

# The Effects of Organizational Culture on the Efficacy of Performance Management Systems

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**Abstract:** *This study explores how organizational culture impacts performance management within the insurance sector. A structured questionnaire was crafted and distributed to 100 employees at various insurance companies using convenience sampling. Five variables were used to measure organizational culture: adaptive perspective, communal, network, mercenary, and fragmented culture. The findings suggest a connection between performance management and corporate culture. The degree to which different organizational cultures adopt performance management varies, indicating that some cultures are more suited to improving performance. The results demonstrate that performance management and organizational culture are correlated with each other in a favourable manner. More insurance businesses should be included in future studies so that these results can be applied to the entire sector. Additionally, this study could be adapted for other sectors with modifications to the variables measuring organizational culture.*

**Keywords:** Organisation, Organisational Culture, Performance Management

## 1. Introduction

There has been a growing interest in studying how organizational culture affects performance, especially employee performance, in recent years (Racelis, 2010). Research indicates that the right set of cultural values can generate excitement, high morale, and strong commitment to a company, as well as clarify employee behaviours (Rashid, Sambasivan & Johari, 2003; Ehtesham, Muhammad & Muhammad, 2011). Over the years, numerous theoretical models have been developed to explore and measure organizational culture. Prominent theories include those by O'Reilly, Chatman & Caldwell (1991), Denison (1990), and Schein (1992). These models are widely recognized and accepted as key frameworks in understanding organizational culture.

Similarly, numerous studies have focused on examining the impact of organizational culture on performance. Some have found a strong correlation between cultural elements and employee performance (Racelis, 2010; Ehtesham et al., 2011; Rashid et al., 2003). Researches indicates that a positive corporate culture significantly influences teamwork, communication, and rewards (Zain, Ishak & Ghani, 2009). This suggests that organizations should foster a favorable working environment to ensure full employee commitment and organizational success. However, most studies have primarily examined the impact of organizational culture on employee commitment and financial performance (Zahariah, Razanita & Erlane, 2009). This highlights the need for further research to explore the influence of organizational culture on performance management.

Therefore, the following objectives are framed for this research:

- Examine how performance management is affected by an adaptable perspective culture.
- Evaluate how communal culture affects performance management.
- Examine how performance management is affected by a fragmented culture.

- Examine the influence of network culture on performance management.
- Evaluate the impact of mercenary culture on performance management.

This paper is structured as follows: the first section covers the introduction and background. The second part delves into the theoretical framework and development of research hypotheses. The third section outlines the research design, methodology, data collection procedures, and process. The fourth part presents the results and subsequent discussion. The final section encompasses the conclusion, recommendations, and implications for further research.

## 2. Literature Review

### Definitions of Key Concepts

Culture can be defined as the collective programming of the mind that distinguishes members of one group from another (Hofstede, 1984). It encompasses learned behaviors and their outcomes, shared and transmitted within a specific society (Linton, 1945). Another perspective views culture as the learned and shared behaviour of a community of interacting individuals (Useem & Useem, 1963). In the organizational context, culture refers to the shared mental frameworks of employers and employees that guide understanding and actions within an organization (Ravasi & Schultz, 2006). It is also characterized by beliefs, values, norms, and attitudes that influence relationships and performance (Schein, 1990). Additionally, organizational culture is understood as patterns of shared values and beliefs over time that shape behavioural norms used to address challenges and opportunities within an organization.

Aguinis (2005, p.2) described performance management as an ongoing process within organizations that involves identifying, measuring, and enhancing performance. This process links each individual's performance and objectives to the organization's overall mission and goals. Performance management entails setting individual goals that align with organizational objectives, clearly communicating

expectations to individuals, and providing appropriate rewards based on their performance.

### Review of Key Theories

There are several theoretical frameworks, with one key model being Schein's organizational culture framework, which delineates three levels: artifacts and behaviors, espoused values, and assumptions. According to Schein (1990), these levels reflect the extent to which cultural elements are observable to outsiders. Artifacts and behaviors are the most visible aspects of culture, including tangible elements like dress codes and office humour that are readily identifiable by those outside the culture (Schein, 1990). Espoused values represent the organization's stated beliefs and norms of conduct, influencing how members present themselves and perceive others within the organization. Inconsistencies between espoused values and deeper cultural assumptions can lead to challenges, especially if leaders' values diverge from prevailing cultural norms. Lastly, assumptions are deeply ingrained, unconscious beliefs that underpin organizational dynamics, often taken for granted and challenging to recognize from within.

