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Organizational cultural and organizational performance: Bridging the Quandaries

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Abstract

The primary objective of this review article is to establish the relation between two variables i.e. organization's culture & its impact on the organizational performance. Detailed literature review and study established the fact that organizational culture has greater impact on the variety of organizational process, employees and its performance. Different dimensions of the organizational culture which have impact on organizational performance are also analyzed in this research paper. The outcome of the research establishes the fact that, with the same norms and organizational values, if the employees are committed, it definitely helps in increasing the performance toward achieving the overall organization goals.

Keywords: Employee Performance, Organizational Culture, Organizational performance

1. Introduction

Organizational culture encompasses values and behaviours that "contribute to the unique social and psychological environment of an organization. According to Needle (2004) ^[10], organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, strategy, type of employees, management style, and national culture; culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits. Schein (1992) ^[13] and Kotter (1992) ^[6] added to the previous idea that organizations often have very differing cultures as well as subcultures. Organisations may have their own unique culture, and especially in larger organizations co-existing or conflicting subcultures also exist and consequently each subculture is linked with different management team existing in the organization.

The elements of the organization that have weak corporate culture include: bureaucracy instead of entrepreneurship and creativity, unwillingness to adapt best practices from outside of the organization, politicized organizational environment and hostility to change (Kotter and Heskett, 1992) ^[7]. In addition to that, Rousseau (2000) ^[11] also states that it is important for the organization to recognize the fact that the organizations do not improve in a vacuum environment and they need human interaction to support the improvement and development which can be achieved only by following the effectively accepted and equally shared values by each individual members of an organization.

Organizational Performance

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Precisely for this reason, in the last 22 years, there were 6 Nobel prizes awarded to researchers who have focused on the analysis of organizations and institutions. Continuous performance is the focus Determinants of organizational performance: the case of Romania 287 of any organization because only through performance organizations are able to grow and progress. Thus, organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance.

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In the '50s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives (Georgopoulos & Tannenbaum, 1957: p. 535) [4]. Later in the 60s and 70s, organizations have begun to explore new ways to evaluate their performance so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967: p. 379) [14].

The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970) [9].

The various dimensions of organizational performance is depicted below in the model

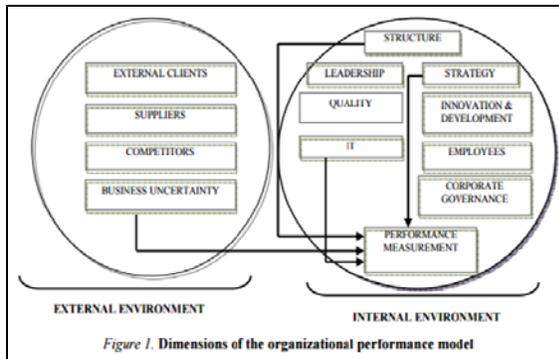


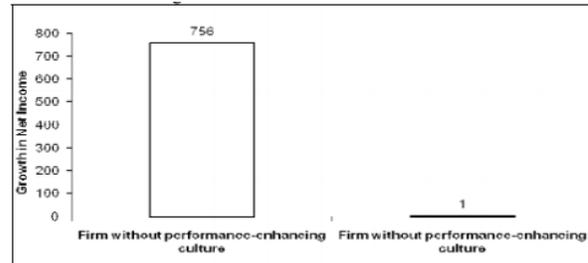
Fig 1: dimensions of the organizational performance model

Impact of organizational culture on organizational performance

Denison (1984) [2] 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. According to Kotter and Heskett (1992) [8], 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.

According to Saffold (1998) [12], 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.



Source: Sean Gallagher et.al (2008)

Fig 2: Effect of culture on growth in net income.

Organization performance and organization culture are clearly affiliated (Kopelman, Brief, & Guzzo, 1990) [5], though the confirmation concerning the perfect nature of this relationship is miscellaneous. Research shows that the relation between many cultural qualities and high performance are not persistent over time (Dension & Sorenson, 1990, 2002) [3]. We can say that the impact of organizational culture on employee behavior and performance is based on 4 important ideas (Bulach, Lunenburg, & Potter, 2012) [11]. Firstly, having knowledge of the organization culture permits employees to understand the history and functioning of the organization. This knowledge provides information about projected future behaviors. Secondly, organizational culture raises devotion to the organization's philosophy and values. This commitment creates shared feelings of achieving common goals. It means organizations can achieve greater success only when employees share values. Thirdly, organizational culture, with its norms, deal as a control mechanism to direct behaviors toward expected behaviors and away from unfavorable behaviors. This can also be achieved by recruiting, selecting, and retaining employees whose values match with the values of the organization. This type of organizational culture may be linked directly to greater efficiency and performance than others.

Early studies have indicated that there exist relationship between organizational culture and its performance. In this very point argued that organizational culture is inherently connected to organizational practices; therefore organizational performance is conditional on organizational culture. According to, organizational culture can enhance performance in a large scale if it can be understood that what sustains a culture. According to these authors the culture of an organization allows the employees to be acquainted with both the firm's history as well as current methods of operation and this specific detection endows the employees with guidance about expected and acceptable future organizational behaviors and norms. Some theoretical models assert that the effective human resource system of an organization is based on supporting values and then these systems, in turn, create a positive impact on employee attitudes and behavior, which facilitate organization's

performance also point out the correlation between organizational culture and employees' performance; and this employees' performance then translated into organizational outcomes such as customer satisfaction.

Findings of research conducted by demonstrate a conceptual linkage between organizational culture and employee performance. Most organizations assert its performance as a dependent variable which seeks to recognize other independent variables that produce variations in its performance argue that organizational culture is theoretically related to performance and do have positive influence on it. Explaining the variation in performance of effectiveness, in his relevant work highlighted that the role of culture is very vital in nurturing, sustaining and enhancing the performance of organizations. In addition to this, Kopelman *et al.* (1990) [5] clarified that cultural system of any organizations adds to the coordination of assignments and minimizes inefficiency employee efforts and firm's resources.

Conclusion

Organizational culture represents not only many visible characteristics such as layout of corporate headquarter, office design and employee attire but also values, norms, hypotheses, ceremonies, rituals, customs, stories, myths, symbols, language and heroes that shape attitude, communication and behavior of employees. In this context founders, managers, and employees have a significant impact on the building of organizational culture while exogenous factors also have a certain impact on the process. Hence, each organization would have a distinctive culture of its own.

Organizational performance is widely influenced by organizational culture and it can be evaluated through use of several criteria. Models and approaches developed related to the concept of organization performance as well as existence of numerous criteria, making it difficult to evaluate the performance of an organization. To give an example, the question of what to consider in evaluation, achieving the objectives or tools and strategies that will help achieve the objectives, likewise the question of what to include in the model, financial or non-financial criteria, have been much discussed in the literature. Significant research in the literature has focused on the relationship between organizational culture and performance, hence causing discussions about the criteria for the evaluation of performance. Research has demonstrated that organizational culture has an impact on evaluated performance. In recent years, acceleration of globalization, increasing competition, and developments in information and communication technologies added new concepts such as knowledge and innovation to organizational culture. Therefore, it has become crucial to consider the impact of these concepts in performance evaluation. Knowledge has become the most valuable resource for firms. Innovation is a significant strategy contributing to knowledge management. Therefore, measuring the impact of the concept of organizational culture which also includes innovation and knowledge management on organizational performance, which is also affected by these concepts, should be the subject matter of future research.

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