

# Reflection of Organizational Culture on Organization's Performance

Dr. Ruchi Sharma

Associate Professor, Jagran Lakecity University, Bhopal (India)

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### Corresponding Author

Email: drsharmaruchi[at]gmail.com

## ABSTRACT

Organisations are witnessing many changes due to uncertain business and social environment. In today's competitive business environment the factors leading to optimum performance of the organization are very important. Many times the vulnerability of the organization increases due to negligence, over confidence and non-adaptive behavior towards the changing environment. The organizational culture plays important role in the organizational success or failure. The present paper draws from the review of literature on the role of culture in organizational change and organizational performance. The findings indicate that the organizational performance is directly proportional to the organizational culture. The paper also presents a LKT framework model depicting the organizational culture as the fulcrum around which the organizational performance revolves. The paper also highlights the role of organizational culture in promoting teamwork as a key factor for enhancing organizational performance. The role of leadership in organizational culture as well as knowledge management is also discussed in the paper.

## 1. Introduction

Culture is universal which means that culture is found in all societies as human beings living in social groups develop shared, learned ways of perceiving and participating in the world around them. The sociological meaning of culture is that it includes language, customs, beliefs, norms, behavior, art, knowledge and collective identities and memories developed by all members of social groups that make their social environment meaningful. Due to innovation and fast means of communication and transportation the people living in different parts of the world easily connect with each other. Thus it is clear that the characteristic of one culture is no longer limited to a specified geographical boundary and cultural diffusion cannot be stopped. Organizations are social entities and are formed by individuals. Organization is considered as a formal social group in which people work together to achieve a common goal. The interactions among individuals in the organization results in the formation of organizational structure and process. According to Senge(1990) organization is a system. When one or several components interact in such a way so as to give a new property to the whole it results into the origin of a system. The structure of the organization (system) affects the work behavior (Sterman, 2000).

## 2. Interpretation of Culture

The culture of one organization differs from other organization. Culture is often interpreted as intangible and difficult to understand. According to Kilmann (1985) organizational culture is defined as "shared philosophy, ideology, value, assumption, beliefs, hope, behavior and norms that bound the organization together." Culture is reflected in the meanings employees attach to various aspects of their work behavior, communication and their role within the organization as well as outside the organization. Understanding of the prevailing culture in an organization leads to improved understanding of the operations of the organization for a better performance. George and Jones (2002) have rightly mentioned that culture is "informal design of values, norms that control the way people and groups within

the organization interact with each other and parties outside the organization."

According to Schien(1985) in order to respond to changing external environment the organizational culture emphasizes a set of values to regulate and shape the employee's behavior. Robbins (2002) opined that the culture indicates the common perceptions of the members of an organization which gives rise to system of common meaning. The organizational culture helps the employees in dealing with fluctuating external conditions thus helping organizations in achieving operational as well as strategic goals. At times people confused the meaning of cross cultural to international. Hofstede (1980) defined culture as the programming of the mind which enables us to differentiate one group from another. Thus cross cultural focus on groups and not on nationality or ethnic groups. Cross –cultural or comparative management research is related to the understanding of culture's role in management practices. National culture plays vital role in the organization's performance but in the opinion of Naor et al. (2010) the culture of the organization has more impact on performance as compared to the national culture.

Organizational culture cannot be seen in totality as much of it is hidden and difficult to define. It is only artifacts and symbols which can be defined. Organizational culture can be understood better with the example of iceberg. The greater part of the culture is opaque and is difficult to define with precision i.e. it is below the water line. As the organization grow the policies becomes clear indicating the values and behaviours which are acceptable in the organization. This gives birth to core values, systems and processes in the organization which guides the functioning of the organization. Thus organizational culture reflects the values, beliefs, attitudes and behaviours of the organization.

## 3. Functioning of the Organization

The success of the organization is determined from its effectiveness which is dependent on the functioning of the organization. The functioning of the organization includes

process control, information management and goal setting. This helps in achieving goals. The effectiveness of organizations in achieving goals at the organizational level is called organizational effectiveness. According to Langan

et.al.(1997) organizational culture has great impact on organizational effectiveness. The culture of the organization and the association of the employees with it facilitate a better organizational performance.

