Impact of Organizational Culture on Organizational Performance: An Overview

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Abstract:
This article is on defining and measuring of organizational culture and its impact on the organizational performance, through an analysis of existing empirical studies and models link with the organizational culture and performance. The objective of this article is to demonstrate conceptualization, measurement and examine various concepts on organization culture and performance. After analysis of wide literature, it is found that organizational culture has deep impact on the variety of organizations process, employees and its performance. This also describes the different dimensions of the culture. Research shows that if employee are committed and having the same norms and value as per organizations have, can increase the performance toward achieving the overall organization goals. Balance Scorecard is suggested tool to measure the performance in the performance management system. More research can be done in this area to understand the nature and ability of the culture in manipulating performance of the organization. Managers and leaders are recommended to develop the strong culture in the organization to improve the overall performance of the employees and organization.

Keywords: Impact, Organization Culture, Organization Performance, Employee's Commitment, organizational goals.

Introduction:

Organizational development is depends on analysis and identification of the factors that conclude the effectiveness of the organization. Organizations and managers are willing to get employees commitment, which leads to improve the productivity. Management would like to introduce employee with norm, values and objectives of the organization which is importance to understand the organizational culture. It is the responsibility of the management to introduce the organizational culture to its employees that will assist the employees to get familiar with the system of organization. Management must try to always keep learning environment in the organization. Proper understanding of organizational culture should leads towards improvement of employee's performance. As per organizational development is concerned, employees performance consider as a back bone for the industry. So organization's wants to get the loyalty of their employees towards organization.

The complete knowledge and awareness of organizational culture should help to improve the ability to examine the behavior of organization which assists to manage and lead (Brooks, 2006). Pettigrew (1979) was used the term *"organizational culture"* first time in the academic literature for his study in the journal of "Administrative Science Quarterly". It is necessary for the management to identify the norms and values of the organization of the employees. It should be needed that culture of the organization should be developed in a way to improve the style of employee's performance and continuous develop the quality awareness.

Purpose of Study

The primary purpose of this article is to understand the definition, conceptualization, and measurement the link of organizational culture and organizational performance and also to examine the nature of this relationship.

What is Culture?

Culture is arrangement of different attributes that express an organization and differentiate the firm from other one (Forehand and von Gilmer, 1964). According to Hofstede (1980), culture is the collective thinking of minds which create a difference between the members of one group from another. As per Schein (1990), defines culture is set of different values and behaviors that may considered to guide to success. According to the Kotter and Heskett (1992), culture means fairly established set of beliefs, behaviors and values of society contain generally. In simple words we can understand that culture is gained knowledge, explanations, values, beliefs, communication and behaviors of large group of people, at the same time and same place.

Understand Organizational Culture:

Culture idea must be learned and shared in the organizations (Titiev, 1959). Pettigrew (1979), argue that cultures of organization based on cognitive systems which help to explain how employees think and make decision. He also noted the different level of culture based on the multifaceted set of beliefs, values and assumptions that determine ways to organizations to conduct its business. According to Tichy (1982), organizational culture is known as "normative glue" means to hold the overall organization together. The concept of organizational culture also makes available a base for determination the differentiation that may survive in-between the organizations that are doing business in the same national culture (Schein, 1990).

The concept of culture is generally used in the concept of organizations now-a-days (Kotter and Heskett, 1992). Organizational culture could be build up by two essentials factors

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of social group; structural stability of a group and integration of single item in superior standard (Schein, 1995). Hodgetts and Luthans (2003), define the different characteristics that are associated with the culture of organization. Culture may defined as system of common values which can be estimated that people describe the similar organization culture even with different background at different levels within the organization (Robbins & Sanghi, 2007). As per Stewart (2010), stated that organization's norms and values have a strong affect on all of those who are attached with the organization. It is considered by him that norms are invisible but if the organizations want to improve the performance of the employees and profitability, norms are places first to look.