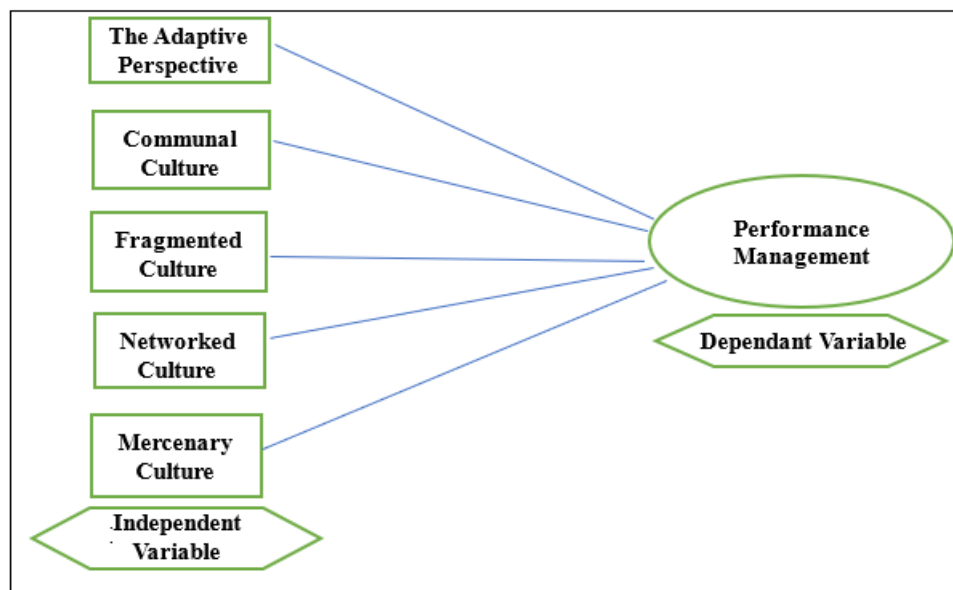
Deal & Kennedy (1982) defined organizational culture as the manner in which activities are carried out within an organization. They argued that shared values influence organizational performance and function as an informal control system that informs individuals about expected behaviors. This model focuses on the degree of risk tolerance, how members are rewarded, and how quickly feedback is given inside the company (Deal & Kennedy, 2010).

The first type of organizational culture identified is the "work - hard, play - hard culture." This culture prioritizes rapid feedback and low risk, with stress arising from workload rather than uncertainty or the pace of recreation. Second, the "Tough - guy macho" culture emphasizes high risk and potential rewards or losses in the present moment, rather than long - term considerations. Third, the process culture minimizes stress through steady work, comfort, and security, but internal politics and bureaucratic systems can be sources of stress. Finally, the "bet the company culture" involves high - risk situations stemming from long - term strategic planning.

Denison's (1990) model consists of four primary dimensions: first, the mission, strategic direction, goals, and objectives of the organization. Second, adaptability focuses on the organization's capacity for creating change, customer orientation, and organizational learning. Third, involvement looks at organizational capability development, team orientation, and empowerment.

Adaptability is viewed as a cultural trait that positively impacts organizational effectiveness, highlighting culture as a vital linkage between organizations and their environments. Fourth, consistency assesses the alignment of core values and consensus among employees, exploring whether the organizational culture is internally or externally oriented (O'Reilly et al., 1991).

### 3. Conceptual Framework



### 4. Research Methodology

This research employed a combined descriptive and explanatory research design, utilizing a cross - sectional approach for data collection. Quantitative methods were chosen for data collection, as they enable hypothesis testing and theory validation, and facilitate the gathering of large datasets necessary to address research questions. This approach is valued for its objectivity and reliability, as it minimizes the influence of researcher bias in representing phenomena. Unlike qualitative methods, which may not

identify all relevant variables and are sensitive to social contexts, quantitative methods allow for systematic explanation and testing of theories.

Primary research is chosen due to the absence of formal and reliable data on the research topic within the context. It is deemed suitable for in - depth investigations, offering satisfactory results and enabling effective interpretation of data that specifically addresses research issues. This method allows for greater control over data collection and ensures that target issues are adequately covered.

A Likert - scale questionnaire was employed to gather data from respondents, allowing for a comprehensive range of cultural attitudes and responses. This approach facilitates diverse response patterns and provides insights into various cultural perspectives when answering the questionnaire. The questionnaire was structured into three sections: Section A (Demographics), Section B (Organizational Culture), and Section C (Performance).

The study uses a primary sample and a cross - sectional research approach. This form of quantitative sampling, typically employed in descriptive research (Hayes, 2013), involves collecting data from a randomly selected group of individuals. A total of 120 questionnaires were distributed, out of which 108 were returned. However, some returned questionnaires were incomplete and therefore excluded, resulting in 100 completed questionnaires being used (sample size of 100). The respondents consisted of employees currently employed at various Insurance Companies.

