

Title

**AN ASSESSMENT OF THE ROLE OF CORPORATE CULTURE ON THE PERFORMANCE OF  
PREVENTIVE CONTROL ACTIVITIES OF AN ORGANIZATION: A CASE STUDY OF  
KUWALA SACCO**

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**MERCY C MANDA**

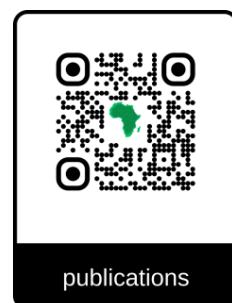
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## ABSTRACT

This study assessed the role of corporate culture on the performance of preventive control activities at Kuwala SACCO. The recent cases of corporate failure and financial mismanagement caused concerns about the reliability of these internal controls over the years and this is because most organizations mainly focus on technical and procedural strategies while overlooking and not taking into consideration the cultural factors that affect the performance of internal controls. Therefore, this study adopted a qualitative research study approach to obtain the views, emotions and insights of the employees at the selected organization of Kuwala Sacco. An open-ended questionnaire was used to collect data that engaged a total number of 22 employees from Kuwala SACCO and thematic analysis approach was employed to analyze the data. Tables and charts presented the data. Twenty-two questionnaires were distributed using google forms and a total number of 18 questionnaires were returned from respondents, representing an 82% response rate. The study concluded that corporate culture significantly influences the performance of preventive control activities within the organization, with professional values, hierarchical structures, teamwork, and formal policies being-identified as factors that support accountability and control compliance. However, the findings also revealed that weaknesses, including ineffective communication, inconsistent application of organizational values, leadership bypassing established policies, and negative employee attitudes promote the failure of the preventive internal controls. While preventive control measures such as rules, task allocation, systems, and audits put in place, their performance was not effective due to poor and selective enforcement, limited training, and last-minute communication of decisions. These mixed perspectives indicate inconsistencies in organizational culture and leadership practices, which undermine the consistent implementation of preventive control activities.

**Keywords:** Corporate Culture, Internal Controls, Preventive Controls, Behaviour, Values, Cultural Norms.

## INTRODUCTION

### Background

In recent years cases of fraud, financial mismanagement and corporate failure have raised concern about the reliability of internal control systems, more especially the control activities of an organization. While many organizations have formalized and implemented control activities, implementation gaps persist, especially with preventive control activities. These gaps occur not only due to technical design of controls but also from human behaviour and shifts in corporate culture. For instance, in environments where ethical standards are weak and top leadership disregards control procedures, even the most well-designed preventive control activities are likely to fail.

Corporate culture that promotes accountability, integrity and transparency can significantly enhance the effectiveness and success of the performance of preventive internal control activities. Conversely, corporate culture can also undermine the performance of existing preventive controls.

Management is responsible for setting the tone within the organization and responsible for the culture that is followed in the organization. (*Graham, Rajgopal & others, 2021*), therefore management's attitude and ethical values can both strengthen or undermine the preventive internal control activities established.

### Context

Corporate culture shapes the beliefs and decision-making processes within an organization. It is described as the unique values, beliefs and norms that an organization follows that also makes up the control environment in which internal control systems operate. (*COSO, 2013*) This affects the performance of internal

controls either positively or negatively.

The effectiveness of internal controls, more especially control activities of an organization, which offer preventive, detective and corrective functions, is pivotal for ensuring efficiency in operations, accuracy and true presentation of financial statements, safeguarding of assets and it is also important when ensuring compliance with regulations. However, most organizations, such as Kuwala SACCO, often design and implement preventive control activities through procedural and technical strategies, overlooking the influence of corporate culture on the effectiveness and overall performance of these internal control activities. Despite the presence of preventive internal control activities implemented Kuwala SACCO, there are still problems arising due to the relationship between internal control activities and prevailing corporate culture which has lead to inconsistent implementation, inefficiencies in operations and lack of adherence to established guidelines. For example, cultures that fail to promote ethical conduct and accountability may enable employees to bypass internal controls designed to prevent fraud, misconduct and manage risks, as seen in the widely reported Malawi cash-gate scandal.

Therefore, this study aims to assess the role in which corporate culture plays in the performance of preventive internal control activities of an organization by understanding how various behaviours influence the culture of an organization which later affects these internal controls.

## RESEARCH OBJECTIVES

### General objective

The general objective of this research is to assess the role of corporate culture on the performance of preventive internal control activities at Kuwala SACCO.

### Specific Objectives

- To identify cultural factors that support or hinder the performance of preventive control activities of an organization.
- To examine the relationship between leadership behaviour and compliance with preventive control activities.
- To evaluate the role of employee attitude and ethical values in the implementation of control activities.
- To recommend strategies for aligning corporate culture with the goals of control activities of an organization.