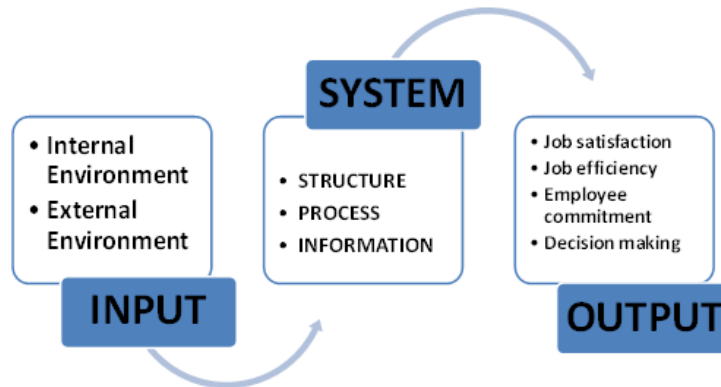


Fig. 1: Functioning of the Organization

**4. Classification of Culture**

Various classifications of culture have been given by researchers. Initially Hofstede (2001) based his classification on four dimensions viz. power distance, collectivism versus individualism, femininity versus masculinity and uncertainty avoidance. Afterward in 2010 he added long-term versus short-term orientation. Edward Hall (1977) gave his classification as monochronic or polychronic, high or low context and past or future oriented. Trompenaars et.al. (1997) classified as universalist versus particularist, individualist versus collectivist, specific versus diffuse, achievement oriented versus ascription and neutral vs emotional (effective). According to Kluckhohn et.al.(1961) attitude to problems, time nature, nature of man, form of activity and relation to one’s cultural compatriots. Lewis (2002) gave three categories of classification stressing on communication commonly known as LMR (Linear activities, Multi-activities, Reactives) Linear activities are cultures which are task oriented, plan, organize, schedule and pursue one thing at a time whereas Multi-activities are cultures which are lively, multitask, prioritize according to the importance of the event and Reactives are cultures that prioritize courtesy and respect, listen quietly and react carefully to proposals.

**5. Impact of Organizational Culture**

In today’s technological era business are no longer confined to geographical boundaries and thus the significance of culture cannot be ignored. It is necessary to understand and assess culture as it helps in enhancing adaptability in organizations and thus promoting organizational productivity. According to Denison et.al. (2004) the culture plays important role in enhancing a firm’s performance. The success of an organization depends on the degree to which the culture of organization is able to adapt to the changing environment. Organizational culture is one of the motivating factor for employees as it is responsible for the employees’ drive and enthusiasm. If the organizational culture is favorable then positive working environment is created and results in enhancing employee’s work productivity leading to improvement in organizational performance.

Understanding, assessing and managing organizational culture can help create both stability and adaptability for organizations, thus helping supportive integration of the sustainability strategy into appropriate organizational behavior. Many researches studies have found that organizational culture has great impact on job satisfaction, employee commitment, decision making, productivity, profitability, etc. The decline of some of the most successful organizations due to lack of adaptability in the organizational culture stresses importance of culture in nurturing and running successful organizations. Schien(1983) highlights that as organizations respond to challenges and changes in environment they tend to develop a dominant organizational culture.

**6. LKT Framework: Proposed Model**

The research paper proposes LKT framework which explains the influence of three key factors viz. Leadership, Knowledge Management or Innovation, Teamwork on organizational culture. These three factors have significant contribution in the success or the failure of the organization as they had great impact on the organizational performance.

3 key factors influencing organizational culture:

- Leadership
- Knowledge Management/ Innovation
- Teamwork

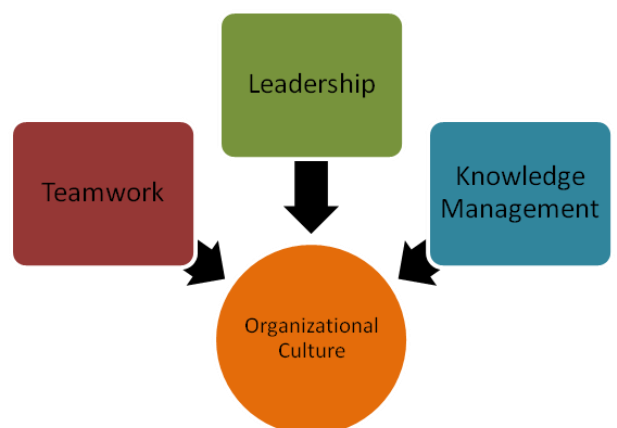


Fig.2 : LKT Frame work: Impact on Organizational Culture

## 7. Leadership

The founder or leaders of an organization has an important role to play in crafting the culture of the organization. According to Sundarsanam (2010) the culture of the organization is often created unconsciously and reflects the values of the founders of the organization. Leader(s) is considered as one of the major curator for deciding the goals and motivating employees to achieve these goals efficiently. The strategies as planned by leaders to achieve the goals determine the culture of the organization. In the opinion of Robbins (2002) the philosophy of founders or top management plays influential role on the culture of the organization. The major function of leadership is to create and manage culture (Schien, 1992). The culture promoted by leaders helps in the successful conversion of inputs (organizational resources) to valuable outputs (products and services) which determines the organizational excellence. In this process of conversion of input to output, organizational culture acts as a catalyst. Cultural influences had great impact on the managerial attitudes and practices. The influence of culture on the management behavior cannot be neglected. This explains the differences in management behavior. Hofstede (1984) found that managerial skills are culturally specific. According to Adler (1983) cross cultural management research focuses on the study of the impact of culture on an individual's behavior in the workplace. The leader's promoted behavior and attitude becomes an integral part of the organizational culture and becomes the driving force for improving organization's performance. According to Adler (1991) the qualities of leader includes listening skills, sensitivity to cultural differences, orientation towards people, willingness to use team assistance, high self esteem, high aspirations and attractive personality. The cultural mindset has direct impact on leadership and communication styles. In the opinion of Schien (1983) the role of the founder of the organization is important as s/he motivates the employees to integrate to internal processes and adapt to changes in external environment. The nature of employer – employee relationship should be guided by trust and commitment. Trust is the main base on which interpersonal relationships can be build and it acts as a major competitive advantage for organizations. It also had great impact on organizational commitment and organizational performance. It is evident that culture had great influence on employee. It was found that the employees of multinational organizations were persistent in following their culture irrespective of common management policies and practices.