Counter Culture

Shared beliefs and values which are in directly opposite to the values and beliefs of the broader organizational culture recognized as countercultures, it mostly formed around a forceful manager or leader (Kerr, J., & Slocum, J. W., Jr. 2005). This type of culture may be bearded by the firm whenever positively contributing to the improvement of the organizational performance. But it is considered as a danger for the original organizational culture.

Sub Culture

According to Schein (1995), subculture is the segments of culture which show different norms, values, beliefs and behavior of people due to difference in geographical areas or departmental goal and job requirements (within organization). Perception of employees about subculture was connected to employee's commitment towards the organization (Lok, Westwood and Crawford, 2005). Some groups may have a similar enough culture within to allow for social interaction outside the workplace.

Strong Culture

Culture of organization is considered strong, where the greater part of the employees holds the same type of beliefs and values as concern to the organization. Culture of organization is believed strong, where the greater part of the employees embraced the same sort of beliefs and values as concern to the organization (Deal and Kennedy, 1982). They agreed that managers should try to reduce the gap between employees to develop a strong relationship. Management also considered that employees are more important than rules in the organization.

Week Culture

A weak culture of organization could be one that is loosely knit. Some time it may push individual thought, contributions and in a company that needs to grow through innovation, it could be a valuable asset, some time not. According to Deal and Kenndy (1982), a weak culture of organization could be one of that is loosely joined. Rules are imposed strictly on the employees that may create diversity between the person's personal objectives and organizational goals.

Characteristics of organizational culture:

According to Dasanayaka and Mahakalanda (2008), maximizing employee's values are considered as rational assets that required a culture to support their logical participation both for individual and organizational learning, new knowledge formation and readiness to share with others. Schein (1992), tells that organizational culture is very important today as compare with past. Hodgetts and Luthans (2003), define some of the characteristics of the organizational culture:

1. Norms are measured by things like as amount of work done and also the level of cooperation between management and employees of the organization.

2. Clearly rules are defined for employee's behavior associated to the productivity, intergroup cooperation and customer relationship.
3. Observed behavioral regularities, as illustrate common language and formal procedures
4. Coordination and integration between the organizational units for the purpose of improvement in efficiency to works, quality and speed of designing, manufacturing the products and services.

Dimensions of organizational culture:

Hofstede's (1980), used the gathered data from IBM employees more than 50 countries and classified organizational culture into four dimensions;

- Power distance (the degree in which employees and management have distant relationship, formal and informal)
- Individualism (the degree in which people may create difference between interest of organization and self interest)
- Uncertainty avoidance (the level in which people are willing to mitigate the uncertainty and tolerant of ambiguity)
- Masculinity (the level in which define the success as ambition, challenge and insolence, rather than caring and promotion)

Later on a study conducted by Hofstede & Bond (1998), added fifth dimension as short term versus long term orientation which based on the study among the student of 23 countries with the help of questioner. The scholars and practitioners related with the field of organizational behavior have a strong criticism on the Hofstede's study (Sondergaard, 1994). Schwartz (1994) builds a cultural value signifying the relationship among cultural factors and personality in the organization. He developed a model which is based on the Hofstede's (1980) studies and collected data from the respondents of 38 countries. He fined two different dimensions of culture; affective & intellectual and self enhancement vs. self transcendence. He categorizes cultural standards of societies into contractual culture and relationship culture on the basis of life and work. According to the study conducted by Trompanaars (1993), involved 30 companies in 50 different countries, identified seven dimensions of the culture which are universalism versus particularize; diffuse versus specific, neutral versus emotional, individualism versus communication, ascription versus achievement, attitude to time and last one is attitude to the environment. This seven dimensions model may support well for Hofstede's model.

