

An Empirical Assessment on the Influence of Organizational Culture on Employee Performance

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ABSTRACT

The increasing demand for maximum productivity and quality has posed a challenge for organizations to maintain their competitive positions. With increasing globalisation, Indian firms are competing in global markets, making it essential for entities to stay up to date with the latest market developments. Every organization has its own unique culture, characterised by the values of its individuals and management, policies, and its approach to achieving its vision, mission, and objectives. The study on the impact of organizational culture on employee performance was conducted among employees working in the Information Technology (IT) business unit. The data were collected from 107 employees across various functional departments using convenience sampling. Questionnaires were used to collect primary data. A Likert Scale was used to scale the responses. It was found that culture has a positive correlation with job performance, implying that improved organizational culture leads to employees feeling more motivated and performing better in their roles. The study revealed that Organizational culture has a significant impact on employee job performance.

Keywords: Organization, Culture, Employee, Performance

INTRODUCTION

Culture is understood as a set of beliefs, values, and attitudes, as well as traditions practised by a group of people over generations through individual and collective striving. Over time, as businesses grow and attempt to operate within a framework, there is a need to understand the culture of a structured business unit, which can be referred to as an Organization. Understanding the culture helps in dealing with members and driving them towards achieving organizational goals. There is considerable evidence indicating the role of culture in an organization's performance across financial performance, customer acceptance and loyalty, employee satisfaction and retention, innovation, and other key aspects (Fisher & Alford, 2000). It is also a predictor of employee job satisfaction (Grey et al., 2003). Various studies over the past few decades have found that the climate influences organizational culture, human resource management practices, and the promotion of values and beliefs (Schein, 1996). Another important factor to note is that culture may take different forms; that is, it may vary between or distinct cultures may be followed within the same organization.

According to Campbell (2004), research on organizational culture is broad, expansive, and versatile. O'Reilly et al. (1991) also explained that a set of assumptions, beliefs, and values is tantamount to organizational culture. The building blocks of this culture, comprising values and beliefs, include

notable elements such as symbols, myths, events, communication, and ways of doing things (Chattopadhyay, 1991). Every organization would have developed a concrete system over time, which in turn leads to the creation of a platform for common understanding among members about the various aspects of what the organization is and what behavior is expected of its members.

According to Nyaw & Ng (1994), a strong and productive culture is one of the major sources of a sustainable competitive advantage, and it is not easy to imitate culture. Organization culture also includes what the members feel about the system of authority, level of employee engagement, employees' commitment towards the organization as a whole. Pettigrew (1979), argues that organizational culture is evident in the symbols and rituals of an organization, apart from being present in the management's beliefs and ideologies. Several key aspects of an organization's functioning such as the styles of problem solving, are impacted by the culture of that organization (Schwartz & Davis, 1981), including the hierarchical structure, reward systems, social concerns and preferences (Pettigrew, 1990). Since the 1970s, this concept has been prominently discussed in the literature of organizational and management contexts. (Barley, et.al., 1988), however, a disagreement still exists amongst the scholars on the most acceptable and best way of measuring it (Rousseau, 1990a).

Japanese firms in the late 1970s began focusing on implementing superior operational features, which led to increased interest in intensive research. Two main reasons that foster the rapid increase in organizational culture among managers and researchers, as laid out by Trice and Beyer (1993), are: one, increased competition in America, and two, the lack of scientific explanations and rationalization of Organizational aspects. Values, norms, and beliefs that are highly influential within organizations are similar to those in social groupings, according to Tom Peters and Robert Waterman. They also mentioned that, in addition to individual attitudes, an organization's culture strongly influences employees' behaviors, which can be either positive or negative.

Cabrera and Bonache (1999) have indicated that Organizational culture, once established, provides a strong foundation of values, principles, and ethical standards that guide the Organization's strategic plans and its various functions, particularly the HR function and structure. According to Schein, the threats an organization faces internally can be tackled if it has an established culture. It can therefore be said that with a great Organizational culture, internal discrepancies and the survival mechanism can be addressed externally, as the culture establishes a purpose and helps reduce anxiety, thereby providing positive reinforcement.

Organizational culture plays a crucial role in shaping a corporation's unique identity, presenting numerous opportunities to leverage their distinct identity and strategically achieve leadership in a competitive world. The persona of an Organization, along with its character, is strongly influenced by its culture. Zitkus and Junevicius (2007) highlighted in their study that culture is known to frequently occur as an integral part of a company's external environment, along with economic, socio-political, and technological factors, which impact the overall enrichment of a company and the solutions that occur as a result of the management's actions.

OBJECTIVE OF THE STUDY

To examine the effect of organization culture dimensions on the job performance of employees.

