

## Impact Assessment of Organizational Culture on Employee Performance

Borhan Omar Ahmad Al-Dalaien<sup>1</sup>, Anas Khan<sup>1</sup>

<sup>1</sup>Research Scholar, Department of Commerce, Aligarh Muslim University, Aligarh-202002

### \*Corresponding Author:

Anas Khan

Email: [khananas6dc@gmail.com](mailto:khananas6dc@gmail.com)

**Abstract:** Organizational culture is conceptualized as shared beliefs and values within the organization that helps to shape the behavior patterns of employees. It is the drive that recognizes the efforts and contributions of the organizational members and provides comprehensive understanding of what and how is to be achieved, how goals are interrelated, and how each employee could attain goals. It is a collective process of the mind that differentiates the members of one group from another. Organisational culture is gaining support as a predictive and explanatory construct in organisational science because if it managed and controlled shall be useful as a management tool for organisational effectiveness and performance. The present study examines the impact of organizational culture on employees' performance in selected Indian automobile companies. Data has been collected through questionnaires designed on a five point Likert scale. Multiple regressions have been used as the statistical tool for analysis of data. The study revealed that there is significant impact of organizational culture on employee performance in selected companies.

**Keywords:** organization, culture, employee performance, regression, automobile, companies.

### INTRODUCTION

Organisational culture is the distinctive constellation of beliefs, values, work styles, and relationships that distinguish one organisation from another and includes specific qualities of the organisation that gives a specific work environment [1]. It means distinctive norms, beliefs, principles and ways of behaving that combine to give each organisation its distinct character. Organizational culture is the mindset of people that distinguishes them from each other, within the organization or outside the organization [2]. It is the pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organization's history, and which tend to be manifested in its material arrangements and in the behaviors of its members [3]. Organizational culture is an overall phenomenon of the organization such as natural settings, the rite and rituals, climate and values of the company and it is deeply associated with values and beliefs shared by personnel in an organization. It relates the employees to organization's values, norms, stories, beliefs and principles and incorporates these assumptions into them as activity and behavioral set of standards [4].

Organizational culture means stable arrangements of beliefs and norms, which are held commonly by a society or department in the organization [5]. Organizational culture is common values and behaviors of the people that considered as a tool leads to the successful achievement of organizational goals. It is a framework of values,

beliefs, consisting of attitudes, norms; behavior of employees, and their expectations, which are shared within the organization by its members [6]. Strong culture in the organization is very helpful to enhance the performance of employees that leads to the goal achievement and increases the overall performance of the organization. Employee's performance means the ability of employees to attain goals either personal or organizational by using resources efficiently and effectively. Organisational culture is gaining support as a predictive and explanatory construct in organisation science where if managed and controlled is useful as a management tool for organisational effectiveness and performance [7].

### LITERATURE REVIEW

Hofstede *et al.* [8] highlighted that the role of culture is vital in nurturing, sustaining and enhancing the overall performance of organizations. They found that cultural system of an organization adds to the coordination of assignments and minimizes inefficient employee efforts and firm's resources. It has been revealed that all organizations are thriving to recruit highly performing individuals in order to meet the organizational objectives and achieve competitive advantages. The research further explored that individuals need supportive organizational culture to help them in achieving individual objectives. Hence, an organization is a consciously coordinated system where characteristics of individuals, groups and organization interact with each other and effective interaction among them highly depends on organizational culture that

shapes the individual performance. Denison [9] found that culture characteristics might affect performance and lead to higher performance if it fits with changes of environmental factors within the context. Besides, the author emphasized that cultural traits cannot be copied and it could be a source of organizational sustainability. Lim [10] in the article entitled, "Examining the organizational culture and organizational performance link" expressed that an organisation's culture impacts everything such an organisation does. It is the center of what the organisation is truly like, how it works, what it concentrates on, and how it treats clients, workers, also, shareholders. Ojo [11] in the research titled, "Impact Assessment of Corporate Culture on Employee Job Performance" explored that employee's insight of the nature and strength of organisational culture are important component for human resource management, change management, leadership, work related behavior and attitudes that can influence performance. The study also highlighted that values and beliefs that inspire organisational culture reflect the organisational leader's priority and is the main reason for existence of an organisation. Olanipekun, Aje, & Abiola-Falemu [12] in the study titled, "Effects of Organisational Culture on the Performance of Quantity Surveying Firms in Nigeria" examined the impact of organisational culture on the performance of employees working in quantity surveying firms in Nigeria. They found optimistic relationship between organisational culture and organisational performance. Strong culture establishes the suitability of the activities that add to the performance of the organisation. Hence, organisational culture is the essential driver for outstanding business performance. Ratnawat & Jha [12] in their research entitled, "Impact of Organizational Culture on Employee Performance: Review and Research Agenda" found that norms and values of organizational culture highly effect on those who are directly or indirectly involved with the organization. These norms and values are invisible but have a great impact on the performance of employees and profitability. Organizations which have less focus in the area of managerial components, stakeholders, employees; customers and leadership, outperform, not have the strong cultural characteristics. Moreover, the research found that organisational culture is the precise compilation of values and norms that are mutual to the people and groups in an organisation and the mode they cooperate with each other and with the stakeholders external to the organisation.