Conceptualizations of culture of organizations:

According to Alvesson (1989), conceptualization of the organization culture depends on the scale of two extremes:

- *Process oriented approach*
- *Classification* approach

Process oriented approach to organizational culture

According to Roskin (1986), this approach shows organizational culture as permanent response for collective meaning. Schein's (1990), model of organizational culture represents this approach and describe organizational culture as a outline of fundamental hypothesis invented or developed by a specific group to learn about the specific problem and worked well sufficient to considered suitable. He defines the three levels of the culture; behaviors (make the social and physical environment), values (underlying the meaning by which

outlines of artifacts are interpreted), and basic assumptions (unconscious level of behaviors which are most difficult to learn or change).

Classification approach to organizational culture

According to this organizational culture converse to a range of ideas that can be imitate by two or more variables. From this approach numbers of quantitative methods are utilized to measure the culture of organization (Rousseau, 1991), questioner development on the base of typology of culture. One of the most popular conceptualization of culture is to be understood by onion model. Organization culture is considered like onion based on different layers. Norms and values are the invisible but most important aspect of the organizational culture. We can look many cultural signs, artifacts, and outline of behavior of the employees.

Figure 1: The Onion Model of Organizational Culture

Source: Organizational Culture Analysis: The Importance of Organizational Culture Copyright©199, 2000 Holistic Management Pty, Ltd.
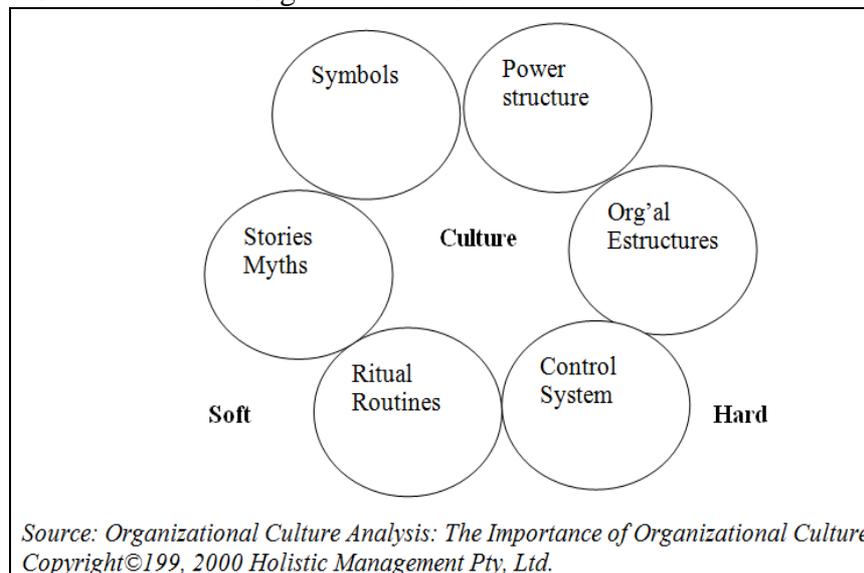
The Concept of performance:

Performance refers to the degree of achievement of the mission at work place that builds up an employee job (Cascio, 2006). Different researchers have different thoughts about performance. Mostly researcher's used the term performance to express the range of measurements of transactional efficiency and input & output efficiency (Stannack, 1996). According to Barney (1991) performance is a continuous process to controversial issue between organizational researchers. Organizational performance does not only mean to define problem but it also for solution of problem (Hefferman and Flood 2000). Daft (2000), said that organizational performance is the organization's capability to accomplish its goals effectively and efficiently using resources. As similar to Daft (2000), Richardo (2001) said that achieving organizational goals and objectives is known as organizational performance. Richardo (2001) suggested that organizations success shows high return on equity and this become possible due to establishment of good employees performance management system.

Strategic performance measurement system (SPMS):

It is very important for organizations to make performance measurement system to evaluate the performance of the employees, which is very helpful to evaluating the achievement of organizational goals and in developing strategic plans for the organizations

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(Ittner and Larcker, 1998). Nowadays organizations are more focusing on the management of non financial or intangible assets like customer's link, services, quality and performance, not on the assets which are financial in nature (Kaplan and Norton, 2001). So there is a need for proper performance measurement system to measure and evaluate the performance of employee either financial or non financial.