METHODOLOGY

The research is of a quantitative nature, where questionnaires with descriptive statements on a Likert sc-

ale were distributed to the respondents, comprising technical and functional executives working in an IT Organization. There were around 107 employees of this cadre who responded. Primary data for the research were collected through a questionnaire focusing on the dimensions of organizational character, leadership, employee management, organizational glue as a dimension and criteria of success. The annual review, job, and accountability were also examined as dimensions to collect data on employee performance. The data are analyzed to understand differences in opinions on organizational culture and employee performance, as well as the relationship between organizational culture and performance.

LITERATURE REVIEW

G. Roodt, M. Sempene, and H. Rieger (2002) established the existence of relationships amongst various constructs of job performance and the factors of organizational culture within a service Organization. Employee performance, to a certain extent, can be used to gauge employees' perception of the organization.

Raduan Che Rose et al. (2008) found in their research that companies with knowledge of methods for developing culture were more likely to improve performance and productivity. Hence, organizational culture must be considered the factor that provides the greatest power to direct and motivate employees. Nighat Naeem (2013) recommended examining the effects of policies and organizational culture on employees' job satisfaction. They stated that a positive relationship exists among the policies, culture, and performance within an organization, and that other factors such as age, sex, and education play a major role in performance.

Chamdan Purnama (2013) examined the relationships among control, organizational commitment, citizenship behaviour, culture, and job satisfaction, as well as their impact on performance. The study was done on a population of employees from SMEs in East Java Province. The study indicates that job satisfaction, organizational culture, and OCB affect employee performance.

The study on the effects of organizational culture and employees' personalities on employee performance, as presented by Made Darsana (2013), stated that organizational culture and employees' personalities have an indirect effect on performance.

Boniface C. Madu (2011) cited Schein's five primary mechanisms as a model for leaders to create a supportive culture within the organization. Leaders of organizations face challenges in driving better performance and achieving success within their organizations. Organizational culture is an important factor a leader can leverage to build a better organization, thereby improving productivity.

Anatalia Renah and Prof. Djoko Setyadi (2014) concluded that organizational culture did not affect employee motivation; however, the working environment played a major role in motivating employees.

Mohammad Jasim Uddin et al. (2013) examined the impact of organizational culture on employee performance and productivity. It is found that culture has a significant impact, both positively and negatively, on employees and on the organization's performance. The paper also states that culture and performance are interdependent variables and thus follow an open-systems approach.

Lharbi Mohammad Awadh, Alyahya, and Mohammed Saad (2013) identified and measured the relationship between culture and performance. Culture has a significant impact on performance by influencing productivity. Cultural values lead to enhanced productivity. In an organization with a strong culture, an efficient and effective workforce is established.

Maria Tereza and Leme Fleury (2009) studied the relationship between organizational culture and employee performance. Practices and policies within a culture can guide and facilitate the development

of specific competencies.

Mohd Haizam Bin Mohd Saudi (2014) investigated the impact of employee outlook resulting from the use of the Balanced Scorecard (BSC) as a performance management system, as well as its implications for the organization's culture. It also provides recommendations for better performance management practices.

Yafang Tsai (2011) stated in his research that organizational culture is important, as it plays a major role in determining the health of the environment. When communicating ethics, employees must acknowledge and accept the work practices. When the leader's influence on employees is positive, employees will make greater contributions to a more effective work culture.

Ernest Victor Apau and Eric Yobo (2014) investigated the impact of culture on employees' work behaviour and concluded that fostering an appropriate organizational culture is essential to achieving desirable employee behaviour.

Pinak Deb et al. (2016) analysed the importance of specific organizational factors that influence job satisfaction and employee performance. Pay and allowance are perceived as the most important factors for job performance in his study.

Zhipeng Z and Xian cheng Zhu(2023) analysed four types of culture and their impact on organizational performance, finding that market culture and adhocracy culture had a positive impact on financial performance. Hierarchical and clan cultures negatively impact performance.

George A. Marcoulides and Ronald H. Heck (1993) stated that variables such as organizational values, purpose, structure, climate, and beliefs affect organizational performance.

Nadia Nazir and Dr Shazia Zamir (2015) found gender-based differences in performance and in how organizational culture is pursued. A positive relationship exists between employees' performance and organizational culture.

Dale Carnegie (2012) researched the emotional and functional elements that would affect employee engagement. It showed that although various factors affected employee engagement, three major factors drove it: belief in senior leadership, relationships with superiors, and pride in working for the company.

David Weissner (2013) examined data collected over the past six years through the Best Places to Work program to gain insights into trends and revealed that employee engagement is a leading factor, along with detailed views of individual areas.

