated, but the social performance variable of 'adaptation of services' was neither positively nor negatively correlated with any of the other three main social performance variables. However, further findings indicated that two sub-indicators, 'adaptation for services' and 'Benefits to clients', had correlations with one or more CERISE sub variables (see appendix I).

6.4.2 Normality of Social Performance Data

K–S single sample tests and S–W tests of normality were conducted for the overall SPIs of the sample CFOs. Both the tests were supported (seen Appendix I) for normality and it was decided to conduct parametric tests (one-way ANOVAs) to determine the differences among organisation types.

6.4.3 Social Performance Differences by Organisation Types

Table 6.12 shows a summary of the overall findings on the total social performance index score ($F = 8.504$, $p = 0.004$, PES = 0.55); the social performance variables of 'targeting and outreach' ($F = 12.246$, $p = 0.001$, PES = 0.64) and 'social responsibility' were found to be significantly different with a larger effect size between organisation types.

Table 6.12: Social Performance Differences by Organisation Type – Main Indicators

Type of the organisation	Not-for-Profit (n=8)	For-Profit (n=4)	Payday Lenders (n=5)	F	Sig	Partial Eta Squared
	Mean	Mean	Mean			
Total SPI Score	64.13	60.25	41.60	8.504	.004	0.55
Targeting and outreach	19.38	14.25	10.00	12.246	.001	0.64
Adaptation of services	16.13	16.25	12.40	1.730	.213	
Benefits to clients	10.88	10.75	7.20	1.347	.292	
Social Responsibility (SR)	17.75	19.00	12.00	8.106	.005	0.54

Not-for-profit and for-profit socially oriented CFOs were tested for differences. Table 6.13 shows a summary of the findings; only the 'targeting and outreach' (F = 8.086, P = 0.017, PES = 0.447) social performance index was significantly different between the two organisation types.

Table 6.13: Social Performance Main Indicator Differences between Not-for-profit and For-profit socially oriented CFOs

Type of the organisation	SPI main indicators	Total SPI Score	Targeting and outreach	Adaptation of services	Benefits to clients	Social Responsibility
Not-for-Profit (n=8)	Mean	64.1250	19.3750	16.1250	10.8750	17.7500
For-Profit (n=4)	Mean	60.2500	14.2500	16.2500	10.7500	19.0000
F		.780	8.086	.002	.005	.455
Sig		.398	.017	.962	.948	.515
Partial Eta Squared			.447			

In the next step, the same comparisons between for-profit socially oriented and payday lending CFOs were checked, as shown in Table 6.14; only the 'social responsibility' main SPI was significantly different with a larger effect size.

Table 6.14: Social Performance Main Indicator Differences between For-profit socially oriented and payday lending CFOs

Type of the organisation	SPI main indicators	Total SPI Score	Targeting and outreach	Adaptation of services	Benefits to clients	Social Responsibility
For-Profit (n=4)	Mean	60.2500	14.2500	16.2500	10.7500	19.0000
Payday Lender (n=5)	Mean	41.6000	10.0000	12.4000	7.2000	12.0000
F		5.038	3.029	4.121	1.057	25.407
Sig		.060	.125	.082	.338	.001
Partial Eta Squared						.784

Similarly, not-for-profit and payday lending CFOs were compared for social performance differences; Table 6.15 shows the summary of findings. The data indicate that the two main SPIs of ‘target and outreach’ (F = 21.576, P = 0.001, PES = 0.667) and ‘social responsibility’ (F = 9.524, P = 0.010, PES = 0.464) were significantly different with a larger effect size.

Table 6.15: Social Performance Main Indicator Differences between Not-for-profit and Payday Lending CFOs

Type of the organisation	SPI main indicators	Total SPI Score	Targeting and outreach	Adaptation of services	Benefits to clients	Social Responsibility
Not-for-Profit (n=8)	Mean	64.1250	19.3750	16.1250	10.8750	17.7500
Payday Lender (n=5)	Mean	41.6000	10.0000	12.4000	7.2000	12.0000
F		15.639	21.576	2.698	2.201	9.524
Sig		.002	.001	.129	.166	.010
Partial Eta Squared		.587	.662			.464

A similar series of ANOVAs were also conducted to identify the social performance sub-indicator differences between organisation types. Overall, four social performance sub-indicators were significantly different with a larger effect size: geographic targeting (F = 9.74, P = 0.000, PES = 0.58); individual targeting (F = 11.01, P = 0.000, PES = 0.61);

social capital/client empowerment (F = 8.87, P = 0.001, PES = 0.46), and social responsibility to community and environment (F = 15.21, P = 0.000, PES = 0.69)

Subsequently, pairwise comparisons were made. First, social performance sub-indicator differences between not-for-profit and for-profit socially oriented CFOs were found; these showed that only the ‘individual targeting’ social performance sub-indicator, which is one of the sub-indicators of the ‘target and outreach’ main SPI, was significantly different (F = 7.46, P = 0.02, PES = 0.43) between not-for-profit and for-profit socially oriented CFOs with a larger effect size.

In the comparison between for-profit socially oriented and payday lending CFOs, three sub-indicators were found to be significantly different with a larger effect size: social capital/client empowerment (F = 7.06, P = 0.03, PES = 0.50); social responsibility to employees (F = 11.78, P = 0.01, PES = 0.63), and social responsibility to community and environment (F = 33.36, P = 0.03, PES = 0.83).

Finally, not-for-profit and payday lending CFOs were compared and four social performance sub-indicators were found to be significantly different between these two organisational categories with a larger effect size: geographic targeting (F = 18.25, P = 0.00, PES = 0.62); individual targeting (F = 22.00, P = 0.00, PES = 0.67); social capital/client empowerment (F = 7.06, P = 0.03, PES = 0.50), and ‘social responsibility to community and environment’ (F = 33.36, P = 0.03, PES = 0.83).

6.5 Respondents’ Perceptions on Social Performance

Overall, the survey was developed to develop an understanding of the perceived social focus of employees in each organisation. K–S single sample tests and S-W tests of normality were conducted for the overall scale for perceived social performance and supported for a normal distribution (see appendix J). Accordingly, a series of parametric one-way ANOVA tests was conducted to check for significant differences by organisation type and other demographics.

Table 6.16 shows that there were significant differences by the following demographics: age (F = 3.24, P = 0.022, PES = 0.03); level of education (F = 3.27, P = 0.012, PES = 0.041); and, job role (F = 2.351, P = 0.054, PES = 0.03). No overall significant differences were found by type of organisation.

Table 6.16: Perceived Social Focus Differences among Different Demographics

	Perceived Social Focus					
	Org types	Gender	Age	Education	Job Role	Service Period
F	0.35	0.616	3.24	3.274	2.351	1.503
Sig.	0.705	0.433	0.022	0.012	0.054	0.189
Partial Eta Squared			0.03	0.041	0.03	

Previously, cultural differences among the same groups of respondents were measured and significant cultural differences were found among job roles and levels of education. Such a pattern implies that culture is a pivotal factor in the respondents' perceptions of social performance. Subsequently, the respondents were further categorised as 'those who have positively responded' and 'those who have negatively responded' regarding social performance. The normality of cultural traits/index variables were checked by organisation type and found to be not normally distributed between the two groups of respondents. Kruskal-Wallis non-parametric ANOVA tests were conducted and significant culture trait differences were found, as presented in Table 6.17, in positive and negative groups by organisation type. The data indicate that all four culture traits were significantly different among staff who responded positively by organisation type; only the 'involvement' culture trait was significantly different for negatively responding staff.

Table 6.17: Culture Trait Differences by Perception to Social Performance

	Perceived Social Focus					
	Positive			Negative		
	Chi-Square	df	Asymp. Sig.	Chi-Square	df	Asymp. Sig.
Involvement	8.545	2	0.014	8.007	2	0.018
Consistency	13.778	2	0.001	5.721	2	0.057
Adaptability	6.378	2	0.041	0.161	2	0.923
Mission	6.948	2	0.031	1.361	2	0.506

Subsequently, culture index differences were also checked with Kruskal-Wallis non-parametric ANOVA tests. The findings show that six culture indices – empowerment, team orientation, core values, agreement, customer focus, goals and objectives – were found to be significantly different among positively responding staff by organisation type.

Further, examination shows that only the ‘coordination and integration’ culture index was significantly different among staff that responded negatively on social performance by organisation type. Overall, more cultural differences were found in the staff groups who responded positively. The above differences further emphasise that organisational culture could be a determinant for the social performance of a CFO.

Figure 6.28 shows the staff distribution between the groups responding positively and negatively on social performance by organisational type. The data indicate that a higher percentage of senior executives of not-for-profit CFOs held a positive attitude about social performance, whereas a higher percentage of for-profit socially oriented and payday lending organisational senior executives had a negative attitude. Other staff categories are represented in various percentages among the three organisational types in relation to their attitudes to their social performance.

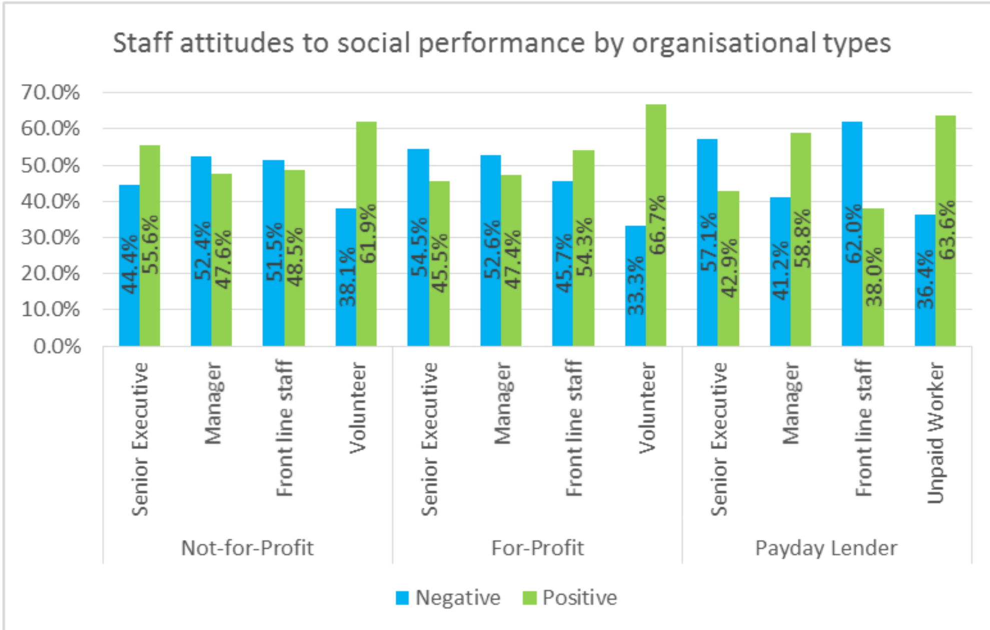


Figure 6.28: Perception of Social Performance by Staff Role

These findings are very important for this study because they suggest the potential for mission drift in the process of commercialisation. This can be deduced from the difference in attitudes to social performance observed at the senior executive level between not-for-profit and for-profit organisational models. The attitudes of other staff categories fluctuated irregularly across organisational types, and this trend could be a result of conflict occurring in the sample CFOs in relation to the current social performance of their respective CFOs. These findings could also be a result of a limitation in the instrumentation.

The distribution of education levels across the two groups of respondents is illustrated in Figure 6.29, showing that staff with higher educational qualifications had positive attitudes towards social performance.

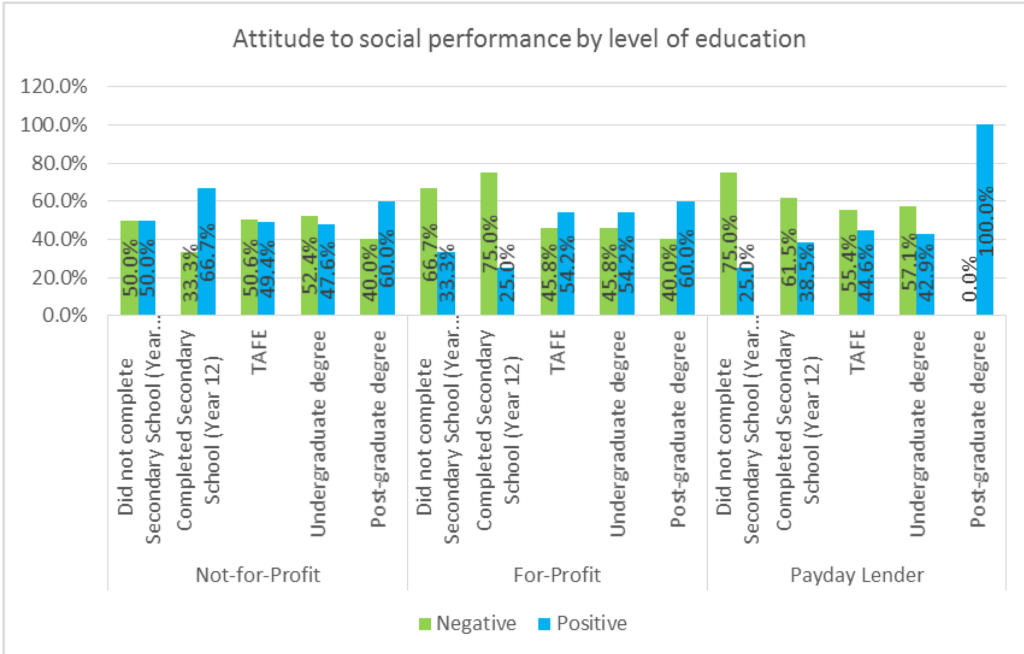


Figure 6.29: Attitudes to Social Performance by Level of Education

Figure 6.30 shows the distribution of the two groups of respondents by age within the major organisation types; a larger percentage of mature-aged staff (35–54 and 55+) posted a positive attitude towards social performance.

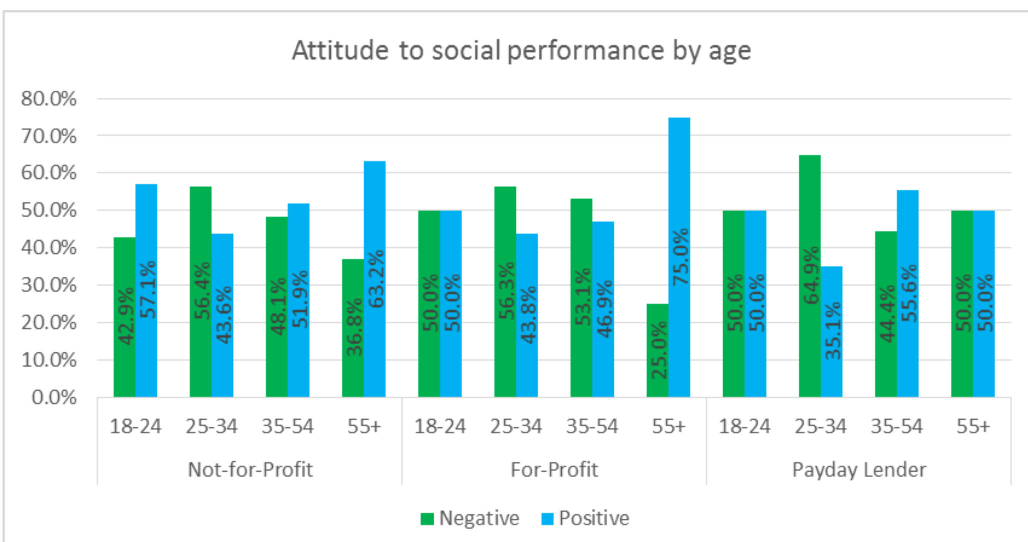


Figure 6.30: Attitude to Social Performance by Age

Overall, the data indicate that most mature, senior staff with higher educational qualifications had positive attitudes towards the social performance of CFOs. This is an important message for the community finance sector on how to improve organisational capabilities in terms of social performance. Getu (2007) discussed six potential strategies for maintaining higher social performance of CFOs, as follows: engage social investors; engage human resources with religious values; transformational focus; action reflection, and advocacy and client check. The present findings add value to his conclusions, emphasising age and level of education in human resources as a means to enhance and maintain the social performance of CFOs.

6.6 Relationship between Variables

Based on the objectives of the study, the relationships of previously defined research variables were examined with Pearson correlation tests. Subsequently, the regression analyses were conducted in order to further determine the nature of possible relationships.

6.6.1 Correlations between Variables

The inter correlations between the major variables of the research – staff perceptions on social performance, current social performance of CFOs and organisational culture –were examined at the 0.05 level for overall data and different organisational types. As previously found, overall organisational culture data was not normally distributed, but was found to be normally distributed within staff groups responding positively or negatively regarding their organisational culture. Therefore, positively responding staff from each organisational type were selected in order to proceed with Pearson correlation and regression analysis, as normal distribution of the data is a prerequisite for linear analyses (Field, 2000). Only the category of positively responding staff was selected for the analysis as they represented more than 60% from each organisation, as previously explained (see 6.6.3).

Analysis of the data revealed (see Appendix K) that there is a significant correlation between the overall organisational culture and current social performance of CFOs (sig = 0.20). At the same time data indicate that there is no significant relationship between overall organisational culture and staff perception on social performance, nor between the current social performance of CFOs and staff perception on social performance.

Correlations were also tested between four cultural traits and other variables and results and indicate only the cultural traits of ‘involvement’ and ‘consistency’ significantly correlated to current social performance of CFOs; staff perception did not significantly correlate to any of the cultural traits.