### Profile of Automobile Companies

#### Tata Motors

It is an Indian multinational automotive manufacturing company and a subsidiary of Tata Group. It is headquartered in Mumbai, Maharashtra, India. Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles. It is the world's 5th-largest motor vehicle manufacturing company, fourth-largest truck

manufacturer, and second-largest bus manufacturer by volume.

#### Mahindra & Mahindra Limited (M&M)

It is an Indian multinational automobile manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors across the world. It is a part of Mahindra Group, an Indian conglomerate. It was ranked 21st in the list of top companies of India in Fortune India 500 in the year 2011.

#### Bajaj Auto

It is an Indian two-wheeler and three-wheeler manufacturing company. Bajaj Auto manufactures and sells motorcycles, scooters and auto rickshaws. Bajaj Auto is a part of the Bajaj Group. It was founded by Jammalal Bajaj in Rajasthan in the 1940s. Bajaj Auto is the world's sixth-largest manufacturer of motorcycles and the second-largest in India. It is the world's largest three-wheeler manufacturer. On May 2015, its market capitalisation was ₹640 billion (US\$9.5 billion), making it India's 23rd largest publicly traded company by market value.

#### Honda Cars India Limited

It is a subsidiary of the Honda of Japan for the production, marketing and export of passenger cars in India. Formerly known as Honda Siel Cars India Ltd, it began operations in 1995 as a joint venture between Honda Motor Company and Usha International of Siddharth Shriram Group. In August, 2012, Honda bought out Usha International's entire 3.16 percent stake for ₹1.8 billion in the joint venture. The company officially changed its name to Honda Cars India Ltd (HCIL) and became a 100% subsidiary of Honda. The company's total investment in its production facilities in India as of 2010 was over ₹16.2 billion.

#### Objectives of the Study

- To provide an introductory background of organizational culture.
- To investigate the impact of organizational culture on employee's performance in selected automobile companies.

#### Hypotheses of the study

H<sub>01</sub>: Organizational culture has no significant impact on employee's performance.

H<sub>a1</sub>: Organizational culture has a significant impact on employee's performance.

### METHODOLOGY

#### Data Collection

The study used both primary and secondary data. However, major emphasis is laid on primary data which is collected through distributing questionnaires in the selected companies. The period of data collection is

three months i.e. from 05<sup>th</sup> October, 2016 to 05<sup>th</sup> January, 2017. Secondary data is collected from websites, journals, articles, magazines, theses, reports and other documents.

**Sampling Method**

Convenient sampling is followed meaning thereby the employees which are easily accessible have been chosen for the study. Hence, 144 employees working in selected companies have been selected.

**Sample Size**

A total of 300 questionnaires designed on five point likert scale have been distributed by the researcher in each company. Out of 300 questionnaires, 156 have been rejected by the researcher due to incomplete information and mistakes and 144 have been accepted. Hence, the sample size of the study is 144 respondents (table 1).

**Statistical Tool**

Multiple regressions have been used to test the hypothesis through SPSS\_18 version.

**Table-1: Shows the sample size**

No.	Automobile Companies	Questionnaires		
		Distributed	Rejected	Accepted
1	Tata Motors	75	36	39
2	Mahindra & Mahindra Limited	75	38	37
3	Bajaj Auto Limited	75	43	32
4	Honda Cars India Limited	75	41	34
	<b>Total</b>	<b>300</b>	<b>156</b>	<b>144 (Sample Size)</b>

**Reliability of Study Variables**

Reliability of the collected data has been checked with the help of cronbach alpha. Table 2 highlights the reliability of all five variables taken under

study. The value of Cronbach alpha of all variables is ranging from 0.8 to 0.9 and hence it can be said that the data is reliable.

**Table-2: Reliability of all variables**

No.	Name of the Variable	No of statements	Cronbach Alpha( $\alpha$ )
1	Employee participation	6	0.919
2	Openness	5	0.851
3	Risk Taking and Innovation	5	0.971
4	Customer Service and Orientation	4	0.896
5	Reward System	5	0.868
<b>Overall Reliability: 0.849</b>			
<b>Total Number of Respondents: 144</b>			

**Demographic Profile of Respondents**

Table 3 highlights the demographic profile like age, gender, education, and family income of the respondents. Majority of the respondents (36%) were fall in the age group of 25-35 years whereas 25 respondents were found to be more than 55 years of age. Notwithstanding, 88 (61%) were males and 56 (39%) were females. So far education is concerned; majority was graduates and 38% were post graduates. Besides, 31% (44) respondents have monthly income under 30,000 INR whilst 19% (28) earn more than 90,000 INR.

**Hypothesis Testing**

H<sub>01</sub>: Organizational culture has no significant impact on employee’s performance.

H<sub>a1</sub>: Organizational culture has a significant impact on employee’s performance.