## LITERATURE REVIEW

This chapter presents a review of the existing literature relevant to the performance of preventive internal control activities effectiveness in relation to the existing corporate culture of an organization. It explores and expands on theories such as the theoretical framework, the learning organization theory and the theory of planned behaviour, which provide more insight on the role of corporate culture in relation to preventive control activities. The chapter is sectioned into three main sections containing of the theoretic review, definitions and overall analyzation of the existing literature.

### Theoretical Framework

This study is grounded in three main theories that are in close relation to corporate's culture relationship with preventive control activities. These theories include, social influence theory (Kelman, 1974), theory of planned behaviour (Ajzen, 1991) and learning organization theory (Senge, 1990). These three theories provide the foundation and framework for understanding corporate culture and the impact it has on the performance of preventive internal controls of an organization.

## Learning Organization Theory

Learning organization theory, according to *Senge (1990)*, aims to improve organizations through knowledge management and understanding. It emphasizes the need for continuous learning for an organization and the point that teams that learn together are more productive than those that operate alone (*Keenan, 2023*). In terms of organizational or corporate culture, learning together as an organization helps to build team work and also to enhance knowledge, through networking and knowledge exchange amongst the employees of an organization, thereby creating a cordial, collaborative, effective and positive team work (*Keenan, 2023*) which is a foundation for successful and effective internal control system performance.

## Theory of planned behaviour

According to *Fischbein, (1980)* the theory of planned behaviour involves how attitudes, subjective norms, and perceived behavioral control influences an individual's intention to perform a specific behaviour. These beliefs shape attitudes towards a behaviour, such that a more positive attitude strengthens behavioral intention (*Conner & Norman, 2025*). The theory further highlighted on the fact that individual's reflect the subjective evaluation of other people's approval or disapproval of their behaviour, promoting and sharing norms, ideas and values. This is relevant as it sets the tone and culture of the overall organization especially if the norms and values are introduced by a member of the management. (*Graham, Grennan, Harvey & Rajgopal, 2021*)

## Theory of Social Influence

Social influence theory as proposed by *Kelman (1974)* and later expanded in (1979) defined the social influence as a behaviour change within the social settings that are induced by one individual or a group of people. Deliberate stimuli to behaviour that take a form of direct commands

such as threats, persuasions and these bring out behaviour and attitudes of the recipients (*Kelman, 1979*). This theory goes on to highlight how delivery of these inductions may meet resistance and also new information may be neutralized by the recipient (*Pelinka & Suedfeld, 2017*). This theory provides an insight on how social influence processes contributes to corporate culture of an organization. Leaders that set a good example are respected within the organization and their ideas are adopted by employee, whereas leaders that tend to intimidate the employees encounter resistance when it comes to achieving goals and implementing changes within the organization.

## Cultural factors that support or hinder the performance of preventive control activities of an organization

Human resources serves as part of the control environment of every organization and the culture values, beliefs and norms that the individuals embody play a very significant part in the performance of internal controls, by offering support or by hindering the performance of the internal control systems. Management can influence corporate culture and determine the social norms as to what is and is not acceptable behaviour (*Carlin & Gervais, 2008*). Top Management team (TMT) are seen to influence behaviours within the organization, a TMT that promotes accountability, training and proper reporting structure within the organization will support the performance of preventive control activities, through behaviours such as taking accountability, responsibility and taking actions that support the established preventive internal controls of an organization.

On the other hand, an individual's attitude and personal values and ideologies may influence their behavior and attitudes towards certain aspects of the society or environment. (*Converse, Jost, 2006*) this may be applied when engaging with internal controls of an organization and affect the performance of preventive controls, despite adopting some values from TMT.

## Relationship between Leadership Behaviour and Compliance with Preventive Control Activities

Leadership and TMT set tone at the top, the rest of the organizations tend to mirror the behavior patterns that are displayed by TMTs and TMT that portrays compliance of policies at internal controls established encourages compliance with preventive internal controls. *The AGSAPCG*, (2020) states that Leadership sets the tone at the top and if an institution's leaders are unethical or have a disregard for governance, compliance and control; and are not committed to transparency and accountability, it will filter through to the lower levels. Inevitably, a culture of poor discipline and impunity will develop a culture in which preventative controls will not be effective.

This also works in collaboration with the study conducted by *Pelinka & Suedfeld*, (2017) which goes on to highlight about how delivery of inductions may meet resistance and new information may be neutralized by the recipient.

*Pfister* (2019) argues that culture is not fixed, but something that can be shaped by leadership decisions, implying that a change in leadership can bring about different changes in operations and the overall organizational culture, most importantly it highlights that leadership behavior and decisions does impact the way operations are run, thereby, having an influence on the compliance with preventive control activities.