Correlation between the mean values of the cultural indices and individual perceptions of social focus was also measured. Results indicate that the following cultural indexes significantly correlated to the current social performance of CFOs: empowerment; team orientation; capability development; core values; coordination and integration, and goals and objectives. Further, it is evident from the analysis of the values that there was no significant correlation between the 12 cultural indices and the perceived social focus of the individuals.

Based on this result, it appears that the organisational culture in these community finance CFOs may not have helped to build an appropriate awareness and perception about their social focus. Again, better communication with employees and proper training or mentoring can help in this regard.

The correlations of above variables were further examined to establish connections between the Denison organisational culture traits and indexes and the CERISE social performance main and sub indicators. Correlation between the mean values of culture traits and main social performance indicators of each organisation was measured (see appendix K).

The data indicate that correlation with the ‘involvement’ culture trait is worth exploring. A positive correlation of 0.561 (p = 0.019) was found between the ‘involvement’ culture trait and 'targeting and outreach' main SPI. This implies that, as the score of the 'involvement' culture trait increases, the 'targeting and outreach' SPI tends to increase. In addition, the 'targeting and outreach' social indicator showed a closer relationship with the culture traits of 'consistency' (correlation 0.477, $p = 0.053$) and 'mission' (correlation 0.456, $p = 0.059$). The main social performance indicator 'targeting and outreach' explains the organisational capability to serve financially excluded communities on a wider scale, and is the core SPI as far as community development financial service CFOs are concerned.

This finding indicates that the core SPI has a relationship with one or more cultural traits. As explained in the Methodology (see 5.6.1.1), the 'involvement' culture trait explains the internal flexibility of an organisation for change. The results provided make sense in that internal flexibility is important in making decisions to take financial services to underserved communities. The 'consistency' culture trait explains the internal stability of an organisation. The positive relationship between 'targeting and outreach' indicates that organisational values and systems are a matter of serving financially excluded communities on a wider scale. The 'mission' culture traits explain the degree of the presence of a clearly communicated, broadly shared mission, which helps the organisation to find purpose and meaning as well as direction. Therefore, the relationship between the culture traits of 'mission' and 'targeting and outreach' indicates that organisational mission is a pivotal matter in serving financially excluded communities.

The correlation between organisational culture indices and social performance sub-indicators was also measured (see Appendix K).

The data show that the 'individual targeting' social performance sub-indicator had a positive relationship with the following five cultural indices: empowerment (correlation 0.526, $p = 0.030$); team orientation (correlation 0.545, $p = 0.020$); capability development (correlation 0.554, $p = 0.021$); organisational learning (correlation 0.578, $p = 0.015$), and goals and objectives (correlation 0.525, $p = 0.030$). The above relationships are significant because social performance differences were found to have moderate or higher effect sizes.

Further, the ‘range of traditional service’ social performance sub-indicator was found to have a negative relationship with the ‘vision’ culture index (correlation 0.522, p = 0.030). It makes sense that CFOs changing their vision would affect the traditional products and services. Examples of financial products of community finance CFOs that are designed for poor or financially excluded customers are disappearing from their product portfolios in the process of commercialisation (Charitonenko, Champion, & Fernando, 2004; Fernando, 2007; Kapper, 2007). The ‘innovative and non-financial services’ sub-SPI also showed a negative relationship with the ‘creating change’ culture index (correlation 0.585, p = 0.014). This negative relationship also indicates that one of the important phenomena in the current community development sector is that non-financial services such as training, counselling, health and education are disappearing from most of the community finance CFOs in the process of commercialisation, although these offer important support to poverty-affected, financially excluded communities (Drake & Rhyne, 2002).

The ‘social responsibility to client’ SPI sub-index had a positive relationship with the ‘capability development’ culture index (correlation 0.565, p = 0.018), and ‘social responsibility to community and environment’ also had a positive relationship (correlation 0.565, p = 0.018) with the ‘core values’ culture index. Similarly, inter-correlations of the same variables were checked individually for different organisational types. Data show that no significant correlations exist between major research variables, as far as the not-for-profit CFOs data is concerned.

At the same time, data collected only from for-profit socially oriented CFOs were tested for correlations of major variables. Results indicate that the current social performance of community finance CFOs and staff perceptions on social performance are significantly correlated. Finally, the data collected from payday lending CFOs were tested for possible correlations on major research variables; no correlations appeared to exist between the major variables. Overall, it appears that the major variables of this study are not strongly correlated in individual organisational categories.

6.6.2 Nature of Relationship between Variables – Hypothesis Testing

Subsequently, regression analysis was conducted to test the hypothesis for overall data. Organisation-wise, regression analyses were not conducted, as major variables were not strongly correlated by organisational type (see Appendix K).

6.6.2.1 The Relationship between CFO's Commercial Orientation and Organisational Culture

> $H_1 1$ There is a significant relationship between CFO's commercial orientation and organisational culture.
>
> $H_0 1$ There is no relationship between CFO's commercial orientation and organisational culture.

According to the results of the regression analysis, the relationship between CFO's commercial orientation and organisational culture can be represented by the following formula:

> Organisational Culture = - 0.16 x Commercial Orientation + 3.67 ($R^2 = 0.03$, $p = 0.436$, $\beta = -0.055$)

Data indicate that no significant relationship exists between CFO's commercial orientation and organisational culture ($p > 0.05$). Therefore the null hypothesis is accepted and $H_1 1$ is rejected. However, the β value is shown to be a negative, which indicates that the organisational culture of CFOs tends to get weaker when they are more commercially oriented.

6.6.2.2 The Relationship between CFO's Commercial Orientation and Actual Social Performance

> $H_1$2 There is a significant relationship between CFO's commercial orientation and actual social performance.
>
> $H_0$2 There is no relationship between CFO's commercial orientation and actual social performance of CFOs.

The results of the regression analysis between commercial orientation and actual social performance of CFOs can be represented by the following formula:

> Actual Social Performance = - 11.42 x Commercial Orientation + 77.51 (R^2 = 0.587, p = 0.000, β = - 0.766)

Results indicate that there is a significant ($p = 0.000 < 0.05$) relationship between commercial orientation and actual social performance of CFOs. Further, results indicate that the actual social performance of CFOs tends to decline (β = -0.766) in a 58.7% variation ($R^2 = 0.587$) when the CFOs profit orientation is higher. Therefore the null hypothesis ($H_0$2) is rejected, and hypothesis ($H_1$2) is supported.

6.6.2.3 The Relationship between Commercial Orientation of CFO's and Staff Perceptions of their Organisation's Social Performance

> $H_1$3 There is a significant relationship between CFO's commercial orientation and staff perceptions of their organisation's social performance.
>
> $H_0$3 There is no relationship between CFO's commercial orientation and staff perceptions of their organisation's social performance.

The following formula shows the summary results of regression analysis between the commercial orientation of CFOs and staff perceptions of their organisation's social performance (perceived social performance).

Perceived Social Performance = - 0.004 x Commercial Orientation + 3.04 (R^2 = 0.000, p = 0.953, β = - 0.004)

Results indicate that no significant relationship exists between CFO's commercial orientation and staff perceptions of their organisation's social performance (p = 0.963 > 0.05). Therefore the $H_1 3$ is rejected and the null hypothesis (H_0 3) is accepted. However, β shows a negative trend (β = -004), which indicates that staff perceptions of organisational social performance tend to decline with the commercial orientation of CFOs.

6.6.2.4 The Relationship between the Organisational Culture of CFO's and Staff Perceptions of their Organisation's Social Performance.

$H_1 4$ There is a significant relationship between CFO's organisational culture and staff perceptions of their organisation's social performance.

H_0 4 There is no relationship between CFO's organisational culture and staff perceptions of their organisation's social performance.

Similarly, the following formula can be used to show the relationship between CFO's organisational culture and staff perceptions of their organisation's social performance.

Perceived Social Performance = 0.135 x Organisational Culture + 2.542 (R^2 = 0.002, p = 0.507, β = 0.046)

Results indicate that no significant relationship exists between the organisational culture of CFOs and staff perceptions of their organisation's social performance (p = 0.507 > 0.05). Therefore the $H_1 4$ is rejected and the null hypothesis (H_0 4) is accepted. However, the Beta value is shown to be positive, which indicates a positive effect of organisational culture on staff perceptions.

6.6.2.5 The Relationship between CFO's Organisational Culture and the Actual Social Performance.

> $H_1$5 There is a significant relationship between CFO's organisational culture and the actual social performance.
>
> H_0 5 There is no relationship between CFO's organisational culture and the actual social performance.

According to the results of the regression analysis, the following formula shows the relationship between organisational culture and actual social performance of CFOs:

> Actual Social Performance = 8.06 x Organisational Culture + 27.942 (R^2 = 0.026, p = 0.02, β = 0.162)

Analysis of the data revealed that there is a positive relationship between organisational culture and current social performance of CFOs (R^2 = 0.026, F=0.20, Beta = 0.162). Therefore, it can be emphasised that organisational culture has a role in improving or maintaining the social performance/mission of CFOs. Therefore the null hypothesis (H_0 5) was rejected, and hypothesis $H_1$5 is supported.

In the next stage the relationships between cultural traits and current social performance of community finance CFOs were tested and the following formula shows the relationship between them:

> Actual Social Performance = 10.656 x Involvement + 14.392 x Consistency – 12.219 x Adaptability – 5.695 x Mission + 30.244 (R^2 = 0.177, p = 0.000)

Where Involvement (p = 0.001, β = 0.302), Consistency (p = 0.000, β = 0.331), Adaptability (p = 0.000, β = - 0.313), Mission (p = 0.105, β = - 0.136).

Data shows that the cultural traits influence current social performance of CFOs (R^2 = 0.177, p =0.000). At the same time the 'adaptability' cultural trait seems to be more negatively influential (β = -12.219) on model variation, from which it can be emphasised that 'managing change' is important for CFOs in maintaining or improving their social performance. The finding that CFOs are in a process of commercialisation with inevitable consequences in the community finance sector makes sense (Armendáriz et al., 2009; Charitonenko et al., 2004; Engels, 2010; Getu, 2007; Kapper, 2007; Mersland & Strom, 2009), and this transition needs to be done carefully to ensure better social performance. Results also indicate that the 'mission' cultural trait has a negative relationship with the current social performance of community finance CFOs; this indicates the potential conflict between organisational mission and social performance of the organisations.

Finally, the relationships between cultural indexes and the current social performance of CFOs were also examined. Results further indicated a positive relationship between organisational culture and actual social performance of CFOs (R^2= 21.7, P = 0.000). The results also indicate that the cultural index 'creating change' is inversely influential (β = -5.755) in terms of the current social performance of CFOs. Similarly, the results emphasise that change needs to be introduced carefully in the process of commercialisation to improve the social performance of CFOs.

6.6.2.6 The Relationship between CFO's Actual Social Performance and Staff Perceptions of their Organisation's Social Performance

> $H_1$6 There is a significant between CFO's actual social performance and staff perceptions of their organisation's social performance.
>
> $H_0$6 There is no relationship between CFO's actual social performance and staff perceptions of their organisation's social performance.

According to the result of regression analysis, the following formula can be used to show the relationship between CFO's actual social performance and staff perceptions of their organisation's social performance.

> Perceived Social Performance = 0.006 x Actual Social Performance + 2.711 (R^2 = 0.009, p = 0.169, β = 0.096)

Results indicate that no significant relationship exists between CFO's actual social performance and staff perceptions of their organisation's social performance ($p = 0.169 > 0.05$). Therefore the $H_1 6$ is rejected and null hypothesis (H_0 6) is accepted.

6.6.3. Overall nature of the relationship between main variables

Finally, sample CFOs were ranked according to their profit orientation. The results of ranking, along with the weighted organisational culture (OC), actual social performance (ASP) and perceived social performance (PSP) of CFOs, are shown in Figure 6.31.

Figure 6.31 shows commercial orientation appears to influence social performance, but does not appear to be its primary determinant of social performance. Not-for-profit (NP) and for-profit (FP) organisations have higher and lower SPI scores (due to the small sample). At the extremes, however, purely social organisations exhibit stronger social performance than purely commercial organisations.

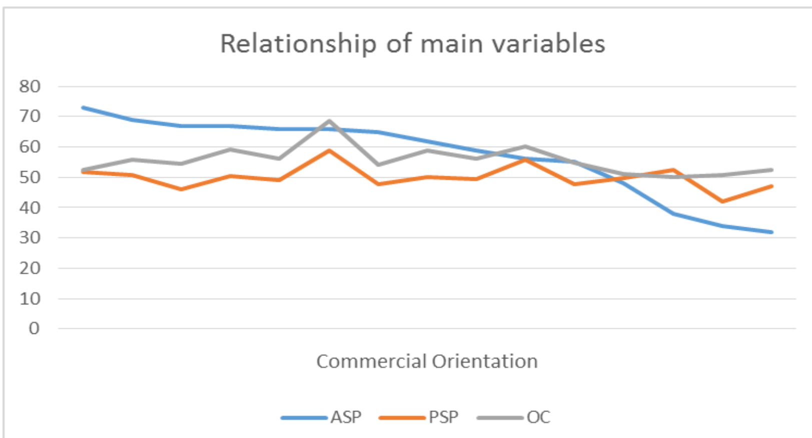


Figure 6.31 Overall relationship between the main variables

As commercial orientation does not appear to determine organisation culture, social performance does not appear to determine staff perception of social performance. Importantly, organisation culture appears to determine staff perception of social performance within commercial orientation.

6.7 Summary of the Analysis

This chapter presented the results of the study. In pursuit of its aims, the relationship between organisational culture and social performance of selected grassroots-level community finance CFOs in Victoria, Australia, was analysed. The DOCS was used to measure organisational culture, and social performance was measured using a social audit instrument developed by CERISE. The validity and reliability of the DOCS was statistically examined in the Australian context and indicators were supported. Seventeen CFOs, categorised into not-for-profit, for-profit socially oriented and payday lenders, were surveyed and a total of 313 completed surveys (N = 313) were considered. The data were also examined from different demographical perspectives, and intergroup comparisons were conducted (see Appendix L for a summary of the data analysis approach).

The descriptive analyses of data indicated that the basic characteristics of not-for profit, for-profit socially oriented and payday lending CFOs differ in terms of purpose of serving financially excluded communities, legal format, clientele, type of services offered, sources of funding, and so on. Additionally, demographic data was found to differ between the same organisational categories.

Subsequently, differences between the main research variables – commercial orientation, organisational culture, staff perceptions of organisational performance and actual social performance – were statistically checked according to organisational type with a series of ANOVA tests. Significant differences were found among the three organisational types studied in terms of three cultural traits in the DOCS model. Significant differences were also found among the organisation types in the following cultural indices: empowerment; team orientation; capability development; core values; coordination and integration, and goals and objective. Significant social performance differences were found among the three organisation types for the following two main indicators: target and outreach, and social responsibility. Differences were also found for the following four sub-indicators:

geographic targeting; individual targeting; social capital/client empowerment, and social responsibility to community and environment.

Results indicate that the cultural traits were not, on average, significantly different between not-for-profit and for-profit socially oriented CFOs; conversely, the cultural traits of payday lending organisations were, on average, significantly different from both not- and for-profit organisations. Overall, this indicates that organisational culture traits and indices tend to be less strong in more commercialised CFOs.

In relation to the opinions of respondents on measures of perceived social focus (SPI), significant differences could not be found between organisational types, but differences were significant between staff roles, levels of education and age groups. Thus, it can be concluded that social performance indicators differ among not-for-profit socially oriented, for-profit socially oriented and payday lending organisations. Importantly, data indicate that the social performance of CFOs is inverse to the organisation's focus on profit, as social performance appeared to be less in commercialised CFOs than in non-commercialised CFOs.

The relationship between each of the variables and the results of regression analyses are summarised in figure 6.32.

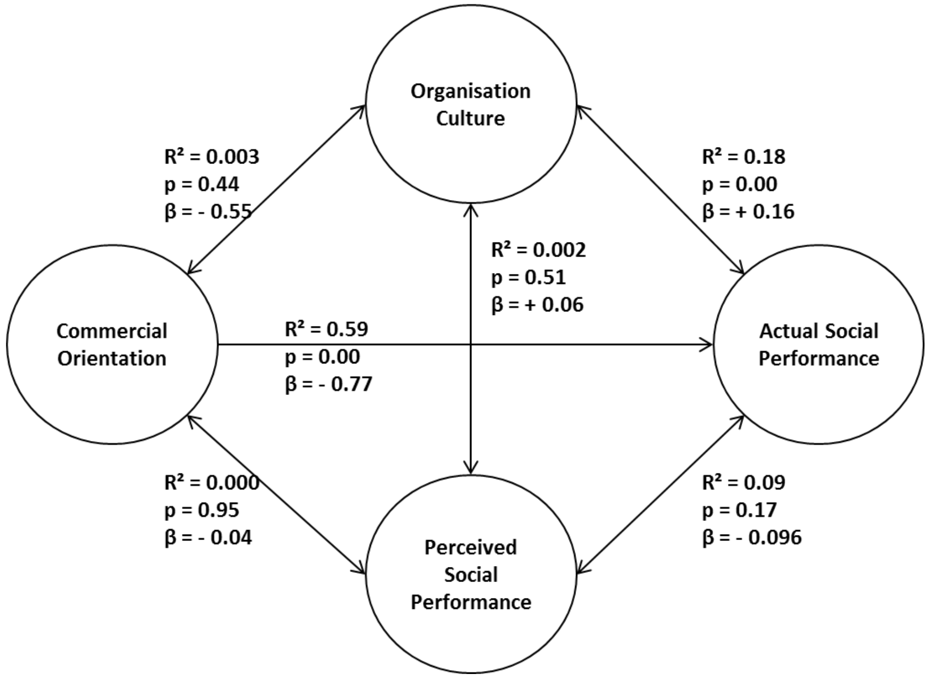


Figure 6.32: Summary of Relationships between Main Variables

A significant negative relationship was found between the commercial orientation and actual social performance of CFOs, but a significant positive relationship was found between the latter and organisational culture. However, a significant relationship was not found between commercial orientation in organisational culture and staff perceptions of CFOs' social performance. At the same time, actual social performance did not indicate any significant relationship with staff's perception of it.