Multiple linear regressions have been used as the statistical tool to examine the impact of

organizational culture on employee’s performance. The null hypothesis states that organizational culture has no significant impact on employee’s performance and the alternate hypothesis states that organizational culture has a significant impact on employee’s performance. Table 4 shows the multiple linear regression analysis of organizational culture and employees’ performance. The correlation between organizational culture and employee’s performance is 0.849 which shows positive and very high relationship between them. Besides, the adjusted R square shows the amount of variation in one variable (employee’s performance) that is accounted by another variable (organizational culture). The value of adjusted R square is 0.694 which means 69.4 percent variation in employee’s performance is explained by organizational culture and rest of the variation (1-R<sup>2</sup>) is an unexplained variation in employee’s performance due to variables that has not been considered in this model. Moreover, the table also shows the results of ANOVA. It shows the model significance. The overall model is significant because the significant value is

0.009 (P<0.05). Hence, the model construct is validated.

**Table-3: Shows the Demographic Profile of the Respondents**

Age	Frequency	Percentage
25-35 Years	52	36
36-45 Years	39	27
46-55 Years	28	20
Above 55 Years	25	17
<b>Total</b>	<b>144</b>	<b>100</b>
<b>Gender</b>		
Male	88	61
Female	56	39
<b>Total</b>	<b>144</b>	<b>100</b>
<b>Education</b>		
Graduation	62	43
Post Graduation	54	38
Others	28	19
<b>Total</b>	<b>144</b>	<b>100</b>
<b>Monthly Income</b>		
Under 30,000	44	31
30,001-60,000	39	27
60,001-90,000	33	23
Above 90,000	28	19
<b>Total</b>	<b>144</b>	<b>100</b>

**Table-4: Regression Model**

<b>Pearson Correlation</b>		0.849
<b>R Square</b>		0.755
<b>Adjusted R Square</b>		0.694
<b>Standard Error</b>		2.671
<b>Durbin Watson</b>		1.248
<b>ANOVA (Model Fitness)</b>	<b>F Value</b>	288.421
	<b>Significant Value</b>	0.009

- Predictors: (Constant), Organizational culture
- Dependent Variable: Employee’s performance
- Source: Output of SPSS\_18

**Table-5: Regression Coefficients**

Model-1	Unstandardized Coefficients	Standard Error	t value	P Value
(Constant)	4.654	3.118	51.844	0.998
Employee Participation	0.604	1.668	-2.477	0.000
Innovation and Risk-taking	0.491	2.167	11.456	0.001
Reward system	0.587	1.574	25.697	0.000
Openness of Communication	0.446	1.078	16.608	0.0067
Customer Service Orientation	0.399	2.027	-5.632	0.0059

Predictors: (Constant), Organizational Culture  
 Dependent Variable: Employee’s Performance

Table-5 shows the results of unstandardized beta coefficients. An unstandardized beta coefficient gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in the predictor variable has a larger impact on the criterion variable. Firstly, the value of unstandardized beta coefficient on the variable employee’s participation is 0.604 which is an indication of positive impact of

employee’s performance on organizational performance. Secondly, the value of beta coefficient on innovation and risk-taking is 0.491 which shows that one unit change in innovation and risk-taking bring 0.491 unit change in employee’s Performance. Thirdly, the values of unstandardized beta coefficients on the variables reward system and openness of communication are 0.587 and 0.446 respectively.

Fourthly, the value of beta on the variable customer service orientation is 0.399. Employee participation has the highest beta value followed by reward system. Nevertheless, the significant value in each case is less than 0.05 at 95 percent confidence interval. For example, it is 0.000 in case of reward system and 0.000 on the variable employee participation. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of organizational culture on employee's performance.

#### The Regression equation of this Model is

$Y$  (Dependent Variable) =  $a$  (Intercept) +  $\beta$  (Slope)  $x$  (Independent Variables) +  $e$

Employee's Performance = 4.654+ 0.604 (Employee Participation) + 0.491 (Innovation and Risk-taking) +0.587 (reward system) + 0.446 (Openness of Communication) +0.399(Customer Service Orientation) +  $e$

#### CONCLUSION

Organisational culture is the distinctive constellation of beliefs, values, work styles, and relationships that distinguish one organisation from another and includes specific qualities of the organisation that gives a specific work environment. It is conceptualized as shared beliefs and values within the organization that helps to shape the behavior patterns of employees. It is the drive that recognizes the efforts and contributions of the organizational members and provides comprehensive understanding of what and how is to be achieved, how goals are interrelated, and how each employee could attain goals. It is a collective process of the mind that differentiates the members of one group from another. Strong culture in the organization is very helpful to enhance the performance of the employees that leads to the goal achievement and increases the overall performance of the organization. Therefore, the present study examines the impact of organizational culture on employee performance in selected Indian automobile companies by collecting data through questionnaires designed on a five point likert scale. Multiple regressions have been used as the statistical tool for analysis of data. Tata Motors, Mahindra & Mahindra Limited (M&M), Bajaj Auto, Honda Cars India Limited is the automobile companies that have been chosen by the researcher in the study. Firstly, the research investigates reliability of the data with the application of cronbach alpha and thereafter hypothesis has been tested by applying multiple regressions. The results highlighted that there is significant impact of organizational culture on employee performance in companies under study.

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