

# The Effect of Organizational Culture on Employee's Performance and Productivity

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## ABSTRACT

The objective of this research is to investigate the effects of organizational culture on employee performance and productivity, analyze its impact on employee behavior, and explore its benefits for employees and customers. The primary research questions are: (1) What is the impact of organizational culture on employee performance and productivity? (2) What role does organizational culture play in influencing employee performance and productivity? (3) What benefits does organizational culture provide to employees and customers? The hypotheses are: (1) Organizational culture directly impacts employee performance and productivity. (2) Organizational culture plays a vital role in enhancing employee performance and productivity. (3) Organizational culture increases organizational performance, motivates employees to achieve organizational goals, and affects customer loyalty.

The research employs a binary system approach and collects data from both primary and secondary sources. Primary data was gathered through a survey of 50 questionnaires distributed to students at Jahan University. Secondary data was sourced from books, websites, and research papers.

The findings indicate that organizational culture is practiced within the organization and is perceived as important for improving employee performance. This is supported by the statistically significant contributions of mission and involvement to employee performance. However, consistency and adaptability, while positively correlated with performance, were not statistically significant. The study concludes that not all cultural dimensions significantly contribute to employee performance, suggesting that other unexamined factors may also play a role.

**Keywords-** Organizational Culture, Employee Performance, Productivity, Employee Behavior, Customer Loyalty.

## I. INTRODUCTION

The term culture refers to a general state or habit of mind closely aligned to human perception. The basic phenomenon that makes the understanding of different groups or people to come together to pursue a common goal is culture. Straub, D., et al (2002). An employee can be said to be cultured when his character, speech, behavior cannot be faulted but whose personality and image can be a true positive representation of most of the members or groups of the organization (Argyris, C. (2010). In organizational culture, Schein explained that culture is regarded as the values, common shared faith and group norm, it just reflects the content

of organizational culture but this transcends to the values of founder, ceremonies and rites, socialization and stories and language (Kwantes, C. T., & Glazer, S. (2017).

Culture plays a fundamental role in shaping human behavior and perception, as highlighted in various research papers. It encompasses a set of shared values, beliefs, and norms that guide individuals within an organization (Gelfand, M. J., et al (2007). Organizational culture, developed over time, influences employee behavior, motivation, and performance, ultimately impacting the organization's success (Mohd Isa, M. F., et al (2016). Additionally, culture extends beyond organizational settings, encompassing various

aspects of human life such as art, science, and lifestyle, reflecting the creative power and historical development of societies (Griswold, W. (2012) A cultured employee embodies the values and norms of the organization, presenting a positive image that aligns with the collective identity and goals of the group (Löhndorf, B., & Diamantopoulos, A. (2014). Therefore, a well-defined and positive organizational culture not only fosters employee satisfaction and retention but also contributes to overall productivity and success within the organization (Clack, L. (2021).

There is a vast difference between performance and productivity. Performance is the process of carrying out or achieving an action, task, or function. It's the ability to accomplish the expectations of your company measured by the level of success against a pre-agreed criterion: KPI, goals, objectives, etc. which means job performance equals a good ranking with the hypothesized conception of the requirements of a task or activity. The common practice is that performance measurement is connected to company goals and a set of metrics used to quantify or qualify the efficiency and effectiveness of actions. But unfortunately, this leaves you vulnerable to the misconception that you're more productive when you improve your performance. Beside that another important point noted for organizational performance.

In successful organizations, the critical factors of time, cost, and quality are essential. Effective management and control of these elements require the implementation of strategic measures (Lalzai, F., & Mohammad, K. (2023)

### **Research Objectives**

To examine the impact of organizational culture on employee performance and productivity.

1. To assess how organizational culture influences employee behavior.
2. To evaluate the benefits of organizational culture for both employees and customers.