Further analysis was conducted in order to understand the overall relationship between the main variables, i.e. commercial orientation, organisational culture, perceived social performance and actual social performance of CFOs. Similarly, findings indicated that the actual social performance of CFOs tends to decline with commercial orientation. Within the latter, organisational culture seems to be a determinant of perceived social performance.

Chapter 7: Summary, Conclusions and Implications

7.1 Introduction

As previously identified, better access to financial services can contribute to inclusive growth and development. Basically, ‘community finance’ means providing sustainable access to the required financial services for low-income households at affordable prices (ANZ, 2004). An element of commercialisation is visible in various CFOs due to sustainability issues and pressure from stakeholders (Champion, 2001; Kapper, 2007; Rosemgard, 2001). This causes a potential risk of mission drift (Armendáriz, 2011; Christen, 2000; Mersland, 2008). To prevent the drift, and to identify ways to improve the social performance of CFOs, it is important to examine the pivotal organisational factors that affect their social performance. This thesis examined one of these factors, namely organisational culture. The primary aim of this thesis was to address the gap in the existing literature by exploring the relation between the commercial orientation, organisational culture and social performance of CFOs.

7.2 Limitations of the Study

The limitations of the empirical study relate to such factors as the sample population, sampling procedure, variables and method of survey. The research was conducted within a single geographical location, the state of Victoria in Australia, and thus the results cannot be generalised to all CFOs across the world. Each region, country and financial system in the world has its idiosyncrasies related to political, economic, social, cultural and other local factors. The original sample was split up further into three organisational types: not-for-profit socially oriented, for-profit socially oriented and payday lenders. Consequently, the sample size of each category was relatively small. Considering the biographical make-up of the sample, a vast majority of respondents were front-line staff who had TAFE-level qualifications. Although this was representative of the demographics of the organisations in question, it could have affected the generalisability of the results.

Importantly, the Denison Organisational Culture Survey is an instrument that has been designed and validated in the context of the US. No data currently exist for the validation of the instrument in the Australian context. In addition, the validity of the data could not be confirmed with other studies done in Australia. The second important limitation in using the DOCS, or any other survey instrument, is the fact that the instruments only measure the more observable elements of culture. They are unable to delve into or discern the influence of the unconscious elements of culture, especially in their relationship with social performance. Another limitation in using the DOCS is that the correlation between the four cultural traits has been found to be very high in previous studies, as well as in this study. This could indicate that the items are in fact measuring a single trait instead of four clearly distinguishable cultural traits.

Similarly, the CERISE social audit survey was designed in Europe and considers community finance programmes in developing countries. Using the instrument in a developed country such as Australia has its difficulties and limitations. Considering these two limitations, the measurement of cultural traits and SPIs in CDF organisations in Australia may have resulted in additional elements of error. Further, the results from other empirical studies on the social performance of CDF organisations are prone to judgement bias due to the inherent subjectivity of the concept. The political sensitivity of the issue discourages honest reporting. Different organisations and communities may ascribe different levels of importance to various indicators of non-financial returns. This makes inter-CDFI data comparison difficult, and also makes comparison of results of two different studies susceptible to error.

Considering the above, although the results of this study are significant, they need to be viewed and interpreted in light of the limitations in the existing literature and the empirical study. In addition, the suggestion arises that other approaches may be taken to examine existing relationships between the commercial orientation, organisational culture and social performance of CFOs; importantly, other factors that influence the performance of CFOs should also be explored and analysed in order to arrive at a more holistic picture of the system.

7.3 Summary of Findings and Conclusions of the Study

Three groups of organisations which target financially excluded communities – non-profit organisations, for-profit socially oriented organisations and purely commercial organisations – yielded cross-sectional data for analysis; seventeen organisations considered to be representative of financial organisations in Victoria which target financially excluded communities participated in the study. Staff perceptions of the culture and the social performance of their organisation were examined and the results were measured against the organisation's actual social performance.

To measure organisational culture, the Denison Organisational Culture Survey was used; social performance was measured using the CERISE Social Audit Survey. Staff perceptions of their organisation's social performance were measured using a de novo survey, which was related to the CERISE Social Audit Survey. Further demographic and CFOs profile information was collected by referring to organisational policy manuals and extensive interviews with senior staffs. Subsequently, statistical analyses were carried out in order to answer the research questions.

7.3.1 The Main Characteristics of CFOs in Victoria, Australia

The population for the study is drawn from a range of CFOs that provide financial services for financially excluded communities in the state of Victoria, Australia. The CFOs were grouped as follows: not-for-profit socially oriented; for-profit socially oriented; and payday lenders. Seventeen organisations were surveyed and a total of 313 completed surveys (N = 313) were considered. These responses comprised: not-for-profit organisations (48.2%), for-profit socially oriented (22.4%); and, payday lenders (loan shops) 29.4%). Respondents constituted 55.3% females, and most of them were in the 25–34 (34.8%) and 35–54 (36.7%) age groups. Most of those surveyed were educated to TAFE (52.4%) or undergraduate level (26.2%). Of the staff members, 49.5% were front-line staff, 25.6% were managers and 13.7% were senior executives.

The general demographics were also different for each organisational type; the most educated and elderly staff were found in not-for-profit organisations, while the staff of payday lending organisations were found to be less educated and younger.

7.3.2. The Dominant Cultural Traits and Differences of Major Types of CFOs in Victoria, Australia

The areas of concern for the CFOs surveyed in this study included: customer focus; capability development (continually investing in development of employees' skills to stay competitive and meet business goals); core values (sharing values for a strong sense of identity and clear set of expectations); vision (long-term orientation not compromised by short-term thinking); and, coordination and integration (working together to achieve organisational goals). Conversely, areas of strength included: organisational learning (indicating the ability to receive, translate and interpret signals from the external environment for encouraging innovation; gaining knowledge; and developing capabilities. Empowerment (employees having the authority to take initiatives and manage their own work) and agreement (likeliness to reach agreement on critical issues and reconcile differences when they arose) were the other areas of strength.

Scores related to strategic direction and intent, and goals and objectives were low. This indicated that, although empowerment was high, there was a lack of clarity of goals and vision. This is likely to result in a lack of alignment to the overall strategic direction of the organisation. The scores relating to organisational learning and customer focus indicate that a company's attempt to use knowledge to adopt best practice may not have any value for the customer, and could also face the danger of becoming too internally focused. Further, the studies indicated poor to mediocre results for return on assets, return on sales and return on equity in the longer term. Overall, the organisations did not fit into the high-performing organisation benchmark group.

At the same time, the Denison Culture scale was found, overall, to be significantly different by major organisational type. In addition, the culture traits of ‘involvement’, ‘adaptability’ and ‘mission’ were found to be significantly different by organisational type. Regarding the pairwise comparisons, the data indicated that only the culture trait of ‘consistency’ was significantly different between not-for-profit and for-profit socially oriented organisations with a smaller effect size, but in for-profit socially oriented and payday lending organisations, the differences were significant for the culture traits of ‘involvement’, ‘consistency’ and ‘mission’, with medium effect size. The comparison between not-for-profit and payday lending organisations showed a significant difference, but with a smaller effect size. Specifically, the culture traits of ‘involvement’ and ‘consistency’ showed significant differences for these two organisational types.

Similarly, when the same set of ANOVAs was carried out, it indicated that there were significant cultural index differences among the organisation types in six out of the twelve cultural indices (management practices or sub-traits). These sub-traits are: empowerment; team orientation; capability development (under the ‘involvement’ trait); core values; coordination and integration (under the ‘consistency’ trait); and, goals and objectives (under the ‘mission’ trait).

Subsequently, a pairwise comparison showed that only the ‘core value’ culture index, which was included in the culture trait of ‘consistency’, was significantly different between not-for-profits and for-profit socially oriented organisations. Sound literature could not be found to understand the main cultural differences between not-for-profits and for-profit socially oriented organisations. However, cultural ‘core value’ differences between these two sectors indicate that, potentially, the core values of staff changed during the process of commercialisation.

The cultural index differences between for-profit socially oriented and payday lending organisations were considerable. Seven indices were significantly different:

empowerment; team orientation; capability development; core values; agreement; coordination and agreement; and goals and objectives. Similarly, six cultural indices were different between not-for-profit and payday lending organisations. These indices were: empowerment; team orientation; capability development; core values; coordination and agreement; and, goals and objectives.

In conclusion, the cultural traits were not, on average, significantly different between not-for-profit and for-profit socially oriented CFOs; conversely, the cultural traits of payday lending organisations were, on average, significantly different from both not-for-profit and for-profit socially oriented CFOs. Overall, it indicates that organisational culture traits and indices tend to less strong in more commercialised CFOs.

Further investigation was carried out to determine the group of respondents most contributive to the above cultural differences by organisational type. Therefore, data relating to respondents were also examined from different perspectives, such as gender, age, job roles, level of education and service period. Importantly, significant differences were only found in the job roles of respondents.

Subsequently, the three organisation types were compared with each other with respect to different job roles, using non-parametric one-way ANOVA tests. ‘Front-line’ staff and executive staff were found to be significantly different job categories by organisational type in terms of cultural traits and indices. Further, pairwise comparisons indicated that front-line staff of not-profit and for-profit socially oriented organisations were significantly different in terms of the cultural traits of ‘consistency’ with a larger effect size. All four cultural traits of involvement, consistency, adaptability and mission were significantly different between for-profit socially oriented and payday lending organisations.

Senior executives were significantly different only in terms of the cultural index of ‘creating change’ by organisational type. Overall, it can be concluded that the main cultural differences of front-line staff and senior executives could have created the above said differences among not-for-profit socially oriented, for-profit socially oriented and payday lending organisations.

No systematic studies were found that compared the common cultural differences between, in particular, the abovementioned types of organisations. However, the Denison consultancy group (Denison & Uehara, 2011) has established categories of organisational types based on industries in their data base, and has outlined the common cultural differences. The cultural differences found between NGOs and financial sector organisations appeared to be consistent with not-for-profit and for-profit socially oriented organisations.

7.3.3 Differences in Staff Perception of their Organisation's Social Performance

Regarding the opinions of respondents on SPI (perceived social focus), the differences were checked between the groups of respondents, including organisational types. Significant differences could not be found between organisational types, but differences were significant between staff roles, levels of education and age groups. These findings indicate that the staff role, level of education and age of the staff of CFOs could be important determinants for building favourable perceptions of social performance.

At the same time, the respondents were categorised as 'those who have positively responded' and 'those who have negatively responded'. The cultural traits and index differences were checked, and were not found to be normally distributed. Kruskal-Wallis non-parametric ANOVA testing found significant cultural trait differences in the positive and negative groups by organisational type. In the category of positive respondents, there were significant differences in all four cultural traits (involvement, consistency, adaptability and mission). However, in the category of negative respondents, there were significant differences only in the cultural trait of 'involvement'. In the case of the sub traits or indices of organisational culture, differences were significant for positive respondents in the six indices of empowerment, team orientation, core values, agreement, customer focus, and goals and objectives.

7.3.4 Differences in Actual Social Performance s between CFOs

To examine the social performance differences of the three types of CFOs under investigation, the CERISE Social Performance Audit was conducted. Regarding the main indicators, the differences between ‘targeting and outreach’, and ‘benefits to clients’ and ‘social responsibility’ were found to be significant overall at 0.05 confidence level. At the same time, four sub-indicators – ‘geographical targeting’, ‘individual targeting’, ‘social capital/client empowerment’ and ‘social responsibility to the community and the environment’ – were significantly different overall among the three organisational types.

The organisations were also compared pairwise and only the main SPI, ‘target and outreach’, was found to be significantly different between not-for-profits and for-profit socially oriented CFOs. At the same time, only the main SPI, ‘social responsibility’, was found to be significantly different between for-profit socially oriented and payday lending organisations, whereas both the main SPIs, ‘target and outreach’ and ‘social responsibility’, were significantly different between not-for-profit and payday lending organisations.

In the case of the sub-indicators, only the SPI, ‘individual targeting’ was found to be significantly different between not-for-profits and for-profit socially oriented CFOs. The following indicators were found to be significantly different between for-profit socially oriented and payday lending organisations: social capital/client empowerment; social responsibility to employees; and social responsibility to the community and the environment.

Finally, four social performance sub-indicators were significantly different between not-for-profit and payday lending organisations: geographic targeting; individual targeting, social capital/client empowerment; and, social responsibility to the community and the environment.

Data also indicated that there were some inconsistencies in the respective social performance sub-indicators by organisational type. For example, the ‘quality of service’ sub-indicator was higher in payday lending organisations, but lower in for-profit socially oriented organisations. This difference could be due to flexibilities and the availability of products and services provided by payday lenders being better than that in the other two organisational types. The above finding is important given the increasingly negative criticisms of payday lending activities in the present financial services market. This may be further indication that the services of payday lenders could be improved with better rules and regulations.

However, overall, it can be concluded that SPIs differ among not-for-profit socially oriented, for-profit socially oriented and payday lending organisations (see Chapter 3 for the criteria established for the respective organisations). Importantly data indicate that the social performance of CFOs is inverse to the organisation's focus on commercial orientation; performance appeared to be less in commercialised CFOs than in non commercialised CFOs. Therefore, it can be concluded that less commercially oriented organisations are more capable of serving financially excluded communities.

These findings were also found with a larger effect size. The above social performance differences are also inconsistent with the findings of Bédécarrats et al. (2011), who did a similar type of study with MIX data; the inconsistency was explained by the problem of identification. The literature indicated that the abovementioned differences will lead to underline factors such as funding structure, regulations, organisational structure, management capabilities, governance and policies. Importantly, the organisational culture would be a critical reason for these differences because the study previously found significant cultural differences between the same types of organisations.

At the same time subsequent analyses indicated that mature and a more highly educated staff composition is relatively high in less commercialised CFOs. The above greater composition of more highly educated mature staff would have some level of positive influence on their higher social performance. Further, it is worthwhile to mention that the availability of volunteer staff in less commercial CFOs (not-for-profit) will make a definite contribution in terms of their higher social performance, as volunteer staff mainly serve for a social gain particular to those organisations. Therefore, in recruiting more highly educated, more mature staff, more volunteers would also possibly help to enhance the social performance of CFOs.

Further investigations found that some senior positions of CFOs that had lower scores of social performance despite their commercial orientation, were held by staff with purely commercial backgrounds. This could be another factor that could have a negative influence on the better social performance of CFOs. Accordingly, it is better to consider recruiting staff with a social background for senior positions in order to ensure the better social performance of CFOs.

7.3.5 The Relationship between CFO's Commercial Orientation and Organisational Culture

The findings of correlation and regression analysis did not support any significant relationship between CFO's commercial orientation and organisational culture ($R^2 = 0.003$, $p = 0.44$). However, the β values were found to be negative (-0.55). Further careful analysis of data also indicated that some senior staff of for-profit socially oriented CFOs have responded negatively in terms of their organisational culture. Cultural conflict may be unavoidable in the process of commercialisation. Further investigation indicated that cultural bifurcation is potential in the CFOs studied in the sample and could weaken the organisational culture in the process of commercialisation. Therefore, in the present study it is tentatively concluded that there is potential for a negative relationship between commercialisation in CFOs and organisational culture.

7.3.6 Relationship between the Commercial Orientation of CFOs and their Actual Social Performance

As previously found, the social performance indicators of not-for-profit, for profit socially oriented and payday lending CFOs are significantly different. The results of regression analysis further emphasised the fact that there is a significant negative (Beta = -0.766) relationship between the commercial orientation and actual social performance of CFOs.

Results also indicated a greater variation ($R^2 = 0.59$). Therefore, it is concluded that social performance tends decline more in commercially oriented organisations than in less commercially oriented CFOs. Accordingly, research findings indicated that the commercial orientation is a feature in the decline of social performance of CFOs. This study confirmed earlier studies, which have found that the social performance of CFOs is inverse to the organisation's focus on profit (Engels, 2010; Hishigsuren, 2007).

7.3.7 The Relationship between CFO's Commercial Orientation and Staff Perceptions of their Organisation's Social Performance

The results of the regression analysis indicated that the commercial orientation of CFOs does not significantly influence staff perceptions of social performance. However, the Beta value was found to be negative, which indicates that the commercial orientation of CFO's tends to inversely affect staff perceptions of social performance.

Further analysis of data indicated that there is a tension between staff perceptions of the organisation's social focus and staff perceptions of how well the organisation meets the financial needs of financially excluded communities. Significant differences were found between the different staff categories in terms of positive attitudes towards their organisation's social performance. These differences were congruent in for-profit socially oriented and payday lending CFOs; however, they were incongruent in not-for-profit CFOs. Perhaps, as the not-for-profit CFO sector grows and institutionalises, the number of executive/ governance and volunteers in more commercially oriented CFOs reduces relative to salaried staff. Mission drift may therefore (at least to some extent) be a function of the changing structure of the organisations staffing and changing staff goals.