Strategic performance measurement system (SPMS) is a new approach to measure the performance rather than traditionally. Chenhall (2005), said that the SPMS provide a way to translate and measure the both financial and non financial performance. He also suggests that it is the incorporative nature of this measurement technique; provide the potential to increase the strategic competitiveness of the organization. As similar with Chenhall (2005), Vein, Burns and McKinnon (1993), was agreed that the use of multiple performance measures consist on financial and non financial is generally most good for owner and management, which is helpful to enhance protection towards the uncontrollable events outside the organizations.

Kaplan and Norton (1992), suggested that Balance Scorecard (BSC) is the one of most important SPMS tool. Balance Scorecard provides help or frame work to ensure that the strategy is interpreted into rational set of performance measurement. Linked together on causal relationship it covers four main viewpoints, like as, financial, internal business process, customer, and learning & growth. The modal "Balance Scorecard" is cooperative tool to focus on the organization, improvement of communication, setting organizational goal and giving feedback on strategy (Anthony & Govindarajan, 2003).

Impact of organizational culture on performance:

Denison (1984) used data from 34 American firms on cultural performance over a period of five years and scrutinized the characteristics of organizational culture and tracked the performance over time in these firms. As per Reichers and Schneider (1990), stated that culture researchers have committed various studies to the definitions of culture, relatively few researchers have been contributed in culture and performance research. Only reason for doing this was the complexity in operational concept of the culture construct. According to Kotter and Heskett (1992), investigate the relationship between long-term organizational performance and economic performance across more than 200 organizations. More ever, being one of the most important and most conscientious research efforts on this subject, the study has arranged three vital contributions. *First*, relationship between culture and performance established in their research is forceful. *Second*, the writer gives an important combination of theoretical point of view regarding the nature & scope of culture. *Third*, they sketch strong associations between culture, management practices and performance.

The claim that organizational culture is attached to performance is initiated on the apparent role that culture can play in caused competitive advantage. Rousseau (1990) studied to overcome some of the limitations in measuring the culture of organization. At the end the results shows that there is no positive correlations between culture and employees performance. After critically reviewed the methodologies and findings of recent researches, it is assumed that there is a link between culture and performance (Lim, 1995). Theorists also argue that sustainable competitive advantage arises from the formation of organizational competencies which are both superior and incorrectly imitable by competitors (Saa-Pe're and Garcia-Falcon, 2002). Practitioners and academics suggested that the performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared (Denison, 1990).

Learning of organizations as a style of management and fresh demands in the environment is to some level up to date, which could guide us to assume that elder firms have less cultural orientation towards learning. If elder organizations made organizational learning culture, do hard work to alter their culture then it is not a very easy task, not linear or quick process. At same level, not anything better than quoting an ironic expression (Schein, 1997). According to Saffold (1998), firstly, culture can give a shape to the organizational processes which again helps to create and modify culture. Secondly, it is likely that culture's contributes to performance is significantly less undemanding than many studies involve. Most of writers and successful managers suggest that strong organization culture is very essential for business because of three important functions:

First, organizational culture is extremely fixed with the social control that may cause to make influence on the employee's decisions and behavior.

Second, organizational culture works as social glue to bond the employees together and make them feel a strong part of the corporate experience, which is useful to attract new staff and retain the best performers.

Third, organizational culture is very useful to assist the sense making process, helps the employees to understand the organizational events and objectives, which enhance the efficiency and effectiveness of the employees.