Convenience sampling was employed to select employees for this survey due to the logistical challenges of using simple probability sampling. Many staff members are not centrally located in the office but operate from various locations. With permission from the company, the researcher approached available employees in the office. After explaining the procedure and obtaining consent, questionnaires were

distributed and respondents were asked to complete them truthfully. Completed questionnaires were collected promptly after respondents finished them.

### Ethical Considerations

Before distributing the questionnaire, the researcher ensured that respondents were well - informed about the study. Each participant received a participant consent form attached to the questionnaire, requesting their voluntary agreement to participate by signing the form. The collected data were treated confidentially, with no specific personal information included except for demographic questions like name and age group. Permission to conduct the research at the companies involved was obtained through official permission letters from each organization.

## 5. Result Analysis

### Demographic Analysis

The research involved 100 employees from insurance companies in India. The majority of participants were male (57%) and female (43%). A significant portion of employees, 57%, fell into the 21 - 30 age bracket, while 31% were aged 31 - 40. Married individuals constituted 54% of the respondents, and 51% of the staff held only a diploma. Table 1 gives a detailed breakdown of respondent demographics.

Variable	Category	Frequency	Percent	Valid Percent	Cumulative Percent
Age Group	21–30	57	57	57	57
	31–40	31	31	31	88
	41–50	10	10	10	98
	51+ years	2	2	2	100
Gender	Female	43	43	43	43
	Male	57	57	57	100
Marital Status	Divorced	2	2	2	2
	Married	54	54	54	56
	Single	44	44	44	100
	Others	1	1	1	100
Level of Education	Degree	30	30	30	30
	Diploma	51	51	51	81
	High School	17	17	17	98
	Master	2	2	2	100
Position	Administrative staff	19	19	19	19
	Agent	22	22	22	41
	Co-workers	1	1	1	42
	Consultant	4	4	4	46
	Management Staff	13	13	13	59
	Manager	19	19	19	78
	Other	7	7	7	85
	Supervisor	15	15	15	100
Length of Employment	1–2 years	32	32	32	32
	3–5 years	34	34	34	66
	3–6 months	26	26	26	92
	6–8 years	8	8	8	100

### Scale Reliability

In this study, reliability was assessed using Cronbach's Alpha, which measures internal consistency. A Cronbach's alpha coefficient of 0.70 or higher is widely accepted as indicating sufficient reliability for the questionnaire's internal consistency (Ringim et al., 2012).

	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Organization Culture and Performances (N=100)	0.906	0.918

### Reliability Statistics for the whole scale

Cronbach's Alpha represents the dependability coefficient, which spans between 0 and 1. If the Cronbach's alpha

coefficient is near to 1, it indicates that the questions are highly reliable. Cronbach's alpha is deemed great if it is  $>0.9$ , good  $>0.8$ , acceptable  $>0.7$ , doubtful  $>0.6$ , poor  $>0.5$ , or unacceptable  $<0.5$ .

The Cronbach's Alpha for all questions under organization culture and performance in table 2 is 0.906. This demonstrates that the variables Adaptive Perspective, Communal Culture, Fragmented Culture, Networked Culture, Mercenary Culture, and Performance are very reliable. According to Table 3, the Cronbach's alpha for adaptive viewpoint is 0.710, which indicates acceptable reliability; the values for communal culture and fragmented culture are 0.820 and 0.715, respectively, suggesting strong reliability and acceptable reliability. Networked Culture is 0.703, indicating acceptable reliability; Mercenary Culture is 0.715, indicating acceptable reliability; and Performance Management is 0.809.

Variable	No. of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Adaptive Perspective	8	.710	.804
Communal Culture	7	.820	.820
Fragmented Culture	6	.715	.733
Networked Culture	6	.703	.710
Mercenary Culture	5	.715	.715
Performance Management	6	.809	.810

### Reliability Statistics for each Variable

#### Test for sample adequacy

Kaiser - Meyer - Olkin Measure of Sampling Adequacy	.829
Approx. Chi - Square	223.37
Bartlett's Test of Sphericity Df	703
Sig.	.000

#### KMO and Bartlett's Test

The survey's 38 questions focus on organizational culture and performance management at various insurance companies. After assessing the reliability and validity of the scale, the factor analysis was performed to determine whether the data acquired was appropriate or not. The majority of other research or studies conducted by Racelis (2010) and Rashid et al. (2003) have demonstrated that the minimum sample size is determined by other characteristics of the study's design. The KMO metric ranges from 0 to 1. If a number closer to one is preferred, 0.6 is the minimum acceptable value. In this study, the KMO value is quite large (0.829), indicating that the sample size is appropriate.