7.3.8 The Relationship between CFO's Organisational Culture and Staff Perceptions of their Organisation's Social Performance

Results indicate that no significant relationship exists between the organisational culture of CFO's and staff perceptions of their organisation's social performance. However, the

Beta value is shown to be positive, which positively implicates organisational culture in staff perceptions of organisational social performance.

The correlation between the mean value of cultural traits and individual perceptions of social focus was also measured. Based on the analysis, it is apparent that there was no significant correlation between the main cultural traits of ‘involvement’, ‘consistency’, ‘adaptability’ and ‘mission’, and the perceived social focus. Correlation between the mean value of cultural indices and individual perception of social focus was also measured.

It is evident from analysis of the values that there is no significant correlation between the 12 cultural sub-traits and the perceived social focus of the individuals. Based on this result, it appears that the organisational culture in these CFOs has not helped in building an appropriate awareness and perception of their social focus. Again, better communication with employees and proper training or mentoring can help in building an appropriate perception of the social focus of the organisation.

7.3.9 The Relationship between the Organisational Culture of CFOs and the Actual Social Performance

One of the main purposes of the study was to explore the relationship between the organisational culture and social performance of CFOs. A series of regression analyses was conducted in order to investigate the above relationship and the results indicated a positive relationship between overall organisational culture and the actual social performance of CFOs. The model variation was found to be 17.5% and, according to Zhang et al. (2009), this is a significant figure in social science research. Therefore, this study concluded that there is a positive relationship between the organisational culture and social performance of CFOs.

Further empirical findings indicated that the cultural trait of ‘adaptability’ and the cultural index of ‘creating change’ show a negative relationship between the actual social performances of CFOs. At the same time, they were also found to be the cultural elements that are highly influential on the social performance of CFOs. Hence, it can be concluded that change management is important in the process of commercialisation, in order to ensure the optimum social performance of CFOs.

At the same time, the relation between the mean value of cultural traits and actual social performance was measured. A significant correlation was found (0.05 confidence level) between the cultural trait ‘involvement’, and the main SPI of ‘targeting and outreach’. This finding implies that, as involvement increases, targeting and outreach also increase. The SPI ‘targeting and outreach’ was also closely related to the cultural traits of ‘consistency’ and ‘mission’. ‘Targeting and outreach’ is of special importance in the context of CFOs because it explains the ability of the organisation to serve financially excluded communities on a wider scale. The findings are significant because this important indicator is correlated with three main cultural traits.

The ‘involvement’ cultural trait represents the internal flexibility for change of an organisation. The subcultural traits of ‘involvement’ – namely, ‘empowerment’, ‘team orientation’ and ‘capability development’ – highlight the important elements in developing internal capability for change through giving authority to employees and investing in developing the skills and capabilities of employees. This flexibility inside the organisation is important in enabling it to make major decisions and bold steps to reach out to underserved communities. These decisions can help CFOs in delivering financial services to this section of the society.

Further, the cultural trait ‘consistency’ refers to the internal stability of the organisation. The sub-traits or indices related to consistency are ‘core values’, ‘agreement’ and ‘coordination and integration’. Stability can help in strengthening belief in core values and building a strong sense of identity with a clear set of expectations. It also helps in building a culture to work together to achieve organisational goals. This is required to reconcile differences and reach agreement on vital issues. Therefore, this trait is critical for making and implementing decisions relating to the provision of financial services to the underserved. Because ‘targeting and outreach’ is related to this trait, it implies that internal stability (consistency) is required to target and reach out to people who have poor access to financial services. This is especially true, because reaching out to these people is not always commercially viable, at least in the short term.

The cultural trait ‘mission’, explains the degree of presence of a clearly communicated and broadly shared vision. The sub-traits of the latter trait are ‘strategic direction and intent’, ‘goals and objectives’ and ‘vision’. These qualities are important for an organisation in terms of having a long-term orientation. This orientation is extremely critical for making decisions that may be commercially unviable in the near term. The relationship between the ‘mission’ culture trait and the SPI of ‘targeting and outreach’ indicates that it requires a commitment at the highest level in the organisation to serve the financially excluded communities over the long term. Thus, the intent has to be clearly defined in the mission statement of’ CFOs.

Regarding the correlations (at the 0.05 confidence level) between the cultural indices and social performance sub-indicators, the social performance sub-trait of ‘individual targeting’ was found to have a significant correlation with five cultural sub-traits: ‘empowerment’; ‘team orientation’; ‘capability development’; ‘organisational learning’; and ‘goals and objectives’. This relation emphasises that individual targeting requires internal flexibility and needs stability in the external focus. It also indicates that ‘organisational learning’ (flexibility in external focus) is an important determinant of ‘individual targeting’ by CFOs.

In addition, ‘range of traditional services’ was negatively correlated with the cultural sub-trait of ‘vision’. This implies that changes in an organisation’s vision would affect their traditional products and services. Commercialisation can lead to fewer products being designed by CFOs for financially excluded communities.

The ‘innovative and non-financial services’ sub social performance indicator was also negatively correlated to that of ‘creating change’. This points to the fact that non-financial services such as training, counselling, health and education are being neglected in CFOs because of increased commercialisation. These services are important for the overall empowering of these communities. ‘Social responsibility’ to clients was correlated with ‘capability development’, and ‘social responsibility to the community and the environment’ was correlated to the cultural sub-trait of ‘core values’.

7.3.10 The Relationship between the Actual Social Performance of CFOs and Staff Perceptions of Their Organisation’s Social Performance

The relationship between individual perceptions of social performance and the actual social performance of CFOs was examined at the 0.05 level. Analysis of the data revealed that there was no significant correlation between the four main SPIs – ‘targeting and outreach’, ‘adaptation of services’, ‘benefits to clients’ and ‘social responsibility’ – and the perception of the actual social performance of the CFOs.

The correlation between the twelve sub-indicators and individual perceptions of social performance was also analysed at the 0.05 level. Similarly, analysis of the data revealed that there was no significant correlation between the twelve sub-indicators and the perception of social performance. Based on these results, it is likely that employees were not totally or correctly aware of the quality and quantity of social performance of their respective organisations. Correct perceptions can be built through more open communication and training.

Finally, it seems that organisational culture is not a significant mediating variable between commercial orientation and actual social performance of CFOs, but organisational culture may influence the latter. Also, organisational culture is not a significant mediator between commercial orientation and staff’s perception of their organisational performance. While organisation type (mediated by culture) does not influence perceived social performance, there is an indication that CFOs’ social performance may mediate the relationship between commercial orientation and staff perceptions of organisational performance. The relationship between actual social performance and staff perceptions of organisational performance was found to be weak because the newly created social performance survey instrument contained a weakness in adequately capturing the necessary elements.

7.4 Research Implications

The findings of this empirical study have a number of sizable implications for several layers of the community development finance sector, Victoria, Australia – namely, the policy, management and operational levels. The policy level of organisations within the sector will, as the research findings indicate, suffer the impact of the commercial orientation and will witness a decline in social performance. Thus, another major implication of the study is that the development of policies to control the commercial orientation will ensure better social performance in CFOs; for example, as the results indicate, the hiring of staff with a solely commercial background will impact on the social mission drift of CFOs, and recruiting senior staff with attitudes derived from a social ethos will also minimise declining social performance effected by increasing commercial orientation.

The study also implies that it is important for decision-makers in CFOs to recognise the importance of organisational culture in the context of social performance. Thus, it is vital at the management level for leaders in these organisations to build an appropriate organisational culture to support and enhance their social performance; in particular, the implication here is that the cultural traits of ‘involvement’, ‘consistency’ and ‘mission’, which are found to be closely related to the main SPI of ‘target and outreach’, should be a main focus for managers in the development of the business strategy of CFOs. In particular in this regard, the study implies that the cultural trait of ‘adaptability’, found to be negatively impacting on social performance, needs the careful attention of sector leaders in responding to external changes in the industry. Importantly, the evidence provided by this study of diminishing social performance (mission drift) in CFOs can be interpreted as one of the failures of CFOs in managing these changes.

The study sounds a note of caution when it comes to specific cultural and social performance indices; it is important to note that simply achieving higher scores in cultural traits and indices may not always result in better social performance. It may even be counterproductive because of negative correlations between these indices. Thus, the study implies the necessity of understanding the nuances of business operations and the idiosyncrasies of the existing culture at the management level, before attempting change interventions, especially during transition phases. The management of social performance and the avoidance of mission drift will be greatly benefited by such awareness. The responsibility of managers in providing internal communication and training for building an appropriate perception of an organisation's stated social focus and its actual social performance in the minds of the employees is strongly implied in the findings of this study. Thus, the practitioners and leaders in CFOs can greatly assist line managers to understand how the practices within the organisation can affect its social and economic performance.

At the level of operations, the study implies that employees should possess the capability to scratch below the surface and develop an overview of the organisation, and the ability to assess and interpret social performance. They need to identify and understand the metrics that are important for their organisation; for example, the ratios that may be relevant for a purely commercial organisation may not be appropriate to measure the performance of a manager in a CFO. Performance of the employees and organisational performance should be measured against relevant metrics to motivate the personnel to direct their energies towards those goals. Also, an important implication for members of organisations is that they should imbibe the right cultural traits through training and mentoring in order to achieve a holistic balance between financial sustainability and enhanced social performance. This will help the organisation to maintain its social focus and gain credibility among various stakeholders. These steps will enhance the positive effects that CFOs have on society through more efficient outreach, thereby alleviating financial exclusion. Thus, the implications of the study extend through all levels of an organisation, and indeed, reach the external stakeholders, such as donors and social investors, in terms of improvement of performance to ensure the countering of mission drift in CFOs.

7.5 Recommendations for Further Research

Considering the limiting factors in this study, other approaches should be taken to examine the relationships between commercial orientation, organisational culture and social performance. Other factors that influence the social performance of CFOs should be examined. Some suggestions for stakeholders and researchers are given below.

To start with, it is suggested that future studies be conducted in different geographical locations, in both developed and underdeveloped countries. This would help determine if there were significant differences in the findings in different economic, societal and cultural contexts. Moving the sample base from a single organisation to multiple organisations would also mean that organisation-level social performance measures – such as target and outreach, benefit for clients, adaptation for services and social responsibility – could be selected. These important, broad and generalisable performance measures would help in direct comparison with the research findings from other regions. They would also help in understanding whether obtaining high scores on all culture dimensions is related to better social performance.

At the same time, investigation of indirect and mediator effects of the above variables would be valuable, as it would give further insights on understanding the impact of multidimensional factors on the social performance of commercialising CFOs. This study focused only on organisational culture, and future studies should explore other important factors such as financial sustainability and corporate governance.

Future studies could involve larger organisations compared with those considered in the current study. The social performance management strategies of different CFOs should also be examined. It is also recommended that a longitudinal study on the relationship between organisational culture and social performance be conducted within the Australian context to examine the issue from a different perspective. The size of the sample could also be increased to involve more organisations from the industry. There should be an attempt to benchmark the results with MIX market data on social performance. The current study utilised a web-based survey form, which yielded an excellent response. However, a paper-based response could help avoid possible biases that may have cropped up in the current study due to respondents having to use the portal provided. Future research should utilise multiple formats to determine if there are consequent significant differences in findings.

It is recommended that the DOCS be further validated within the Australian context using a multicultural sample of participants. Particular attention should be paid to the correlation of the four cultural traits, and the extent to which the sub dimensions and items fit the model within the broader sample of Australian organisations. An item analysis should be conducted to determine whether any specific questions in the survey should be reformulated. At the same time it is recommended that the DOCS scale be used as a continuous scale rather than a midpoint scale, by which means issues related to data distribution could be avoided.

As recognised during the course of the literature review, the study implies a need for future studies to be conducted using more than one validated organisational culture instrument with similar dimensions. This would help determine whether similar dimensions in the different questionnaires were oriented in the same direction with respect to specific financial performance measures. As a final thought, it is possible that change in organisational culture may be a direct result of the balanced scorecard process, without any conscious intervention aimed at achieving it.

Appendices

A. Text of Survey Notices

- **Human ethics approval**

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7 January 2013

Dear Professor Hamilton and Mr Bandara

HUMAN RESEARCH ETHICS COMMITTEE ETHICAL APPROVAL PROJECT: H12/12-215 *THE RELATIONSHIP BETWEEN ORGANISATIONAL CULTURE AND SOCIAL PERFORMANCE: A CASE STUDY OF SELECTED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS IN VICTORIA, AUSTRALIA*

The Human Research Ethics Committee is an approved institutional ethics committee constituted in accord with guidelines formulated by the National Health and Medical Research Council (NHMRC) and governed by policies and procedures consistent with principles as contained in publications such as the joint Universities Australia and NHMRC *Australian Code for the Responsible Conduct of Research*. This is available at http://www.nhmrc.gov.au/publications/synopses/_files/r39.pdf.

On 21 December 2012, the Deputy Chair of the Human Research Ethics Committee considered your application under the Low Risk Review Process. This letter confirms that your project has been granted approval under this process, pending ratification by the full committee at its January 2013 meeting.

The period of ethics approval will be from 21 December 2012 to 15 May 2013. The approval number is H12/12-215; please quote this number in all dealings with the Committee. HREC wishes you well with the undertaking of the project and looks forward to receiving the final report.

The standard conditions of approval for this research project are that:

(a) you conduct the research project strictly in accordance with the proposal submitted and granted ethics approval, including any amendments required to be made to the proposal by the Human Research Ethics Committee;

(b) you advise the Human Research Ethics Committee (email ethics@cqu.edu.au) immediately if any complaints are made, or expressions of concern are raised, or any other issue in relation to the project which may warrant review of ethics approval of the project. *(A written report detailing the adverse occurrence or unforeseen event must be submitted to the Committee Chair within one working day after the event.)*

(c) you make submission to the Human Research Ethics Committee for approval of any proposed variations or modifications to the approved project before making any such changes;

- **Invitation E mail to CFOs**

Dear……………………….. (Name of the duly authorised person)

I am a doctoral research candidate who is investigating the link between organisational culture and social performance of CFOs specifically. I seek to understand and explore the differences in organisational culture relative to the social focus of these organisations.

I am contacting employees, including senior executives and managers from selected Victorian CFOs for this study. The findings of the research will be useful for organisational leaders to implement strategic cultural changes in similar organisations for better social performance.

Participation in the study involves completing an electronic survey using the Denison Organisational Culture Survey Instrument (DOCSI) which will take approximately 20 minutes. At the same time some staff members will be randomly selected to participate in a semi structured interview of around 40 minutes each. Anonymity and confidentiality will be maintained at all times. The names of the participants will NOT be disclosed or referenced in anyway in any written or verbal communication. All the information will be statistically analysed and presented ONLY in summarised form.

The findings would be helpful to understand current strengths and weakness in the organisational culture which could be used to determine strategic cultural changes for better organisational performance. At the same time, the social performance of your organisation will be assessed by the researcher in accordance with industrially accepted indicators which will help you to identify current organisational capabilities for achieving social goals.

Participating individuals will receive a summary of the survey results and your organisation will be given a full report of the research findings. If you have any queries about this research, please contact me on 0433 646433 or p.bandara@cqu.edu.au and look forward to hear from you soon.

Thank you

Sincerely

Priyantha Bandara, Principal Investigator

CQUniversity, Melbourne International Campus

108, Lonsdale St, Melbourne, VIC 3000

Project title: The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia

Principal Supervisor: Professor David Hamilton

CQUniversity, Melbourne International Campus

108, Lonsdale St, Melbourne, VIC 3000

Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

- **Introductory letter from the principal supervisor**

To Whom It May Concern

I am pleased to introduce Mr Priyantha Bandara, a doctoral research student of CQUniversity, Melbourne Campus. I am Mr Bandara's Principal Supervisor and based on the Melbourne Campus.

Mr Bandara's project is titled "The relationship between organisational culture and social performance: a case study of selected community development financial institutions in Victoria, Australia". It has approval by the Human Research Ethics Committee of the university (reference: H12/12-215)

Mr Bandara has had extensive international experience working in the field with microfinance organisations and this study is a natural extension of his developed skills and interests.

The main objective of his study is to explore and understand relationships between organisational culture and social performance of representative CFOs. To this end he is contacting selected organisations to both gather information for his research and seek approval for participation by staff in a survey. The survey will include the Denison Organisational Culture Survey Instrument, associated questions about social performance and information relating to staff roles in the organisation. With approval some staff will be asked to participate in semi-structured interviews of less than half hour duration. Anonymity and confidentiality of staff will be maintained at all times and staff will not be identifiable in subsequent reporting of the research, which will report results in summarised form only.

The findings of the study will help us understand relationships between organisational culture and the achievement of the social performance of organisations providing financial services. Participating organisations will be given a report of findings at the end of the study and participating individuals will be given a summary of results.

If you have any queries about this research please feel free to contact me or Mr Priyantha Bandara on 0433 646433 or p.bandara@cqu.edu.au.