Strong culture has almost considered as a driven force to improve the performance of the employees. It enhances self confidence and commitment of employees and reduces job stress and improves the ethical behavior of the employees (Saffold, 1998). Further he states that mostly studies on culture tend to emphasize on a single organizational culture. But in the Deal and Kennedy's (1982), point of view both strong and weak culture have a great impact on the organizational behavior but in the strong culture, employee's goals are side with the goal of management and helpful to increase the overall organizational performance.

According to Barney (1991), organizational provide sustainable aggressive advantage. He introduced three conditions; first, he suggests that culture must be viable, second the culture must be rare and have attributes and third culture must be imperfectly imitable. These can provide assistance to superior organizational performance that can be temporary or continue for long term. Long term increase in organizational performance may cause to get the competitive advantage under long run. Kotter and Heskett (1992), conduct a study and fine that organizational performance increasing culture or strong culture raised the income of the organizations up 765% between 1977 and 1988, and only 1% increase in a same period of time firms without performance enhancing culture (Gallagher, 2008).

Figure 2: Effect of culture on growth in net income
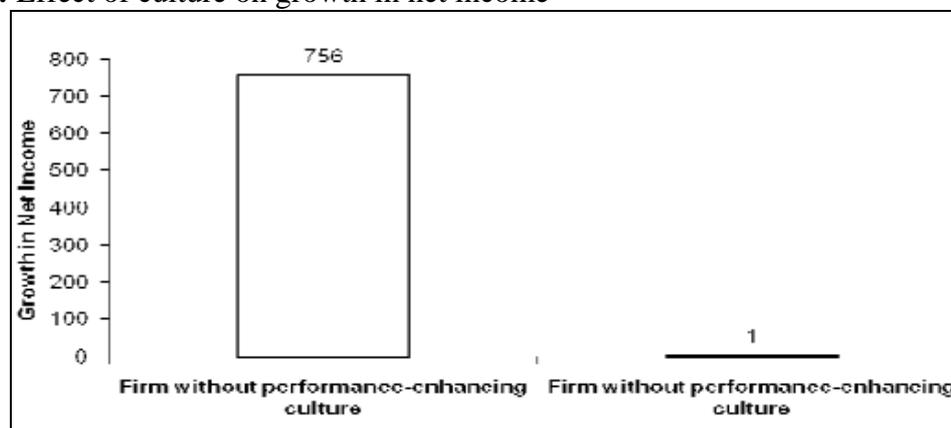
Source: *Sean Gallagher et.al (2008)*

The figure describe the percentage difference between the net income of firms with performance enhancing culture and without performance enhancing culture, which proves the effect of culture on the increase in net income of the organizations within given study period.

Summary & Conclusions:

Every person or employee in the organization has own different values and beliefs that he/she works with them. Whenever join any organization he/she allowed himself to internalize first with the organization's culture to know whether he come up with them or not. Culture is being investigated to impact miscellany of organizational process. Organizational culture has a deep impact on the performance of employees that can cause to improve in the productivity and enhance the organizational performance. More than 60 research studies was conducted between 1990 and 2007, which cover more than 7600 small business units and companies to find out the cultural impact on the organizational performance (Gallagher, 2008). Results of these studies mostly show positive association between strong culture and performance improvement.

On the basis of this study we can conclude that organizational culture has a positive impact on the employee's job performance. Researches shows that every individual in the organization has different culture and he/she first try to adjust him with the norms and values of the organization. The adoption of culture of the organization is helpful for the employees to done their work efficiently and effetely. According to the study of Gallagher 2008, performance of the employees caused for the increase in net profit of the organization.

Positive development is easier to achieve when everyone is on a common path in the organization. It is viewed in this particular study that strong organizational culture is very helpful for the new employees to adopt the organizational culture and to get the competitive advantage under the particular conditions. On the behalf of previous studies it is bring into being that employee's commitment and group efficiency plays very crucial role to adopt the value and beliefs of the organization and enhancing the performance of the organization.

This study is based on the literature; further research can be done empirically to understand the nature and power of the organizational culture in influencing organization performance.

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