*Garcia, Juan, and others* (2021) found that culture improves when leaders promote and support values such as integrity, respect, and quality. This highlights the importance of leadership in building a strong organizational culture. In line with this, *Taofeek* (2025) who describes corporate culture as an “*invisible hand*” that influences decisions, leadership styles, and how organizations respond to challenges and opportunities.

## Employee Attitude and Ethical Values in the Implementation of Control Activities.

According to *Paauwe and Richardson*, (1997) employee attitude and behavior play a significant role in explaining the function of employee perceptions as a key construct in explaining the link between organizational performance and employee attitude and behavior. This can also be applied in relation to employee attitude, perceptions and the effects relation to the implementation of preventive internal controls of an organization. The attitude of employees has the power to make or break the preventive controls and internal control system of an organization. Employees of an organization directly engage with internal controls and monitor the performance of the internal controls. Good and positive attitude promotes awareness and sense of responsibility and accountability amongst the employees within the organization, whereas negative attitude undermines the attention put towards the preventive controls and their performance.

This takes us back to kelman's observation in the social influence theory in the year 1979, where he concludes on how individuals respond to deliberate stimuli to behaviour that take a form of direct commands such as threats, persuasions and these bring out behaviour and attitudes of the recipients. And also *Pelinka & Suedfeld*, (2017) who highlighted that resistance may be met due to the mode of delivery.

## METHODOLOGY

### Study Design

The study adopted a qualitative data collection approach due to the size of the organization engaged in the research process. Qualitative data was collected from KUWALA Sacco employees using electronically issued questionnaires and interviews. Data was collected using research questions which consisted of open ended questions to promptly analyze the emotions, trends and intentions of the respondents engaged in the research process.

## Research Setting

The study was conducted at KUWALA SACCO, located at Auction Holdings Limited in Kanengo, Lilongwe district in Malawi. The organization was selected as it consists of diverse cultures and values, but most importantly, internal controls, especially preventive control activities, are formally implemented by the organization selected. Furthermore, the organization engages with diverse external parties, thereby consists formal policies and well-structured internal controls systems, with much focus being employed to preventive control activities as the daily operations of the organization involve financial and confidential financial information transactions.

These factors provided for clear basis for the selection and evaluation of the organization's culture and the role the culture plays on the success, weaknesses and overall performance of the internal control systems implemented by this organization.

## Target Population

The target population for this study consisted of 22 employees of Kuwala SACCO, particularly those engaged in roles that are influenced and directly engage with internal controls systems of the organization regularly. This population included operational and compliance staff, finance officers and management of the organization. The study targeted the select individuals that are directly involved in the design, implementation and compliance with preventive internal controls in their regular operations to ensure that only relevant data is collected.

## Sampling Techniques

The organization selected for this study consists of 25 employees, with 22 individuals directly involved in the implementation and compliance of internal controls. Due to the small population present in the selected organization, purposive

sampling technique will be used to select individuals whose roles directly affect the internal controls system and the decision making process of the organization. Managers, finance staff, compliance staff and are the targeted population.

## Sample Size

This study used purposive sampling technique to select 22 individuals who are directly involved in the implementation and compliance of internal controls systems, such as managers, finance staff and compliance staff. This was mainly taken into consideration due to the size of the organization and the number of employees that directly engage with the internal control systems of the organization.

## Research Instrument

For this study, qualitative data was collected using an open ended-structured questionnaire. This was used to collect data that reflects on how corporate culture plays a role in the performance of internal controls systems within the organization, with a much focus on the preventive controls of Kuwala SACCO. The questionnaires were administered both as Google forms, to ensure flexibility and timely data collection. Additionally, face to face interviews were also conducted to gain a deeper insight on the influence of cultural and ethical values and the deeper perspectives of the employees of the organization. A review of the auditors' report and relevant organization's manuals was taken into consideration.

## Pilot Study

A pilot study was conducted on 4 individuals within the organization to test the reliability and relevance of the questionnaire and interviews used to collect data. The 2 participants were be asked to complete the survey and 2 other participants attended a face to face interview related to the study and provide feedback and on any unclear and confusing issues. Necessary corrections, reviews and adjustments were made before proceeding with the research.

## RESULTS

The data collected was analyzed using a thematic analysis approach, focusing on repetitive and recurring themes arising from respondent's experiences and perceptions in relation to the following objectives:

- To identify cultural factors that support or hinder the performance of preventive control activities
- To examine the relationship between leadership behaviour and compliance with preventive control activities.
- To evaluate the role of employee attitude and ethical values in the implementation of control activities.

In the selected study approach, a total number of 22 questionnaires were distributed amongst the employees of Kuwala SACCO. A questionnaire was used for its efficiency and flexibility in use, as it enables easy data collection amongst the selected respondents. Below is figure 4.1 which illustrates the response rate of the study. Out of 22 questionnaires, 18 employees responded representing an 82% response rate and 18% of non-response rate. The response rate was considered adequate for qualitative analysis and provided sufficient data for thematic analysis.