We would value your involvement

Yours sincerely

Professor David Hamilton, Principal Supervisor

CQUniversity Melbourne, 108, Lonsdale St, Melbourne, VIC 3000

Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

- **Consent forms**

Consent form for Participating Organisations

Project title: The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia

Principal Investigator: Priyantha Bandara

CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: 0433 646433, p.bandara@cqu.edu.au

Principal Supervisor: Professor David Hamilton
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

We …………………………………..………………………… (Name of the CFO) of………………………………..(Address) consent to participation in this research project and agree that:

1. An Information Sheet has been provided to us that we have read and understood;
2. Any questions we had about the project have been answered to our satisfaction by the Information Sheet and any further verbal explanation provided;

3. We understand that our participation or non-participation in the research project will not affect our organisation or our employees.
4. We understand that we have the right to withdraw from the project at any time without penalty;
5. We understand the research findings will be included in the researcher's publication(s).
6. We are aware that a Plain English statement of results will be available on the web address provided in the Information Sheet;
7. We agree that we are providing informed consent to participate in this project.

Signature of the duly authorised person ___________________

Date: _________________

Name (Please print): ____

Where relevant to the research project, please check the box below:

	YES	NO
1. We wish to have a Plain English statement of results posted to me at the address I provide below.		
2. Our organisation is prepared to be named in any publication(s).		
3. We give permission for photographs and digital images of our organisation to be used in any publication(s) from the research project.		

Postal Address: ____

E-mail: ____

Consent form for Participating Individuals

Project title: The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia

Principal Investigator: Priyantha Bandara
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: 0433 646433, p.bandara@cqu.edu.au

Principal Supervisor: Professor David Hamilton
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

I consent to participation in this research project and agree that:

1. An Information Sheet has been provided to me that I have read and understood.
2. Any questions I had about the project have been answered to my satisfaction by the Information Sheet and any further verbal explanation provided.
3. I understand that my participation or non-participation in the research project will not affect for my employment.
4. I understand that I have the right to withdraw from the project at any time without penalty.
5. I understand the research findings will be included in the researcher's publication(s).
6. I am aware that a Plain English statement of results will be available on the web address provided in the Information Sheet;
7. I agree that I am providing informed consent to participate in this project.

Signature ____________________ Date: ________________

Name (Please print):____

Please check the box below if you wish to receive a copy of result of this study:

	YES	NO

1. I wish to have a Plain English statement of results posted to me at the address I provide below.		

Postal Address: ____

E-mail Address: ____

- **Information sheet**

INFORMATION SHEET FOR PARTICIPANTS

Project title: **The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia**

Principal Investigator: Priyantha Bandara
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: 0433 646433, p.bandara@cqu.edu.au

Principal Supervisor: Professor David Hamilton
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

1. Aims of this study:

The primary aim of this study is to understand variation in Victorian CFOs (CFOs) in terms of organisational culture and social performance. The second aim is to investigate the relationship existing between the organisational culture profile and social performance of CFOs in Victoria

2. Procedures to be followed:

Participation in the study involves completing an electronic survey using the Denison Organisational Culture Survey Instrument (DOCSI) which will take approximately 20 minutes. The DOCSI contains 60 Likert scale organisational culture related questions and participants are expected to grade them based on their opinions. At the same time some staff members will be invited to participate in a semi structured interview of around 40 minutes each. The interview questions are also will be on your organisational culture and aim to study, in depth your viewpoints on the same.

3. Discomforts and Risks:

This project has been classified as a low risk study by the CQUniversity. However, participants are advised NOT to discuss their view point related to study questionnaires in public.

4. Benefits:

Firstly, this research is significant as it is contributing to the knowledge regarding the organisational culture and social performance.

Secondly, the findings of this research will be relevant for community development sector organisational leaders who seek strategic cultural changes in their organisations for corporate sustainability via better social performance.

Finally, the benefits of this research will go to the wider community via CFOs, since it will highlight the important role of organisational culture on social performance of CDFIs. Previous research identified the significant role of community finance services the worldwide movement of poverty eradication.

5. Statement of Confidentiality:

The online culture survey is anonymous and voluntary. No one, including the principal investigator, will be able to identify your responses on the survey; it DOES NOT require writing your name or any other identifying marks on the survey sheets. However, some staff will be randomly selected for semi structured interviews in which anonymity and confidentiality will be maintained at all the times. The names of the participants will NOT be disclosed or referenced in anyway in any written or verbal communication. All the information will be statistically analysed and presented ONLY in summarized form.

6. Consents for participation:

A consent form will be signed firstly with interested CDFIs and secondly with individual employees before participating in the study. Therefore participants must NOT participate in the study without signing a consent form.

7. Participants rights in the study

You can choose whether or not you want to be in this study, and you may withdraw your consent and discontinue participation at any time. Whatever decision you make, there will be no penalty to you, and no loss of benefits to which you were otherwise entitled. You may refuse to answer any questions that you do not want to answer and still remain in the study.

8. Age:

Participants must be 18 years of age or older to participate in this research study

9. Right to ask questions:

Participants are free to ask questions about this research at any time and are advised to contact the principal investigator on above contacts.

10. Disseminating of results

The results will be disseminated in the form of a journal article and perhaps a conference paper. However, a plain English statement of result will be available at CQUniversity official websites (www.cqu.edu.au) for five years' time according to the university code of conduct.

B. Permission to use Denison Organisational Culture Survey Instrument

denison

Bringing Organizational Culture and Leadership to the **Bottom Line**™

Terms of Use for Researchers

We are interested in supporting academic research efforts. This document is intended to explain the terms of use for a researcher to use the Denison Consulting content. These terms apply to the items, indices, traits and model for the Denison Organizational Culture Survey, the Denison Leadership Development Survey, the Culture and Leadership Change Monitors, the Denison Team 360 and all other Denison products. The terms also apply to the Denison process and all accompaniments such as the normative databases, report formats, online survey tools, content on the website and supporting feedback materials.

Our Terms of Use are:

1. All content and products as defined above are copyrighted and owned by Denison Consulting. All rights reserved.
2. With permission from Denison Consulting, researchers may use items from the survey products. The items and resulting data will be used solely for research purposes.
3. Items, other measures and data will be kept confidential and not shared with anyone outside of the research group.
4. Use of the materials must be properly acknowledged in the manuscript and any resulting publications and presentations.
5. Denison Consulting will receive a copy of any research done on the data (papers, dissertation, presentations, follow-up publications, etc.). The researchers will provide us copies of the raw data.
6. Denison Consulting will have an opportunity to review any manuscripts based on the data prior to submission for publication or presentation.
7. This agreement to share items or other materials does not require that Denison Consulting will contribute resources for data analysis, norming, report generation or processing. If any additional work is required, Denison Consulting will charge for the time in completing the project.
8. Denison Consulting reserves the right to revoke permission for use of the items or other resources at our discretion.
9. Use of the research for commercial purposes is a violation of this agreement. Commercial rights can be negotiated, but that requires a separate agreement.

To acknowledge receipt and understanding of these terms, please do one of the following.
1. Sign and date a copy of this agreement and mail or fax (734-302-4023) to Denison Consulting.
2. Send an email research@denisonconsulting.com with this original agreement attached. State in the email that you received and understand the terms.

Thank you for protecting our intellectual property and good luck with your research!

Signature

01 | 07 | 2012
Date

121 West Washington Suite 201 Ann Arbor, MI 734.302.4002 www.denisonculture.com

C. Denison Organisational Culture Survey

Organisational Culture Survey

Project title: **The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia**

Principal Investigator: Priyantha Bandara

CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000
Contact: 0433 646433, p.bandara@cqu.edu.au

Principal Supervisor: Professor David Hamilton
CQUniversity, Melbourne International Campus
108, Lonsdale St, Melbourne, VIC 3000

Contact: (03)8662 0555, d.hamilton@mel.cqu.edu.au

This organisational culture online survey includes questions about your perceptions of various cultural traits in your organisation. Please respond to all statements honestly with the response that best describes your opinions regarding your organisation. There are no right or wrong answers for this questionnaire. Please select only statements that best describe your opinions. The goal of this study is to examine cultural traits on an organisation wide basis, so, please do not underestimate the value of your response since it is critically important for the success of this study.

Participating in this study is purely voluntary. However, participants are requested to answer ALL the questions if you decide to participate in the study. These questions focus on how you think your organisation currently functions. Please respond to the questions and circle the number indicating your feelings using the following ratings. Should you have any questions about the survey, please contact the principle investigator with above contacts.

Thank you for your assistance!

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

1. Most employees are highly involved in their work.

   1 2 3 4 5

2. Decisions are usually made at the level where the best information is available.

   1 2 3 4 5

3. Information is widely shared so that everyone can get the information he or she needs when it's needed.

   1 2 3 4 5

4. Everyone believes that he or she can have a positive impact.

   1 2 3 4 5

5. Business planning is ongoing and involves everyone in the process to some degree.

   1 2 3 4 5

6. Cooperation across different parts of the organisation is actively encouraged.

   1 2 3 4 5

7. People work like they are part of a team.

   1 2 3 4 5

8. Teamwork is used to get work done, rather than hierarchy.

   1 2 3 4 5

9. Teams are our primary building blocks.

1 2 3 4 5

10. Work is organized so that each person can see the relationship between his or her job and the goals of the organisation.

1 2 3 4 5

11. Authority is delegated so that people can act on their own.

1 2 3 4 5

12. The 'bench strength' (capability of people) is constantly improving.

1 2 3 4 5

13. There is continuous investment in the skills of employees.

1 2 3 4 5

14. The capabilities of people are viewed as an important source of competitive advantage.

1 2 3 4 5

15. Problems often arise because we do not have the skills necessary to do the job.

1 2 3 4 5

16. The leaders and managers 'practice what they preach'.

1 2 3 4 5

17. There is a characteristic management style and a distinct set of management practices.

1 2 3 4 5

18. There is a clear and consistent set of values that governs the way we do business.

1 2 3 4 5

19. Ignoring core values will get you in trouble.

1 2 3 4 5

20. There is an ethical code that guides our behaviour and tells us right from wrong.

1 2 3 4 5

21. When disagreements occur, we work hard to achieve ‘win-win’ solutions.

1 2 3 4 5

22. There is a ‘strong’ culture

1 2 3 4 5

23. It is easy to reach consensus, even on difficult issues.

1 2 3 4 5

24. We often have trouble reaching agreement on key issues.

1 2 3 4 5

25. There is a clear agreement about the right way and the wrong way to do things.

1 2 3 4 5

26. Our approach to doing business is very consistent and predictable.

1 2 3 4 5

27. People from different parts of the organisation share a common perspective

1 2 3 4 5

28. It is easy to coordinate projects across different parts of the organisation.

1 2 3 4 5

29. Working with someone from another part of this organisation is like working with someone from a different organisation.

1 2 3 4 5

30. There is good alignment of goals across levels.

1 2 3 4 5

31. The way things are done is very flexible and easy to change.

1 2 3 4 5

32. We respond well to competitors and other changes in the business environment.

1 2 3 4 5

33. New and improved ways to do work are continually adopted

1 2 3 4 5

34. Attempts to create change usually meet with resistance.

1 2 3 4 5

35. Different parts of the organisation often cooperate to create change.

1 2 3 4 5

36. Customer comments and recommendations often lead to changes.

1 2 3 4 5

37. Customer input directly influences our decisions.

1 2 3 4 5

38. All members have a deep understanding of customer wants and needs.

1 2 3 4 5

39. The interests of the customer often get ignored in our decisions.

1 2 3 4 5

40. We encourage direct contact with customers by our people.

1 2 3 4 5

41. We view failure as an opportunity for learning and improvement.

1 2 3 4 5

42. Innovation and risk taking are encouraged and rewarded.

1 2 3 4 5

43. Lots of things ‘fall between the cracks’

1 2 3 4 5

44. Learning is an important objective in our day-to-day work.

1 2 3 4 5

45. We make certain that the 'right hand knows what the left hand is doing.'

1 2 3 4 5

46. There is a long-term purpose and direction.

1 2 3 4 5

47. Our strategy leads other organisations to change the way they compete in the industry.

1 2 3 4 5

48. There is a clear mission that gives meaning and direction to our work.

1 2 3 4 5

49. There is a clear strategy for the future.

1 2 3 4 5

50. Our strategic direction is unclear to me

1 2 3 4 5

51. There is widespread agreement about goals.

1 2 3 4 5

52. Leaders set goals that are ambitious, but realistic.

1 2 3 4 5

53. The leadership has 'gone on record' about the objectives we are trying to meet.

1 2 3 4 5

54. We continuously track our progress against our stated goals.

1 2 3 4 5

55. People understand what needs to be done for us to succeed in the long run.

1 2 3 4 5

56. We have a shared vision of what the organisation will be like in the future

1 2 3 4 5

57. Leaders have a long-term viewpoint.

1 2 3 4 5

58. Short-term thinking often compromises our long-term vision.

1 2 3 4 5

59. Our vision creates excitement and motivation for our employees.

1 2 3 4 5

60. We are able to meet short-term demands without compromising our long-term vision.

1 2 3 4 5

Thank you for participating in the survey.

D. Social Performance Perception Survey Questionnaire

ORGANISATIONAL SOCIAL PERFORMANCE

This section is related to your opinions on the following dimensions of organisational social performance. The questions ask you to rate the relative importance of each dimensions for YOUR ORGANISATION based on your perception.

1. Targeting and outreach

2. Adaptation of services to client needs

3. Wider benefits to clients

4. Social Responsibility

Targeting and outreach

What is your perception of the relative importance of the following dimensions for YOUR ORGANISATION?

1) In our organisation having a geographic focus to serve low income and/or financially excluded people in the region is *

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

2) In our organisation targeting low income and/or financially excluded people is *

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

3) In our organisation operational strategies focused on reaching low income and/or financially excluded people are *

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

Adaptation of services to client needs

What is your perception of the relative importance of the following dimensions for YOUR ORGANISATION?

4) In our organisation providing a range of financial products and services specially designed for low income and/or financially excluded people is *

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

5) In our organisation providing affordable financial services to low income and/or financially excluded people is *

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

6) In our organisation providing non-financial services (for example: providing training, advisory services and market information etc.) to low income and/or financially excluded people is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

Wider benefits to clients

What is your perception of the relative importance of the following dimensions for YOUR ORGANISATION?

7) In our organisation advocating to government and other support services on behalf of the low income and/or financially excluded communities/groups is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

8) In our organisation developing product and services especially for low income and/or financially excluded people is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

9) In our organisation empowering low income and/or financially excluded women clients is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

10) In our organisation empowering low income and/or financially excluded disabled clients is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

11) In our organisation empowering low income and/or financially excluded elderly age clients is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

12) In our organisation empowering low income and/or financially excluded school leavers is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

13) In our organisation empowering low income and/or financially excluded indigenous clients is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

14) In our organisation empowering low income and/or financially excluded migrant and/or refugee clients is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

Social Responsibility

What is your perception of the relative importance of the following dimensions for YOUR ORGANISATION?

15) In our organisation special staff training and development required to serve low income and/or financially excluded people is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

16) In our organisation transparency, accountability, and access to information to serve low income and/or financially excluded people is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

17) In our organisation socially responsible organisational policies are*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

18) In our organisation hiring senior executives from the communities we serve is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

19) In our organisation hiring managers from the communities that we serve is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

20) In our organisation hiring front line staff from the communities that we serve is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

21) In our organisation hiring volunteer staff from the communities that we serve is*

( ) Not at all important

( ) Somewhat important

( ) Important

( ) Very important

( ) Extremely important

CURRENT SOCIAL PERFORMANCE

This section is related to your opinions on current social performance of YOUR ORGANISATION. Please respond to ALL questions with the ratings that best describes your opinions.

22) In my opinion our organisation meets the wider needs of low income and/or financially excluded people*

( ) Strongly disagree

( ) Disagree

( ) Neutral

( ) Agree

( ) Strongly agree

23) In my opinion our organisation currently:*

( ) Is only socially focused

( ) Is mainly socially focused

( ) Has a balance between a social and commercial focus

( ) Is mainly commercially focused

( ) Is only commercially focused

24) In my opinion our organisation should:*

( ) Be only socially focused

( ) Be mainly socially focused

( ) Have a balance between a social and commercial focus

( ) Be mainly commercially focused

( ) Be only commercially focused

Thank You!

Thank you for taking our survey. Your response is very important to us.

E. CERISE Social Audit Survey Instrument

CERISE SPI - Social Performance Indicators (version 3.3.1) miX Microfinance Information eXchange

INTRODUCTION

The SPI social audit tool assesses the ability an MFI achieves its social mission.
Below is a SPI Capture Form. Please fill in the three parts.
Several reports will be automatically generated from this Capture Form. This will allow the MFI to clearly visualize its social performance and report the indicators to MIX.