	N	Minimum	Maximum	Mean	Std. Deviation
AP	100	3.00	5.00	4.0900	.43811
CC	100	3.14	5.00	4.2786	.44410
FC	100	2.17	5.00	4.1617	.47168
NC	100	3.00	5.00	4.1900	.44635
MC	100	2.00	5.00	4.1200	.50772
PM	100	3.17	5.00	4.3417	.45896
Valid N (listwise)	100				

### Descriptive Statistics

The table displays the overall mean and standard deviation of the 38 items across the six categories of organizational culture. Overall, the mean is high, indicating that the majority agrees with the organizational culture about performance. The mean for Adaptive Perspective is 4.0900 (SD=0.43811), Communal Culture is 4.2786 (SD=0.44410), Fragmented Culture is 4.1617 (SD= 0.47168), Networked Culture is 4.1900 (SD=0.44635), Mercenary Culture is 4.1200 (SD=0.50772), and Performance Management is 4.3417 (SD=0.45896). This demonstrates that communal culture is the dominant organizational culture. Respondents recognize and value performance management.

### Correlations

This section shows the correlation study between organizational culture and performance management. All of the factors, including adaptable viewpoint, communal culture, fragment culture, networking culture, and mercenary culture, have a significant positive correlation with performance.

Variable	Correlation with Performance Management	p - value
Adaptive Perspective	0.490**	0.000
Communal Culture	0.602**	0.000
Fragmented Culture	0.351**	0.000
Networked Culture	0.328**	0.001
Mercenary Culture	0.418**	0.000

### Descriptive Statistics

\*\* Correlation is significant at level of 0.01 (2 - tailed).

\* Correlation is significant at level of 0.05 (2 - tailed).

The table above demonstrates a substantial relationship ( $p<0.1$ ) between organizational culture and performance management. The Adaptive Perspective ( $r=.490$ ,  $p<.01$ ), Communal Culture ( $r=.602$ ,  $p<.01$ ), Fragmented Culture ( $r=.351$ ,  $p<.01$ ), Networked Culture ( $r=.328$ ,  $p<.01$ ), and Mercenary Culture ( $r=.418$ ,  $p<.01$ ) all have substantial positive relationships with Performance Management. Previous research supports this finding, suggesting a significant association between corporate culture and performance management (Rashid, Sambasivan, & Rahman, 2004).

### Regression

The goal of this study is to forecast the effects of organizational culture on performance management through regression analysis. All five independent variables (AP, CC, FC, NC, and MC) were included.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656a	.431	.400	.35541

### Model Summary

Predictors: (Constant), MC, NC, AP, FC, CC

In the regression model, PM is the dependent variable, while the independent variables are AP, CC, FC, NC, and MC.  $R=0.656$ ,  $R^2=0.431$ , and  $AdjustedR^2=0.40$ . This table indicates that the F statistic is significant at .000, indicating the model's fitness. Hence, organizational culture is a powerful forecaster of performance management. As a general rule, model fitness is determined using adjusted R square, with a value greater than 60% indicating a 'excellent fit'. In this



example, the entire model is not a 'good fit' because the R square is less than 60% (0.40).

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.902	.449	2.009	.047	(Constant)
AP	.207	.102	.197	2.036	.045
CC	.434	.109	.420	3.978	.000
FC	-.050	.102	-.051	-.486	.628
NC	.045	.102	.044	.445	.657
MC	.183	.078	.202	2.346	.021

Dependent Variable: PM

The results demonstrate that three of the five variables have a favourable and significant impact on PM. The Table reveals that AP ( $p=0.045$ ), CC ( $p=0.000$ ), and MC ( $p=0.021$ ) have positive Beta Coefficients and strongly influence PM. However, the other two variables were shown to have no significant relationship on PM. Previous investigations, such as Ehtesham et al. (2004), have partially confirmed this finding.

## 6. Conclusion and Recommendation

The primary goal of this study is to investigate the impact of organizational culture on PM. The following conclusions are drawn from the findings.

The adaptive approach, community and mercenary culture have a favourable and significant impact on organizational performance management. This means that if any of these cultures are established and nurtured, organizational performance will improve. As a result, it is critical to cultivate these three types of organizational culture. However, it is vital to remember that fragmentation and network culture have little impact on performance management.

## 7. Further Research Direction

Because this study focused just on insurance firms. This necessitates bringing in more personnel from diverse enterprises to discover the various organizational cultures that exist in these organizations. Also, in order to generalize the findings, a bigger sample from other parts or sectors is required.

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