## DISCUSSIONS

### KEY FINDINGS

**Research objective 1: To identify cultural factors that support or hinder the performance of preventive control activities.**

- **Theme 1: Cultural Values and Professional Organization Culture**

Findings indicate that the organization's culture is largely characterized by professionalism, respect and hierarchy. Respondents described the organization culture as respectful and professional or formal and hierarchical, emphasizing on the respect of authority and the

adherence to instructions. 67% of the respondents highlighted that these elements support preventive control activities by structuring work processes and accountability.

On the other hand 33% of the respondents provided opposing views, stating that selective enforcement of values weakened the effectiveness of controls. These respondents believe that although values exist on paper, they are not consistently applied in daily operations.

- **Theme 2: Communication culture within the Organization**

Respondents identified both formal and informal channels of communication as key elements of influencing preventive controls. With most participants highlighting poor communication, mostly last minute decisions and the negative impact it has on the adherence to preventive controls and accountability of the responsible parties.

*"Management and other employees do not effectively communicate ideas, motions and decisions made, in a timely manner, thereby encouraging non-compliance and unaccountability"* Respondent1.

**Research objective 2: To examine the relationship between leadership behaviour and compliance with preventive control activities.**

- **Theme 3: Leadership role modelling and policy adherence.**

Participants emphasized that leadership behaviour strongly influences employees' attitude towards compliance and efficiency of operations in general. Leaders who adhere to policies and enforce ethical behaviour are seen as reinforcing preventing control measures amongst employees and thereby enable employees to follow suit and mirror the actions and behaviour of leaders and management.

In contrast, other respondents reported negative

leadership behaviour such as bypassing policies and procedures to satisfy clients, as an influence for noncompliance to internal controls, especially preventive controls amongst employees.

- **Theme 4: Leadership Communication and Decision Making**

Leadership communication was found to affect the performance of preventive control activities and relative compliance to policies and internal controls significantly. Timely allocation of tasks and communication of decisions and motions in a timely manner was found to promote both accountability and adherence to internal controls and policies established.

Conversely, some respondents noted that poor communication, gossip and assumptions made by leaders leads to lack of trust and clarity which eventually undermines internal controls and their performance.

**Research Objective 3: To evaluate the role of employee attitude and ethical values in the implementation of control activities.**

- **Theme 5: Employee Attitude and Preventive Control Activities**

Participants provided that employee attitude, such as positive attitude and team spirit play a positive role when it comes to supporting preventive controls and other relative internal controls systems within the organization. Accountability and cooperation when reporting irregularities was emphasized by the respondents.

On the other hand, some participants reported that negative attitudes within the work place, such as backbiting, tend to discourage motivation within the workplace and eventually leads to avoidance, disassociation and lack of responsibility which encourages employees to overlook irregularities and weaknesses in controls.

*“Most times some employees choose to avoid*

*other employees because of their behaviour and attitude towards them. Somewhere along the line it also affects organization’ internal controls performance” Respondent 2*

- **Theme 6: Ethical Values and Professional Responsibility**

Ethical conduct emerged as a key determinant for preventive controls success. Employees pointed out that by following verification procedures, established policies and reporting concerns, this contributes to the success of the performance of internal control systems, most particularly the preventive controls.

Opposing views from respondents provided that, employees with more work experience tend to bypass the internal controls due to familiarity with the system and management process, thereby increasing the vulnerability of the controls to fraud exposure and irregularities.

## CONCLUSIONS

The study concludes that the effectiveness and the success of preventive control activities is not solely dependent on the existence of formal policies and procedures or the presence of technically advanced resources, but it is also dependent on how well corporate culture, leadership behaviour, and employee attitudes of an organization are aligned with the existent control objectives. It highlights that elements such as positive leadership role modelling, good ethical conduct, and the availability of both supportive employee and management attitudes strengthens the internal control compliance, leading to the success of internal controls. Conversely, poor communication from both management and amongst employees, unethical leadership practices such as bypassing policies to accommodate clients, and employee attitudes can contribute to the failure of preventive internal controls and also weaken the controls put in place.

The presence of both supportive and opposing views from this study provide for inconsistencies in cultural and leadership practices which remain a major challenge, highlighting the need for stronger cultural alignment, efficient communication practices within the organization to ensure effective preventive controls.

### **Recommendations of the Study**

Based on the findings from the study, regular reviews of the organization's policies and internal controls, increase in the frequency of training programs must be conducted by the organization. Improvement of the communication channels by Management and by Members of the Organization should be considered and most importantly, a change in employee and organizational attitude should be encouraged within the organization.

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