Beverly Little & Philip Little (2006) worked to address questions about defining employee engagement and performance. The positives and negatives are also analysed, and their application to organizational culture is examined.

ANALYSIS

Table 1: Reliability Test for the dimensions of organizational culture and employee job performance

Cronbach's Alpha(organizational culture)	N of Items
.800	4
Cronbach's Alpha (Employee performance)	N of Items
.874	4

With Cronbach's alpha values of 0.800 and 0.874, the data obtained for the parameters are, to a large extent, reliable for organizational culture and employee performance.

The majority of respondents (53.3%) are functional executives, followed by 32.7% team leaders and 14% junior executives. It is important to note that all respondents have been part of their current organizations for over four years, indicating that the responses to the questionnaires are reliable. The majority of respondents (97.2%) are 40 years or older, while only 3 are in the 25-40 age group. The sample comprises 61.7% male and 38.3% female respondents.

H1: There is no significant difference in the opinion on the dimensions of organizational culture and job performance among the respondents based on gender.

The mean values (Annexure Table 6) appear to indicate slight differences in the opinions expressed by male and female respondents. Male employees' scores are higher than those of female employees. Furthermore, the mean values are highest for the organization glue dimension among the other dimensions, at 3.8409 and 3.5488 for male and female respondents, respectively. The ANOVA test reveals that the significance value for all dimensions of organizational culture and employee performance is greater than 0.05, except for the leadership dimension. This implies that there is no significant difference in opinion between male and female respondents for all dimensions. It is noted that the p-value for organizational leadership (0.036) indicates a significant difference in opinions on leadership between genders.

H2: There is no significant difference in the opinion on the dimensions of organizational culture and job performance among the respondents based on designation.

The mean values (Annexure Table 7) initially appear to indicate slight differences in opinions, with executives' scores higher than those of others. Furthermore, the mean values are highest across all dimensions of organizational culture and job performance. However, the ANOVA test indicates that the p-value for all dimensions is greater than 0.05. This implies that even though the mean values differ, employees' opinions are identical. Therefore, it can be said that the belief about the organizational culture, as shared by employees with different designations, does not differ significantly.

H3: There is no significant relationship between the dimensions of organizational culture and employee performance.

The correlation analysis (Annexure Table 8) on the dimensions of organizational culture and employee performance reveals a positive and significant relationship between the variables. It is inferred that the organizational character, leadership, employee management, and organizational glue positively impact employee performance.

H4: There is no significant relationship between the organizational culture and employee performance
The organizational culture has a positive correlation ($r = 0.714$) with job performance, implying that as the organizational culture improves, employees feel more motivated and perform better in their roles. (Annexure Table 9)

H5: There is no significant relationship between the organizational culture and employee performance
Organizational culture, with a beta coefficient of 0.714, accounts for 71.4% of the variance in employees' job performance. Hence, we can conclude that organizational culture has a significant impact on employees' job performance. (Annexure Table 10).

FINDINGS AND CONCLUSIONS

As today's society is based on knowledge and experience, its superiority lies primarily in the skills, expertise, and learning of its human resources. It should be noted that humans form culture, and culture develops humans towards better living. Similarly, organizational culture is shaped by employees and, in

turn, helps improve their well-being. Organizational culture is a crucial factor for any organization to remain competitive in the industry. So it is crucial to study the extent of culture in the organization. When an organization has its own set of values and culture, it implies that its employees, despite having varied backgrounds, will work in alignment with the organization's vision. The study conducted among employees working in IT organizations strongly suggests that organizational culture has a significant impact on employees' job performance.

The majority of the respondents are functional executives, followed by team leaders and junior executives. These respondents have been part of their current system for over four years, suggesting that their responses to the questionnaires on organizational culture and performance are reliable. The majority of respondents are male, aged over 40 years. There is no significant difference in opinions between male and female respondents across all dimensions of organizational culture and job performance, except for leadership. The belief that organizational culture and job performance, as shared by employees with different designations, do not differ significantly is supported. It is inferred that organizational character, leadership, employee management, and organizational glue positively impact employee performance. Organizational culture has a positive correlation with job performance, implying that as organizational culture improves, employees feel more motivated and perform better in their roles. The organizational culture, with a high beta coefficient for the dependent variable of job performance, indicates that organizational culture has a significant impact on employee job performance.

Organizational culture, as the environment of interaction between the organisation and prospective employees, could provide an opportunity to foster better job performance among employees. Furthermore, this will help align the goals with those of its employees, enabling them to achieve better performance and the desired results. As performance depends on work culture, Organizations can adopt the necessary standards to improve it, thereby improving productivity. Employee bonding could be strengthened by introducing recreational activities.

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