Click **HERE** for guidance

☐ **I accept the terms and conditions of SPI (CC)**

SPI - CAPTURE

CONTACT INFORMATION

PART I: PROFILE, SOCIAL STRATEGY & GOVERNANCE

PART II: SOCIAL PERFORMANCE INDICATORS

REPORTS

SPI - SCORES

SPI - GRAPHS

CERISE, The Microfinance Exchange Network
14 Passage Dubail - 75010 Paris - 0033 (0)1 40 36 92 92 - cerise@cerise-microfinance.org - www.cerise-microfinance.org

Special thanks to Kiva, Oikocredit, Mix, Grameen-Crédit Agricole Foundation and ForoLac for their support

Targeting the poor and excluded		25	0
Geographic Targeting		**9**	**0**
1.1	Areas of intervention	2	0
1.2	% of branches from underdevelo	2	0
1.3	Verification of poverty level	2	0
1.4	% of clients in rural areas	1	0
1.5	Service in areas with no other MI	2	0
Individual targeting		**10**	**0**
1.6	Tool for targeting of poor clients	1	0
1.7	Ensuring adequate use of targeti	1	0
1.8	Targeting incentives	2	0
1.9	% of poverty of new clients	2	0
1.10	% of woman clients	2	0
1.11	% marginalized clients	2	0
Pro-poor methodology		**9**	**0**
1.12	Unsecured loans	2	0
1.13	Altenative collateral for producti	1	0
1.14	Small loans	2	0
1.15	Small installments	1	0
1.16	Small saving amounts	1	0
1.17	Cross-subsidization	2	0

Adaptation of services		25	0
Range of traditional services		**7**	**0**
2.1	# of loan products	1	0
2.2	Emergency loans	1	0
2.3	Loan tailored to social needs	1	0
2.4	Loans tailored to productive nee	1	0
2.5	Local adequation of services	1	0
2.6	Saving products	1	0
2.7	Saving tailored to social needs	1	0
Quality of services		**9**	**0**
2.8	Decentralization	1	0
2.9	Timely delivery	1	0
2.10	Interest rate	2	0
2.11	Feedbacks from clients	2	0
2.12	Client retention rate	2	0
2.13	Study on drop outs	1	0
Innovative and non financial services		**9**	**0**
2.14	Innovative services	2	0
2.15	Mobile services	2	0
2.16	Strategic alliances	1	0
2.17	Management NFS	1	0
2.18	Social NFS	1	0
2.19	Adaptation of NFS to clients' nee	2	0

Benefits to clients		25	0
Economic benefits		**8**	**0**
3.1	Tracking changes in client situati	1	0
3.2	Staff training in social performan	1	0
3.3	Social performance appraisals	1	0
3.4	Corrective measures	1	0
3.5	Reducing costs strategy	1	0
3.6	Formal benefits policy	2	0
3.7	Measures in case of collective dis	1	0
Client participation		**9**	**0**
3.8.a	Decision making at the client leve	1	0
3.8.b	Decision making at the board lev	1	0
3.9	Representation of clients in comm	1	0
3.10	Involvement of clients at the mar	1	0
3.11	Women representation	1	0
3.12	Training of representatives	2	0
3.13	Effectiveness of participatory boo	2	0
Empowerment		**8**	**0**
3.14	Problem solving beyond financia	2	0
3.15	Woman empowerment	2	0
3.16	Transparency to clients/members	2	0
3.17	Support for client influence	2	0

Social responsibility		25	0
SR to employees		**9**	**0**
4.1	Salary scale	1	0
4.2	Permanent contracts	2	0
4.3	Access to training	1	0
4.4	Participation in decision making	1	0
4.5	Health coverage	1	0
4.6	Specific policy for woman staff	1	0
4.7	Staff rotation	2	0
SR to clients		**9**	**0**
4.8	Avoiding over-indebtedness	2	0
4.9	Cost transparency	2	0
4.10	Credit conditions and collection p	2	0
4.11	Code of conduct	1	0
4.12	Grievance procedures	1	0
4.13	Client confidentiality	1	0
SR to community and environment		**7**	**0**
4.14	Social responsibilities to the com	2	0
4.15	Local social and economic develo	1	0
4.16	Environment policy/financed act	2	0
4.17	Environment policy/MFI activitie	2	0

F. Semi Structured Interview Questions

Project title: **The Relationship between the Commercial Orientation, Organisational Culture and Social Performance of CFOs in Victoria, Australia**

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1. How best do you explain your organisational ability to react the changes in the business environment?
2. What are the strategies use to achieve your organisational goals and objectives and its vision?
3. What are the organisation's core values, methods used to achieve agreement and the coordination and integration systems that hold the company together?
4. What are the activities you use for staff empowerment in decision making; team orientation; and staff capability development undertaken by the organisations?
5. What are the organisational strategies you use to reach the poor and financially excluded people in the community?
6. How best do you explain your organisational ability to provide products tailored to client needs?
7. What are the economical and non-economic benefits provided for members/clients?
8. What are your organisational policies on social responsibility, including employees?
9. Do funding agencies influence your organisational policies?

10. What strategies could further improve the social performance of……(Name of the CDFI)?
11. How do you anticipate the future of ……(Name of the CDFI)?
12. What factors could influence the sustainability of ……(Name of the CDFI)?

G. DOCS validity and reliability data

Table G.1 – Item correlation

Traits	Index	Item	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Mean	Std. Deviation	N
Involvement	Empowerment	1	.746	.973	3.47	1.15	313
α = 0.929	α = 0.853	2	.727	.973	3.31	1.09	313
		3	.700	.973	3.35	1.04	313
		4	.733	.973	3.45	1.05	313
		5	.691	.973	3.30	1.05	313
	Team Orientation	6	.685	.973	3.41	1.08	313
	α = 0.842	7	.698	.973	3.32	1.05	313
		8	.721	.973	3.35	1.02	313
		9	.687	.973	3.27	1.05	313
		10	.690	.973	3.28	1.02	313
	Capability Development	11	.662	.973	3.30	0.99	313
	α = 0.716	12	.721	.973	3.35	1.02	313
		13	.708	.973	3.40	1.09	313
		14	.690	.973	3.29	1.00	313
		15	.103	.974	2.32	0.77	313
Consistency	Core Values	16	.596	.973	3.31	0.96	313
α = 0.894	α = 0.814	17	.680	.973	3.30	1.00	313
		18	.710	.973	3.30	1.07	313
		19	.639	.973	3.32	1.07	313
		20	.664	.973	3.35	1.01	313
	Agreement	21	.680	.973	3.20	1.00	313
	α = 0.639	22	.656	.973	3.29	1.01	313
		23	.642	.973	3.27	0.97	313
		24	-.063	.974	2.34	0.72	313
		25	.642	.973	3.35	1.01	313
	Coordination and	26	.670	.973	3.29	1.05	313
	Integration	27	.670	.973	3.39	1.06	313
	α = 0.699	28	.696	.973	3.35	1.05	313
		29	-.021	.974	2.30	0.72	313
		30	.719	.973	3.24	1.00	313

Traits	Index	Item	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Mean	Std. Deviation	N
Adaptability	Creating Change	31	.658	.973	3.27	0.99	313
α = 0.886	α = 0.722	32	.682	.973	3.34	1.01	313
		33	.667	.973	3.38	1.02	313
		34	.061	.974	2.41	0.73	313
		35	.701	.973	3.31	1.03	313
	Customer Focus	36	.664	.973	3.27	0.94	313
	α = 0.706	37	.664	.973	3.29	1.02	313
		38	.662	.973	3.39	0.98	313
		39	.051	.974	2.33	0.74	313
		40	.689	.973	3.41	1.01	313
	Organisational Learning	41	.697	.973	3.35	0.97	313
	α = 0.715	42	.668	.973	3.28	0.98	313
		43	.047	.974	2.37	0.75	313
		44	.689	.973	3.38	1.01	313
		45	.715	.973	3.24	1.01	313
Mission	Strategic Direction &	46	.692	.973	3.32	1.02	313
α = 0.894	Intent	47	.382	.974	2.88	0.97	313
	α = 0.62	48	.673	.973	3.39	0.99	313
		49	.737	.973	3.33	0.96	313
		50	-.112	.974	2.28	0.78	313
	Goals & Objectives	51	.711	.973	3.30	1.02	313
	α = 0.841	52	.695	.973	3.34	1.04	313
		53	.697	.973	3.35	1.02	313
		54	.695	.973	3.33	0.98	313
		55	.692	.973	3.34	1.03	313
	Vision	56	.699	.973	3.34	1.01	313
	α = 0.716	57	.697	.973	3.35	1.03	313
		58	.029	.974	2.34	0.78	313
		59	.673	.973	3.27	1.01	313
		60	.661	.973	3.28	0.98	313

Table G.2 Correlation matrix for 12 index of DOCS

Traits		Indexes	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
Involvement **0.92**	1	Empowerment	3.40	0.85	**0.85**											
	2	Team orientation	3.35	0.82	0.85	**0.84**										
	3	Capability development	3.14	0.67	0.75	0.75	**0.72**									
Consistency **0.90**	4	Core Values	3.12	0.77	0.79	0.78	0.74	**0.81**								
	5	Agreement	3.08	0.60	0.71	0.70	0.66	0.71	**0.64**							
	6	Coordination and Integration	3.07	0.66	0.72	0.71	0.70	0.71	0.66	**0.70**						
Adaptability **0.89**	7	Creating Change	3.07	0.66	0.69	0.68	0.65	0.67	0.66	0.66	**0.72**					
	8	Customer Focus	3.19	0.64	0.73	0.73	0.65	0.71	0.62	0.66	0.63	**0.71**				
	9	Organisational Learning	3.25	0.65	0.73	0.70	0.68	0.69	0.67	0.67	0.66	0.68	**0.72**			
Mission **0.88**	10	Strategic Direction & Intent	3.18	0.60	0.71	0.67	0.61	0.64	0.60	0.59	0.57	0.57	0.61	**0.62**		
	11	Goals & Objectives	3.16	0.80	0.84	0.81	0.74	0.77	0.70	0.73	0.68	0.70	0.75	0.67	**0.84**	
	12	Vision	3.14	0.66	0.73	0.73	0.67	0.68	0.62	0.66	0.67	0.66	0.68	0.58	0.74	**0.72**

Table G.3 Factor analysis - DOCS data

Communalities		
Compornant	Initial	Extraction
1	1	0.66
2	1	0.559
3	1	0.579
4	1	0.586
5	1	0.563
6	1	0.556
7	1	0.54
8	1	0.587
9	1	0.575
10	1	0.517
11	1	0.538
12	1	0.597
13	1	0.563
14	1	0.546
15	1	0.724
16	1	0.48
17	1	0.56
18	1	0.555
19	1	0.559
20	1	0.495
21	1	0.498
22	1	0.538
23	1	0.469
24	1	0.669
25	1	0.502
26	1	0.53
27	1	0.53
28	1	0.598
29	1	0.753
30	1	0.581
31	1	0.6
32	1	0.538
33	1	0.502
34	1	0.577
35	1	0.546
36	1	0.557
37	1	0.504
38	1	0.512
39	1	0.554
40	1	0.547
41	1	0.539
42	1	0.519
43	1	0.756
44	1	0.607
45	1	0.588
46	1	0.602
47	1	0.414
48	1	0.532
49	1	0.617
50	1	0.709
51	1	0.564
52	1	0.605
53	1	0.549
54	1	0.562
55	1	0.544
56	1	0.554
57	1	0.553
58	1	0.633
59	1	0.5
60	1	0.499
Extraction Method: Principal Component Analysis.		

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.975
Bartlett's Test of Sphericity	Approx. Chi-Square	10739.923
	df	1770
	Sig.	0.000

Total Variance Explained									
Component	Initial Eigenvalues			Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	25.423	42.371	42.371	25.423	42.371	42.371	25.387	42.311	42.311
2	1.575	2.625	44.997	1.575	2.625	44.997	1.356	2.261	44.572
3	1.288	2.147	47.144	1.288	2.147	47.144	1.241	2.068	46.639
4	1.227	2.046	49.189	1.227	2.046	49.189	1.235	2.058	48.697
5	1.157	1.929	51.118	1.157	1.929	51.118	1.193	1.989	50.686
6	1.097	1.829	52.947	1.097	1.829	52.947	1.188	1.980	52.667
7	1.064	1.774	54.721	1.064	1.774	54.721	1.157	1.929	54.595
8	1.060	1.766	56.487	1.060	1.766	56.487	1.135	1.892	56.487
9	.998	1.664	58.151						
10	.969	1.616	59.767						
11	.947	1.579	61.346						
12	.892	1.487	62.832						
13	.843	1.405	64.237						
14	.840	1.400	65.637						
15	.808	1.347	66.984						
16	.791	1.319	68.303						
17	.760	1.267	69.571						
18	.733	1.221	70.792						
19	.715	1.192	71.984						
20	.706	1.177	73.161						
21	.689	1.148	74.309						
22	.673	1.122	75.431						
23	.656	1.093	76.524						
24	.618	1.030	77.554						
25	.611	1.018	78.572						
26	.591	.984	79.557						
27	.573	.956	80.512						
28	.565	.942	81.454						
29	.529	.882	82.336						
30	.518	.864	83.201						
31	.509	.848	84.048						
32	.493	.822	84.870						
33	.466	.777	85.647						
34	.461	.769	86.416						
35	.448	.747	87.163						
36	.438	.731	87.894						
37	.436	.727	88.621						
38	.427	.711	89.332						
39	.410	.684	90.016						
40	.399	.666	90.681						
41	.383	.638	91.319						
42	.379	.632	91.951						
43	.351	.586	92.537						
44	.343	.572	93.108						
45	.333	.555	93.663						
46	.327	.545	94.208						
47	.318	.529	94.737						
48	.301	.502	95.239						
49	.299	.498	95.736						
50	.288	.481	96.217						
51	.271	.451	96.668						
52	.264	.440	97.108						
53	.252	.420	97.527						
54	.244	.407	97.934						
55	.236	.394	98.328						
56	.225	.374	98.702						
57	.212	.354	99.056						
58	.202	.337	99.392						
59	.184	.307	99.700						
60	.180	.300	100.000						

Extraction Method: Principal Component Analysis.

Component	Component							
	1	2	3	4	5	6	7	8
1	.764	.066	.036	.113	.188	.026	-.102	-.103
2	.751	-.001	-.098	-.054	.070	.031	-.013	.065
3	.749	.081	-.054	.152	.022	.002	-.151	.005
4	.746	-.020	.053	-.024	-.015	-.024	-.142	.077
5	.737	-.019	-.068	.065	.081	-.010	-.023	.023
6	.736	.062	-.020	.105	-.064	.124	-.058	-.028
7	.732	.098	-.048	.016	-.026	-.203	.082	.016
8	.725	-.142	-.015	.053	.049	.040	.053	-.093
9	.723	-.146	-.094	.007	-.047	-.067	.008	.054
10	.723	-.042	-.057	.221	-.068	.004	.084	-.011
11	.722	.034	-.144	-.017	-.046	-.076	-.042	.034
12	.719	-.038	-.029	-.024	.046	.125	-.049	-.012
13	.718	.005	.046	-.009	-.003	.068	-.160	.034
14	.716	.040	.015	-.001	-.005	-.037	-.230	.100
15	.715	.047	.034	-.012	-.019	-.100	.139	-.049
16	.713	-.017	.067	-.028	-.015	.134	-.075	-.021
17	.711	.044	.021	-.076	.124	.107	.002	.079
18	.711	.018	-.018	.115	.127	-.009	-.220	-.136
19	.710	.093	.092	.155	-.050	-.178	-.159	-.037
20	.709	-.039	.027	-.074	-.118	.024	.151	.080
21	.709	.006	-.011	.063	.038	-.176	-.097	-.065
22	.709	.022	-.046	.170	.054	.077	-.108	.086
23	.709	-.041	.017	-.005	-.261	.079	.123	.068
24	.708	-.069	-.076	-.039	-.031	-.069	-.170	.121
25	.708	-.075	-.073	-.039	-.006	.134	-.063	-.090
26	.708	.061	.262	-.096	-.042	.076	-.113	-.066
27	.708	-.057	.039	.088	.121	.122	-.020	.046
28	.707	-.065	-.093	-.016	-.002	.042	-.037	-.029
29	.706	.039	.032	-.004	.150	.217	.070	.010
30	.705	-.045	.065	-.193	.014	-.057	.006	.110
31	.701	.047	.076	-.157	-.021	-.106	.032	.037
32	.697	.104	.022	-.022	-.215	.116	.033	-.041
33	.694	-.028	-.033	-.015	-.033	.114	-.022	-.010
34	.693	.026	.038	.107	.151	.067	-.058	-.085
35	.691	.089	.107	-.017	.017	.105	.126	-.077
36	.690	-.020	.056	.019	-.012	.078	-.019	.112
37	.688	-.062	.067	.030	-.049	.052	.175	-.023
38	.686	.047	-.119	-.124	-.069	-.142	.041	.037
39	.685	.035	.099	-.007	-.115	-.041	.066	.047
40	.684	.036	.047	-.067	.129	-.037	.033	-.002
41	.682	-.020	-.023	-.096	.064	-.137	.049	.056
42	.680	.044	-.023	-.125	.013	-.212	.089	-.070
43	.680	-.097	.068	.011	.086	-.059	.264	-.011
44	.678	-.081	.035	-.080	.052	.108	.151	-.012
45	.676	.036	.055	-.104	-.118	-.109	.020	.028
46	.676	.032	-.056	-.073	-.050	-.238	.271	-.024
47	.676	.023	-.066	.187	.126	-.004	-.157	.037
48	.665	.098	-.021	-.002	-.042	-.200	.072	-.059
49	.662	-.095	-.117	-.186	-.037	.164	.162	-.100
50	.661	.058	.133	-.016	-.063	.012	.057	.060
51	.607	-.180	-.041	.064	-.079	.055	.125	-.219
52	-.008	.618	-.162	-.191	-.362	.015	.027	.035
53	-.044	.509	.427	-.070	-.360	.297	-.029	-.039
54	-.036	.506	-.420	.111	.201	.158	-.060	.491
55	.079	.026	.558	.235	.231	.178	.086	.297
56	.389	.078	-.411	.192	-.211	-.008	-.078	-.010
57	-.072	.132	.181	.646	-.143	-.364	.289	.210
58	.074	.280	.136	-.455	.439	-.280	.077	.216
59	-.054	.356	-.261	.149	.340	.278	.476	-.291
60	.016	.476	.158	.094	.188	-.242	-.227	-.550

Extraction Method: Principal Component Analysis.

a. 8 components extracted.