The key areas which affects or shape the organization culture are strategic vision which needs to be clearly communicated to all the employees; effective decision making; linking performance to rewards and ensuring employees have all the needed resources which are required to get the job done. In order to survive and develop organizations should be treated as 'communities' which are not owned by anyone and employees should be treated as 'citizens' (Handy, 1997). An open culture where employees' suggestions and concerns are heard, supportive management behaviour and consideration of employee as an integral part of organization leads to increase in productivity and success of the organization.

Various studies have identified the differences across cultures. Negandhi (1975) opines that sociocultural variables influences the management practices and behavior. The differences in management attitudes and practices can be due to personal differences, situational factors or due to culture. According to Farmer and Richman (1965) culture is a major variable in influencing managerial as well as organizational effectiveness. Management functions like planning, organizing and control are influenced by cultural characteristics (Redding and Martyn-Johns, 1979). An organization having a valuable, rare and imperfectly imitable culture enjoys competitive advantage and leads to profitable performance (Barney, 1986). An organizational culture of well being enhances employee's engagement and efficiency within the organization.

## 8. Knowledge Management

Knowledge is considered as most important asset in the organization. Innovation is the base of knowledge and it helps in differentiating one organization from another. According to Hoffman (1999) the innovation process varies across culture. The acceptability or rejection of innovation is determined by culture. According to Holden (2002) knowledge management approach explains the culture in more effective way. The knowledge can be classified into explicit and tacit knowledge. Explicit knowledge is easy to share as it is easy to explain to others whereas tacit knowledge is gained by personal experience, it includes beliefs, perceptions and is complex so it is difficult to explain. Often tacit knowledge is taken for granted. Culture is part of the organization's tacit knowledge and it needs to be managed. If an organizational culture promotes innovation, the employees are motivated to devise the way of working for maximum output and are more open to adaptation to the changing internal as well as external environment.

In the opinion of Cameron and Freeman (1991) if improvement strategies are rooted in culture change then only any initiative undertaken for change in the organization will be successful in accomplishing desired goals. Ross (1999) found that culture affects the communication process in the organization and it also plays vital role in strategic decisions. The adaptability of the organization is the major factor for enhancing the performance of the organization (Gordon and DiTomaso, 1992). The satisfaction among employees is directly linked to higher productivity and lower turnover. The success of organization largely depends on the working environment i.e. the culture which facilitates development of positive, non-coercive working environment.

## 9. Team work

Brice (2013) highlighted the role of cultural attributes on the organization's performance. In the opinion of Hofstede (1980) culture is an important factor in determining employees attitudes and work behavior. Different types of personality do well in different cultures. Different cultures leads to different management behaviours. According to Duchatelet (1998) different cultures favour different personality types and work behaviours. Selznick (1957) highlights the adaptation of processes which integrates no-coercive influence on employees for accomplishment of the set goals. Thus a culture of flexibility and adaptability is necessary.

Organizational culture is powerful determinant of organization life and is used by skilled executives to manage people, plan strategy and stimulate organizational change. When people work together in groups or team conflicts does occur. The culture influences the effectiveness of different conflict resolution processes. The effect of culture is strong on an individual's life but at the same time it is taken for granted unless it is challenged. People understand the cultural differences when they are exposed to other cultures and this exposure often leads to the condition of disorientation often referred to as culture shock. Values and beliefs are consciously embedded in individuals which they use to justify and evaluate actions and outcomes. It is essential to understand the culture and manage cultural diversity so that creativity, innovation and a global mindset may be cultivated. Successful change can be additive in a positive way. It broadens one's expertise, it is helpful in learning new skills and find balance as it determine how group members perceive, think and feel. It helps in managing teams and capitalizes on formal and informal relations in the organization. Basic assumptions are unconsciously learned (Schien, 1985) by understanding the culture, effectiveness of employees increase as their work behavior improves. No matter how habituated employees are to established business practices, they can adapt to new ways of working. The focus should be on

managing cultural differences. The strategy should be to minimize cross-cultural friction and promoting the sharing of cultural knowledge. Neuroscience has shown that people's emotional responses to work create their own chemical reactions, releasing powerful neurotransmitters such as adrenalin, dopamine, and serotonin.

## 10. Conclusion

This paper reviewed several perceptions of organizational culture. It highlights that understanding organizational culture helps in achieving, coordinating and integrating organizational support for implementing effective processes and promoting sustainable structure thus leading to enhancing organization's performance. The role of leadership has strong implication on the kind of culture an organization promotes and in determining the policies managers adapt to minimize friction within the organization and leverage the sharing of knowledge. Knowledge management is the decision factor behind innovation and adaptability in the organization and is being currently practiced by many multinational organizations. The influence of teamwork on the work behavior offers interesting insights into employee performance as well as on organizational performance.

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