## **II. LITERATURE REVIEW**

Deal (1999) defines organizational culture as the values, beliefs, and behaviors that distinguish one organization from another. Organizational performance, which encompasses aspects such as efficiency, effectiveness, and improvement (Stannack, 1996), is critical in differentiating organizations from one another. Literature consistently demonstrates a positive relationship between organizational culture and performance. Hitt, Ireland, and Hoskisson (2001) argue that intangible resources are more likely than tangible resources to provide a competitive advantage. This notion is supported by Tecce (2000), who posits that a firm's superior performance relies on its ability to defend and leverage its intangible assets.

Fakhar, Zahid, and Muhammed (2013) suggest that organizational culture directs employees on how

tasks should be accomplished, serving as guiding principles that employees are expected to follow. Components such as traditions, behavioral patterns, and belief systems are central to organizational culture, influencing operational modes and the organization's longevity.

Hellriegel and Slocum (2009) assert that organizational culture can significantly enhance performance. They argue that a well-defined culture helps employees understand both the firm's history and current operational methods, thereby guiding future behaviors and norms.

Magee (2002) explains that organizational culture is inherently linked to organizational practices, which in turn impact employee performance. Similarly, Ojo (2009) finds that organizational culture influences employee performance and establishes a positive relationship between the two. Anozie and Ismail (2016) further confirm that organizational culture significantly affects employee performance, with a strong culture contributing to increased productivity and overall performance (Fakhar, Rana, Ayesha, & Luqman, 2012).

Conversely, Daft (2000) defines employee performance as the measure of an individual's ability to achieve goals—whether personal or organizational—through the efficient and effective use of resources. Kandula (2006) emphasizes that strong organizational culture is key to good performance, noting that differing organizational cultures lead to varied outcomes from identical strategies within the same industry and location. A positive and strong culture can enhance individual performance, while a negative and weak culture may lead to underperformance. Hence, organizational culture plays a crucial role in influencing employee performance (Ahmed, 2012).

Numerous studies, including those by Sackman and Bertelsman (2006) and Denison (1990), suggest that employee performance can be improved by cultivating specific types of organizational cultures.

## **III. RESEARCH METHODOLOGY**

This study employs a binary system approach and integrates data from both primary and secondary sources.

The primary data were gathered through the administration of 50 questionnaires distributed to students at Jahan University. These questionnaires aimed to capture firsthand insights pertinent to the research objectives.

Secondary data were sourced from a range of academic materials, including books, scholarly articles, and reputable websites. This dual approach ensures a comprehensive analysis by combining empirical evidence with established theoretical knowledge.

#### IV. CONCLUSION

This study concludes that organizational culture plays a pivotal role in enhancing employee performance. The research confirms that organizational culture, particularly the dimensions of mission and involvement, significantly contributes to improving employee performance. Conversely, consistency and adaptability, while positive, do not show a statistically significant impact. The study highlights that various aspects of organizational culture influence performance positively, underscoring the crucial relationship between culture and organizational outcomes. Specifically, a culture of involvement is shown to have a significant and positive effect on employee performance. Increased involvement correlates with higher performance levels, while lower involvement is associated with diminished performance. The findings suggest that employees exhibit greater commitment and performance when they are involved in decision-making and feel a sense of ownership. Moreover, teamwork, skill development, and input from organizational members enhance implementation processes and employee performance. It is evident that not all cultural attributes equally impact performance, and other factors not covered in this study may also influence outcomes.

#### RECOMMENDATIONS

Based on the study, the following recommendations are proposed:

- Organizations should prioritize improving employee performance and productivity.
- Establishing an effective organizational culture is crucial for enhancing employee performance and productivity.
- To achieve organizational goals and objectives efficiently, focus on boosting employee productivity.
- Ensure that organizational culture is clearly communicated to all employees.
- Top management should foster a positive culture within the organization.
- While employee performance is vital, attention should also be given to customer performance.
- Organizations should strive to achieve and maintain customer loyalty.

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