Rotated Component Matrix[a]

Component	Component 1	2	3	4	5	6	7	8
1	.763	-.088	.059	-.088	-.019	.232	-.032	.054
2	.750	-.057	.096	.049	.053	-.035	-.067	.010
3	.747	-.024	.150	.011	-.099	.148	.037	-.055
4	.744	-.006	.036	-.022	.018	.032	-.032	-.172
5	.739	.071	.068	-.008	-.151	.051	-.011	.015
6	.735	-.105	.075	.019	-.009	.034	.015	.010
7	.726	-.132	-.098	.003	-.074	-.003	-.020	.065
8	.726	.010	.014	.143	.123	.053	.178	-.003
9	.724	-.055	.009	.031	-.163	-.017	.171	.058
10	.721	-.033	.030	-.019	-.047	-.004	-.125	.016
11	.720	-.121	-.016	.111	-.024	-.093	.036	-.080
12	.718	.022	.054	-.050	-.040	.056	-.091	-.121
13	.717	-.016	.089	.169	.017	.008	.022	-.053
14	.716	.046	-.019	-.066	-.061	.016	-.117	-.036
15	.715	.001	.084	-.086	.093	-.024	-.104	.041
16	.713	.002	.057	-.147	.006	-.022	-.115	.166
17	.713	.032	-.090	.063	.091	.022	.111	.063
18	.713	-.094	.055	-.143	-.053	-.002	-.039	.032
19	.713	.154	-.079	.058	-.102	-.201	.071	-.031
20	.712	.004	.127	-.005	.009	.090	-.039	-.214
21	.712	.077	-.073	.033	.039	-.177	.044	.005
22	.711	-.062	.176	-.067	-.115	.048	.026	-.032
23	.710	.169	-.124	-.144	.029	.117	-.109	-.112
24	.709	-.034	-.020	.054	-.104	.004	-.162	.019
25	.706	-.116	.060	-.007	-.088	.269	-.066	-.047
26	.706	-.063	.012	.081	-.053	-.011	-.073	-.007
27	.703	.004	-.043	.006	.187	-.088	-.061	-.113
28	.703	-.075	.096	.085	.011	-.019	-.038	-.211
29	.703	.021	.015	.012	-.031	.234	.164	-.167
30	.701	-.093	-.008	.082	.029	.173	.079	-.090
31	.700	.233	-.034	.061	-.100	-.032	-.008	.012
32	.698	.071	-.064	.046	.186	-.004	.006	-.073
33	.696	.113	-.076	-.076	.025	.026	-.011	.142
34	.696	.017	.011	.015	-.072	-.033	-.084	.006
35	.694	-.077	.034	-.097	-.047	.158	-.035	.069
36	.694	.018	.045	-.087	-.019	-.066	-.006	-.058
37	.693	.018	-.125	-.033	-.027	-.094	.067	.090
38	.686	.109	-.063	-.003	.034	-.040	.100	-.054
39	.683	-.025	-.095	-.047	.044	-.114	-.070	.115
40	.683	-.037	-.009	-.031	.146	.055	-.022	.035
41	.682	-.103	-.152	-.041	.110	-.090	.122	.144
42	.679	.026	.019	.213	.131	-.036	.036	-.044
43	.678	-.074	-.012	.075	.174	-.020	.032	-.034
44	.674	-.137	.181	-.041	-.083	.145	.035	-.043
45	.673	.100	-.072	.087	.101	-.018	.051	-.104
46	.672	-.011	-.097	.170	.199	.063	.065	.008
47	.671	.001	-.123	.205	.198	-.060	.203	.096
48	.664	.013	-.115	.130	-.006	-.162	-.184	.165
49	.664	.119	-.040	-.070	.050	-.031	.061	-.030
50	.658	.032	-.046	.151	.107	.096	.150	.005
51	.608	-.084	-.221	.095	-.175	-.025	-.002	.121
52	.383	.004	.245	.353	-.271	.002	.097	.011
53	-.033	.767	-.039	-.246	-.066	.113	-.025	-.009
54	-.012	.629	.250	.318	.101	.048	.039	.059
55	-.032	.111	.835	.023	.116	-.074	.043	.154
56	.099	.039	.017	-.712	.070	-.044	.171	-.008
57	.068	.004	.118	-.084	.771	.084	-.082	.012
58	.002	.156	-.074	.055	.096	.807	.032	.121
59	-.070	.003	.051	-.155	-.101	.030	.843	.010
60	-.044	.030	.148	.018	.008	.116	.009	.828

Extraction Method: Principal Component Analysis.

a. Rotation converged in 8 iterations.

Component Score Coefficient Matrix

	Component							
	1	2	3	4	5	6	7	8
1	.030	-.081	.044	-.088	-.028	.189	-.041	.050
2	.028	-.080	.066	-.004	-.009	.020	.010	.015
3	.025	.001	.117	-.022	-.002	.067	-.041	-.193
4	.030	-.041	.085	.017	.040	-.042	-.057	.014
5	.024	-.050	.097	.051	.009	-.018	-.031	-.184
6	.027	.011	-.022	-.010	.155	-.085	-.044	-.088
7	.031	-.016	.032	-.036	-.048	-.009	-.112	.024
8	.028	.001	.044	-.034	.008	.019	-.031	-.147
9	.035	.003	.049	-.145	-.007	-.040	-.106	.157
10	.027	-.037	.014	.049	-.049	-.010	-.064	.005
11	.020	-.014	-.094	.134	.165	.044	.064	.016
12	.024	-.002	-.002	.107	.101	.025	.156	.000
13	.026	-.076	.001	.075	-.014	-.078	.038	-.056
14	.033	-.066	.059	-.139	-.048	-.012	-.040	.040
15	.008	-.015	.056	.000	-.010	.062	-.004	.725
16	.025	-.038	-.186	.072	-.146	-.008	.000	.135
17	.030	.191	-.040	.036	-.102	-.050	-.015	.018
18	.024	-.012	.071	.121	.010	-.004	.020	-.047
19	.029	.034	-.098	.088	-.012	-.141	-.152	.169
20	.027	-.034	-.009	-.040	.117	.033	-.019	.039
21	.030	.026	.013	-.006	-.070	-.036	-.076	.016
22	.025	-.114	.156	-.054	-.074	.116	.018	-.042
23	.029	.095	-.032	-.069	.034	-.049	.050	-.017
24	.008	.576	-.067	-.194	-.103	.042	-.051	-.024
25	.021	.016	-.056	.119	.086	.066	.131	.009
26	.022	.020	.008	.161	.107	-.045	.039	-.035
27	.032	.088	-.075	-.075	.007	.000	-.015	.139
28	.032	.146	-.061	.033	-.090	-.189	.064	-.009
29	-.001	-.019	.030	-.111	-.060	-.011	.724	.003
30	.032	.060	.052	-.026	-.141	.027	-.022	.017
31	.022	.000	-.119	.162	.171	-.069	.189	.099
32	.025	.054	-.054	.028	.150	-.019	.010	-.056
33	.028	.091	-.053	-.012	.023	-.054	.087	-.037
34	-.003	.451	.147	.255	.048	-.017	.022	.013
35	.027	.024	-.086	.043	.072	.002	.098	.068
36	.030	-.070	-.124	-.043	.100	-.088	.115	.153
37	.024	-.058	-.006	.048	.149	-.027	.036	-.021
38	.032	-.004	-.073	-.055	.034	-.106	-.056	.124
39	.020	.021	.047	-.588	.061	-.071	.137	.002
40	.032	-.001	.075	-.094	.068	-.040	-.093	.042
41	.031	.047	-.008	-.071	-.064	.006	-.108	-.021
42	.031	.030	-.102	-.039	-.024	-.093	.060	.102
43	.004	.031	.673	-.025	.086	-.132	.024	.078
44	.030	.135	-.100	-.125	.003	.088	-.104	-.088
45	.030	-.032	.006	.011	-.136	-.026	.143	.064
46	.024	-.098	.048	-.019	-.085	.233	-.072	-.042
47	.011	.007	.186	.271	-.232	-.005	.077	-.004
48	.029	-.065	.026	-.096	-.050	.127	-.042	.067
49	.028	-.026	.122	-.010	-.093	.113	.018	-.053
50	-.013	.055	-.131	.070	.045	.684	-.003	.080
51	.030	-.086	-.075	-.011	-.061	.002	-.017	.079
52	.022	.006	.007	.005	-.035	.189	.130	-.150
53	.029	.022	.055	-.059	-.045	.039	-.087	-.103
54	.030	-.048	.154	-.078	-.102	.026	.012	-.029
55	.029	-.010	-.012	.026	-.097	.006	-.144	.030
56	.031	.077	-.056	.012	.032	-.169	.044	.022
57	.021	-.078	-.010	.060	.021	.147	.065	-.076
58	-.002	-.051	.089	-.074	.645	.038	-.055	-.007
59	.031	.024	.051	-.091	-.021	-.072	-.008	-.042
60	.024	.082	-.061	.063	.079	-.029	.047	-.084

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Component Transformation Matrix

nt	1	2	3	4	5	6	7	8
1	.999	-.009	-.002	.027	.010	.018	.003	-.015
2	-.001	.669	.462	.043	.259	.425	.147	.258
3	.013	.288	-.491	-.739	.169	.157	.127	-.246
4	.007	-.228	.222	-.262	-.612	.228	.624	.121
5	.002	-.589	.241	-.383	.433	.299	-.215	.354
6	.030	.256	.170	-.396	-.473	-.282	-.564	.356
7	.015	.062	-.301	.018	.230	-.469	.401	.686
8	.011	.000	.564	-.282	.256	-.594	.221	-.367

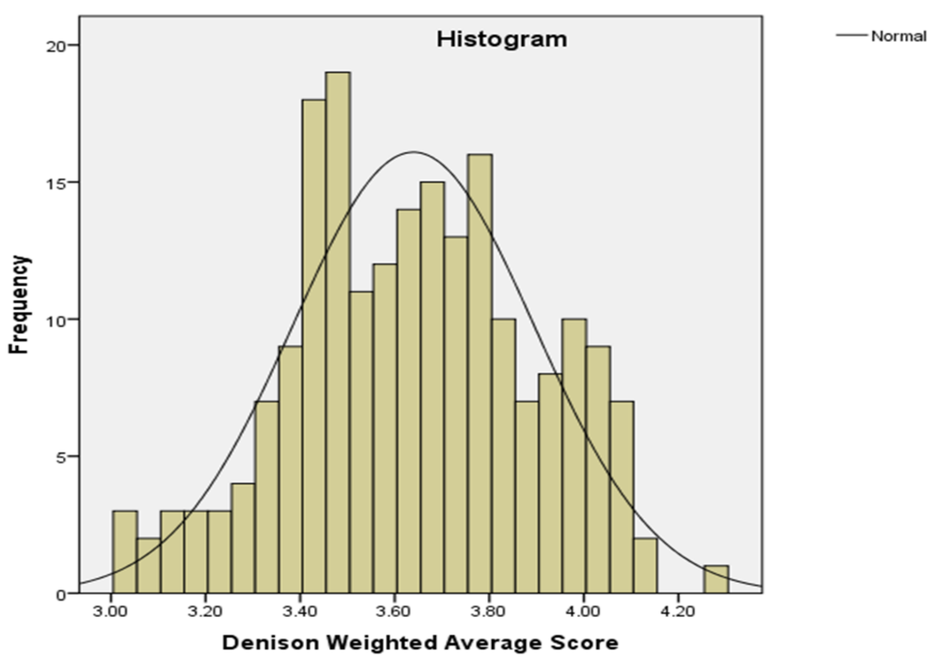
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Component Score Covariance Matrix

nt	1	2	3	4	5	6	7	8
1	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000
3	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000
4	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000
5	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000
6	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000
7	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000
8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Table G.4 Normality of Denison organisational culture weighted average score



H. Cultural differences by different groups of respondents

Table H.1. Differences of Culture traits and indexes among organisational types

Traits	GENDER			AGE			SERVICE			ROLE			EDUCATION		
	χ^2	df	Sig.	χ^2	df	Sig.	χ^2	df	Sig.	χ^2	df	Sig.	χ^2	df	Sig.
Involvement	.07	1.00	.79	2.40	3.00	.49	3.79	5.00	.58	12.10	4.00	.02	6.16	4.00	.19
Consistency	.00	1.00	.95	2.67	3.00	.45	3.73	5.00	.59	14.40	4.00	.01	7.25	4.00	.12
Adaptability	.01	1.00	.93	1.21	3.00	.75	4.51	5.00	.48	9.05	4.00	.06	3.42	4.00	.49
Mission	.20	1.00	.66	1.12	3.00	.77	2.66	5.00	.75	9.95	4.00	.04	8.39	4.00	.08
Indexes															
Empowerment	.05	1.00	.83	1.32	3.00	.72	3.46	5.00	.63	10.61	4.00	.03	4.23	4.00	.38
Team orientation	.01	1.00	.92	2.09	3.00	.55	3.38	5.00	.64	12.03	4.00	.02	5.39	4.00	.25
Capability development	.07	1.00	.80	2.75	3.00	.43	2.07	5.00	.84	9.55	4.00	.05	4.17	4.00	.38
Core Values	.38	1.00	.54	1.06	3.00	.79	3.71	5.00	.59	12.26	4.00	.02	4.35	4.00	.36
Agreement	.46	1.00	.50	4.42	3.00	.22	1.58	5.00	.90	11.22	4.00	.02	6.99	4.00	.14
Coordination and Integration	.03	1.00	.86	3.01	3.00	.39	4.94	5.00	.42	10.81	4.00	.03	6.54	4.00	.16
Creating Change	.15	1.00	.70	4.05	3.00	.26	4.93	5.00	.42	6.66	4.00	.15	3.28	4.00	.51
Customer Focus	.07	1.00	.79	1.53	3.00	.67	2.47	5.00	.78	11.48	4.00	.02	2.00	4.00	.74
Organisational Learning	.00	1.00	.96	.50	3.00	.92	7.03	5.00	.22	8.12	4.00	.09	6.25	4.00	.18
Strategic Direction & Intent	.13	1.00	.72	2.24	3.00	.52	5.56	5.00	.35	12.06	4.00	.02	11.26	4.00	.02
Goals & Objectives	.17	1.00	.68	1.52	3.00	.68	3.30	5.00	.65	9.42	4.00	.05	6.96	4.00	.14
Vision	.97	1.00	.32	.83	3.00	.84	1.68	5.00	.89	7.11	4.00	.13	4.10	4.00	.39

Table H.2 Cultural differences by staff roles among organisational types

Traits	Senior Executives (n=48)			Manager (n=86)			Front Line staff (155)			Volunteers (n=24)		
	χ^2	df	Sig.	χ^2	df	Sig.	χ^2	df	Sig.	χ^2	df	Sig.
Denison Sale	1.05	2.00	0.59	3.19	2.00	0.20	13.94	2.00	0.00	1.39	1.00	0.24
Involvement	0.89	2.00	0.64	2.49	2.00	0.29	15.29	2.00	0.00	1.40	1.00	0.24
Consistency	0.18	2.00	0.91	5.67	2.00	0.06	15.06	2.00	0.00	1.62	1.00	0.20
Adaptability	3.58	2.00	0.17	0.13	2.00	0.94	6.13	2.00	0.05	0.69	1.00	0.41
Mission	4.16	2.00	0.12	3.23	2.00	0.20	7.91	2.00	0.02	2.48	1.00	0.11
Indexes												
Empowerment	1.15	2.00	0.56	2.16	2.00	0.34	11.79	2.00	0.00	3.58	1.00	0.06
Team orientation	1.61	2.00	0.45	1.65	2.00	0.44	14.89	2.00	0.00	1.12	1.00	0.29
Capability development	1.62	2.00	0.44	2.33	2.00	0.31	6.78	2.00	0.03	0.02	1.00	0.90
Core Values	0.73	2.00	0.69	5.03	2.00	0.08	15.09	2.00	0.00	0.95	1.00	0.33
Agreement	0.10	2.00	0.95	1.51	2.00	0.47	6.01	2.00	0.05	0.56	1.00	0.45
Coordination and Integration	0.66	2.00	0.72	5.72	2.00	0.06	9.54	2.00	0.01	0.10	1.00	0.76
Creating Change	6.02	2.00	0.05	0.09	2.00	0.96	7.42	2.00	0.02	1.86	1.00	0.17
Customer Focus	3.20	2.00	0.20	0.11	2.00	0.95	10.22	2.00	0.01	0.44	1.00	0.51
Organisational Learning	1.19	2.00	0.55	0.06	2.00	0.97	2.64	2.00	0.27	0.19	1.00	0.66
Strategic Direction & Intent	4.02	2.00	0.13	0.11	2.00	0.94	3.88	2.00	0.14	1.75	1.00	0.19
Goals & Objectives	3.42	2.00	0.18	2.57	2.00	0.28	12.23	2.00	0.00	1.74	1.00	0.19
Vision	2.41	2.00	0.30	2.10	2.00	0.35	1.63	2.00	0.44	0.33	1.00	0.57

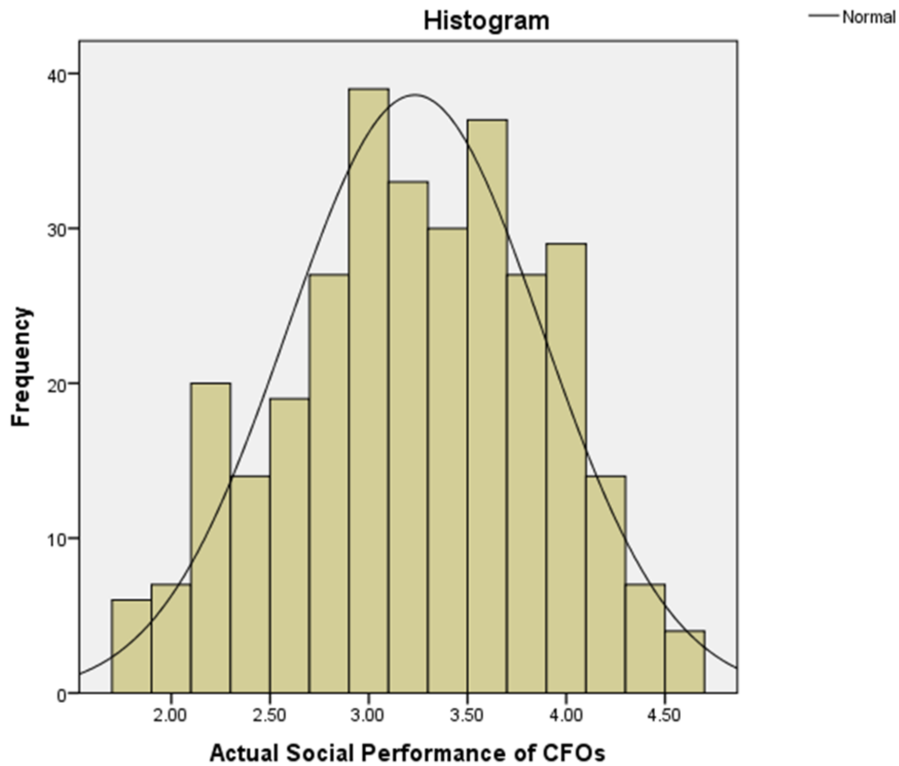
I. Validity and reliability of actual social performance data

Table I.1 Correlation between major and sub variable of actual social performance

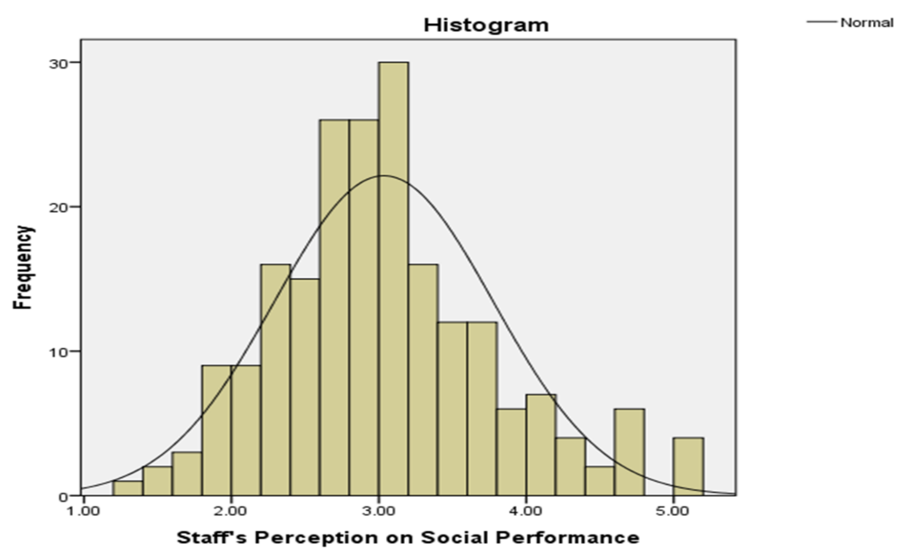
	Correlations				
		1	2	3	4
1	Targeting and outreach	1			
2	Adaptation of services	.360	1		
3	Benefits to clients	.520*	.334	1	
4	Social Responsibility (SR)	.589*	.378	.661**	1
	*. Correlation is significant at the 0.05 level (2-tailed).				
	**. Correlation is significant at the 0.01 level (2-tailed).				

SP Main		SP sub indicators	1	2	3	4	5	6	7	8	9	10	11	12
Targeting and outreach	1	Geographic targeting	1											
	2	Individual targeting	.778**	1										
	3	Pro-poor methodology	.113	.231	1									
Adaptation of services	4	Range of traditional services	-.065	.070	.341	1								
	5	Quality of services	.236	.242	.016	.174	1							
	6	Innovative and non-financial services	.447	.482*	-.020	.516*	.427	1						
Benefits to clients	7	Economic benefits to clients	.318	.438	.226	.278	-.090	.358	1					
	8	Client participation	.322	.445	-.082	.313	-.113	.552*	.586*	1				
	9	Social capital/Client empowerment	.434	.710**	.188	.184	.234	.342	.499*	.548*	1			
Social Responsibility (SR)	10	SR to employees	.199	.406	.186	.293	.128	.374	.314	.488*	.627**	1		
	11	SR to clients	.522*	.622**	.376	-.006	.065	.339	.571*	.343	.674**	.608**	1	
	12	SR to the community and the environment	.432	.602*	.039	.087	.334	.476	.280	.499*	.784**	.687**	.539*	1
		**. Correlation is significant at the 0.01 level (2-tailed).												
		*. Correlation is significant at the 0.05 level (2-tailed).												

Table I.2 - Normality of actual social performance data



J. Normality of perceived social performance data



K. Correlations between contract research variables

Table K.1: Correlation between main variables

	Correlations				
			DWAS	ASP	PSP
DWAS	Denison Weighted Average Score	Pearson Correlation	1		
		Sig			
		N	206		
ASP	Actual Social Performance of CDFI	Pearson Correlation	.162*	1	
		Sig	.020		
		N	206	206	
PSP	Staff's Perception on Social Performance	Pearson Correlation	.046	.096	1
		Sig	.507	.169	
		N	206	206	206
	*. Correlation is significant at the 0.05 level (2-tailed).				

Table K.2: Correlations between Cultural Traits and Main Variables

	Correlations						
		ASP	PSP	1	2	3	4
ASP	Actual Social Performance of CDFI	1					
PSP	Staff's Perception on Social Performance	.096	1				
1	Involvement	.239**	-.001	1			
2	Consistency	.274**	.101	.523**	1		
3	Adaptability	-.065	.033	.488**	.497**	1	
4	Mission	.043	.029	.610**	.431**	.470**	1
	**. Correlation is significant at the 0.01 level (2-tailed).						

Table K.3: Correlations between Culture Traits and Social Performance Main Indicators

	Correlations										
			PSP	1	2	3	4	5	6	7	8
	Staff's Perception on SP	PSP	1								
Denison Cultural Traits	Involvement	1	-.001	1							
	Consistency	2	.101	.523**	1						
	Adaptability	3	.033	.488**	.497**	1					
	Mission	4	.029	.610**	.431**	.470**	1				
SPI main indicators	Targeting and outreach	5	.110	.232**	.139*	-.145*	.025	1			
	Adaptation of services	6	-.013	-.021	.174*	-.041	-.108	.309**	1		
	Benefits to clients	7	.108	.266**	.297**	.023	.140*	.539**	.234**	1	
	Social Responsibility	8	.075	.228**	.234**	-.017	.068	.555**	.274**	.647**	1
	**. Correlation is significant at the 0.01 level (2-tailed).										
	*. Correlation is significant at the 0.05 level (2-tailed).										

Table K.4: Correlation between Culture Indices and Social Performance Sub-Indicators

Correlations

	Empowerment	Team Orientation	Capability Development	Core Values	Creating Change	Organisational Learning	Goals & Objectives	Vision
Individual targeting	0.526*	0.545*	0.554*	0.421	-0.002	.578*	0.525*	0.229
Range of traditional services	-0.260	-0.315	-0.194	-0.094	-0.310	-0.133	-0.119	-.522*
Innovative and non-financial services	-0.215	-0.181	-0.075	0.064	-.585*	0.068	-0.069	-0.479
Social capital/Client empowerment	0.385	0.406	0.468	0.432	0.066	0.416	0.480	0.151
SR to employees	0.318	0.252	0.469	0.358	0.049	0.324	0.350	0.098
SR to clients	0.382	0.364	.565*	0.295	0.022	0.343	0.389	0.302
SR to the community and the environment	0.370	0.375	0.436	0.485*	-0.158	0.326	0.450	0.179

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

K.5 Regression analysis data

K.5.1: Model Variation of Commercial Orientation and Organisational Culture of CFOs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.055[a]	.003	-.002	.25561	.003	.610	1	204	.436

a. Predictors: (Constant), Commercial Orientation of CFOs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.040	1	.040	.610	.436[b]
	Residual	13.329	204	.065		
	Total	13.369	205			

a. Dependent Variable: Denison Weighted Average Score

b. Predictors: (Constant), Commercial Orientation of CFOs

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	3.669	.041		88.962	.000	3.587	3.750			
	Commercial Orientation of CFOs	-.016	.021	-.055	-.781	.436	-.058	.025	-.055	-.055	-.055

a. Dependent Variable: Denison Weighted Average Score

K.5.2: Model Variation of Commercial Orientation and Actual Social Performance of CFOs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.766[a]	.587	.585	8.17245	.587	289.424	1	204	.000

a. Predictors: (Constant), Commercial Orientation of CFOs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19330.297	1	19330.297	289.424	.000[b]
	Residual	13624.932	204	66.789		
	Total	32955.228	205			

a. Dependent Variable: Actual Social Performance of CDFI

b. Predictors: (Constant), Commercial Orientation of CFOs

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	77.507	1.318		58.786	.000	74.908	80.107			
	Commercial Orientation of CFOs	-11.418	.671	-.766	-17.012	.000	-12.741	-10.095	-.766	-.766	-.766

a. Dependent Variable: Actual Social Performance of CDFI

K.5.3: Model Variation of CFO's Commercial Orientation and Staff Perceptions of Their Organisation's Social Performance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.004[a]	.000	-.005	.74398	.000	.003	1	204	.953

a. Predictors: (Constant), Commercial Orientation of CFOs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.003	.953[b]
	Residual	112.917	204	.554		
	Total	112.919	205			

a. Dependent Variable: Staff's Perception on Social Performance

b. Predictors: (Constant), Commercial Orientation of CFOs

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	3.040	.120		25.327	.000	2.803	3.277			
	Commercial Orientation of CFOs	-.004	.061	-.004	-.059	.953	-.124	.117	-.004	-.004	-.004

a. Dependent Variable: Staff's Perception on Social Performance

K.5.4: Model Variation of CFO's Organisational Culture and Staff Perceptions of Their Organisation's Social Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.046[a]	.002	-.003	.74319	.002	.441	1	204	.507

a. Predictors: (Constant), Denison Weighted Average Score

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.244	1	.244	.441	.507[b]
	Residual	112.675	204	.552		
	Total	112.919	205			

a. Dependent Variable: Staff's Perception on Social Performance

b. Predictors: (Constant), Denison Weighted Average Score

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	2.542	.742		3.428	.001	1.080	4.004			
	Denison Weighted Average Score	.135	.203	.046	.664	.507	-.266	.536	.046	.046	.046

a. Dependent Variable: Staff's Perception on Social Performance

K.5.5: Model Variation of Organisational Culture and Actual Social Performance of CFOs

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.162[a]	.026	.022	12.54144	.026	5.522	1	204	.020

a. Predictors: (Constant), Denison Weighted Average Score

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	868.520	1	868.520	5.522	.020[b]
	Residual	32086.708	204	157.288		
	Total	32955.228	205			

a. Dependent Variable: Actual Social Performance of CDFI

b. Predictors: (Constant), Denison Weighted Average Score

Coefficients[a]											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	27.941	12.514		2.233	.027	3.267	52.616			
	Denison Weighted Average Score	8.060	3.430	.162	2.350	.020	1.297	14.823	.162	.162	.162

a. Dependent Variable: Actual Social Performance of CDFI

K.5.6: Model Variation of Cultural Traits on Actual Social Performance of CFOs

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.421[a]	.177	.161	11.61382	.177	10.832	4	201	.000

a. Predictors: (Constant), Mission , Consistency , Adaptability , Involvement

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5844.179	4	1461.045	10.832	.000[b]
	Residual	27111.049	201	134.881		
	Total	32955.228	205			

a. Dependent Variable: Actual Social Performance of CDFI

b. Predictors: (Constant), Mission , Consistency , Adaptability , Involvement

Coefficients[a]											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	30.244	12.031		2.514	.013	6.521	53.968			
	Involvement	10.656	3.107	.302	3.429	.001	4.529	16.783	.239	.235	.219
	Consistency	14.392	3.469	.331	4.149	.000	7.552	21.233	.274	.281	.265
	Adaptability	-12.219	3.095	-.313	-3.948	.000	-18.323	-6.116	-.065	-.268	-.253
	Mission	-5.695	3.496	-.136	-1.629	.105	-12.588	1.198	.043	-.114	-.104

a. Dependent Variable: Actual Social Performance of CDFI

K.5.7: Model Variation of CFO's Actual Social Performance on Staff Perceptions of their Organisation's Social Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.096[a]	.009	.004	.74054	.009	1.905	1	204	.169

a. Predictors: (Constant), Actual Social Performance of CDFI

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.045	1	1.045	1.905	.169[b]
	Residual	111.874	204	.548		
	Total	112.919	205			

a. Dependent Variable: Staff's Perception on Social Performance

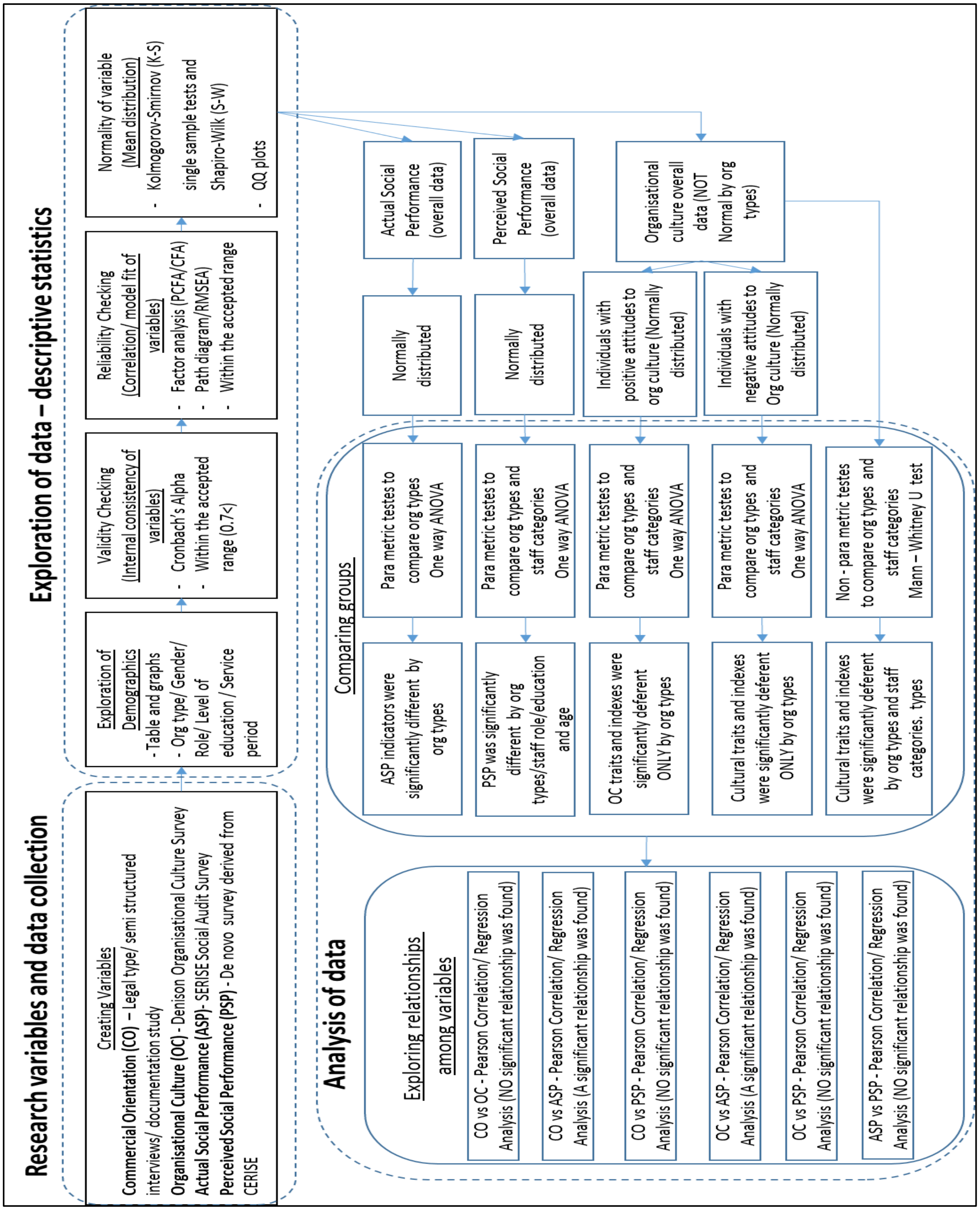
b. Predictors: (Constant), Actual Social Performance of CDFI

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	2.711	.239		11.330	.000	2.239	3.183			
	Actual Social Performance of CDFI	.006	.004	.096	1.380	.169	-.002	.014	.096	.096	.096

a. Dependent Variable: Staff's Perception on Social Performance

L. Summary of data analysis process



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