Organizational Culture as an Antecedent of Organizational Performance: Review of Literature

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Abstract: The objective of this study is to demonstrate the relation between two variables i.e. organizational culture & organizational performance. After study and analysis of wide literature, it is reasoned out that organizational culture has deep impact on the variety of organizational process, employees and its performance. The physical as well as institutional differences in organizational culture and organizational performance need more understanding in any organizational setup. In the case of culture, the control and ownership of organizations are becoming increasingly separable, a phenomenon that is really aggravated by the phenomenon of performance. The purpose of this review article is to establish the relationship between organizational culture and organizational performance. The study entails conceptual literature, theoretical literature, empirical literature as well as proposed theoretical model. The findings of the literature review shows that there is a great relationship between organizational culture and organizational performance. Organizational culture focused on power distance, individualism and collectivism, uncertainty avoidance, and masculinity. Organization performance influenced organizational culture through: job design, decision making, control structures and reward systems. The study provides evidence that organization to understand the importance of organizational culture so as to achieve organizational goals and increase organizational performance. The study also describes the different dimensions of the culture which have impact on organizational performance. Research shows that if employee are committed and having the same norms and value as per organizations have, can increase the performance toward achieving the overall organization goals. Organizations can achieve effectiveness only when employees share values. Organizational culture, through its norms, serves as a control mechanism to channel behaviours toward desired behaviours and away from undesired behaviours. This can also be accomplished by recruiting, selecting, and retaining employees whose values best fit the values of the organization.

Keywords: organizational Culture and Organizational Performance

1. INTRODUCTION

Alvesson (1990), defined organizational culture as beliefs, assumptions and values that members of a group share about rules of conduct, leadership styles, administrative procedures, ritual and customs. According to Robbins (2003) there are three dimensions serving as factors that influence performance: ability, motivation and opportunity. For organizational culture to achieve its intended goals, should be guided by power distance (power and authority, equity and, wisdom and seniority); individualism and collectivism (value for achievement, rewarding systems and individual group relationship); uncertainty avoidance (risk taking and change transformation); and masculinity (agreeableness, toughness, logical analysis and quality of life). Lund (2003) alludes to the fact that the 1980s witnessed a surge in popularity to examine the concept of organizational cultures as managers because increasingly aware of the ways that an organizational culture can affect employees and organization.

Development of a particular culture for the organization is key to the success of these organizations (Philip & McKeown, 2004). This consists of fostering attitudes of flexibility, dynamism and responsiveness; seeking structures and cultures that are positive and organic; and developing the human resource to its maximum capacity (Pettinger, 2000). This study on organizational culture has been an important theme in management and business research for the past few decades due to its potential to affect a range of organizationally and individually desired outcomes such as commitment,
loyalty, turnover intent, and satisfaction. There is also a consensus that organizational culture is a management philosophy and a way of managing organizations to improve their overall effectiveness and performance (Kotter & Heskett, 1992).

For firms to achieve organizational culture, they must focus on strategic culture, coordination culture, take culture as a strategy and maintain market culture. Research has confirmed that organizational culture is able to influence the thoughts, feelings, interactions, and organizational performance (Saeed & Hassan, 2000). Generally, lack of attention to organizational culture, individual beliefs and values lead to absolute failure of organization and achievement of goals, create many operational problems and waste a lot of energy to solve problems (Salarzahi, 2014). The performance of organizations is one of the key areas that need urgent research on the viable ways to revamp and re-engineer them. The performance should be based on job design, decision making, control structures and reward system in an organization setup.

Organizational culture can be viewed as the unique pattern of shared values, attitudes, rituals, beliefs, norms, expectations, socialization, and assumptions of employees in the organization (Armstrong, 2009; Schein, 1992). Organizational culture is often equated with the personality of the organization, depicting employee behavior even when they are not instructed on what to do. It needs to be moderated through leadership whereby openness to experience, agreeableness and neurotic leadership styles will be helpful to the organization. Organizational culture need to be guided by virtues which consist of personal values, job design and motivation among the employees.

2. STATEMENT OF THE PROBLEM

Although empirical studies have been carried out globally on organization culture and performance of organizations, there has been little evidence relating the effect of organizational culture to organizational performance (McKinon et al., 2003). Whalen (2014) indicated that organizational culture change initiatives in corporate groups have more than 50% failure rate. A study carried by Denison and Mishra (1995) found that organizations with higher levels of involvement, consistency, adaptability and mission sense were more effective in achieving their goals. Mousavi et al (2015) found that involvement and adaptability principles directly affected organizational performance. They also noted that the other organizational culture principles, consistency, and mission indirectly affect organizational performance.

The difficulty about leadership is the handling of human resources in the organizational culture (Peters & Waterman, 1982). Yirdaw (2016) noted that organizational culture is the glue that combines the hardware (nonhuman resources) to the software (human resources) in the organization to establish teamwork and excellent performance. Organizational culture positively relates to corporate leadership and governance (O’Connor & Byrne, 2015). Moreover, Porter and Kramer (2006) reported the positive effect of culture on firm performance, given that this relationship is the response to innovative ideas and successful products. Previous studies concluded that organizational culture plays a key role in promoting organizational success (Denison 1996; Denison and Mishra 1995; Naranjo-Valencia et al. 2016; O’Reilly and Chatman 1996; Umrani et al. 2017). Organizational culture generates a sustained competitive advantage and, thus, sustainable financial performance (Zhao et al. 2018). Sorensen (2002) studied the relationship between strong organizational culture and the variability of organizational performance. His findings revealed that a solid organizational culture with clear goals and routines facilitates internal administrative processes (Sorensen 2002).

Many studies have examined the relationship between organizational culture and organizational performance. However, the findings of these studies are varied and sometimes contradicting. To date, there has been no conclusive evidence regarding this relationship. Thus, this paper will review the literature on the four types of culture: power distance, individual and collectivism, uncertainty avoidance, and masculinity under organizational culture given that no study has a detailed link to performance of organizations. This study will also establish the relationship between organizational culture and organizational performance in terms of job design, decision making, control structures and reward systems by synthesizing the findings of previous empirical studies and the impacts of certain contextual factors, such as national culture, and industries, on this relationship. The study will highlight the mediating effects of leadership (openness to experience, agreeableness and neurotic) and moderating effects of virtue (personal values, job satisfaction and motivation) in relation to organizational culture.
3. CONCEPTUAL LITERATURE

3.1. The Concept of Organizational Culture

Using the positivist paradigm, the current study encapsulates culture as the complex web of basic assumptions, values, and artifacts that describe the identity of an organization. The culture of an organization is portrayed by the dominant leadership styles, communication, organizational processes, structures, systems, and the unique definition of success in the views of particular organizations. Values and beliefs determine structures and systems that are created within an organization and how people behave towards each other. According to Hofstede (1980), organizational culture refers to the collective programming of the mind that distinguishes the members of one organization from another. This includes shared beliefs, values and practices that distinguish one organization from another. Cultures have the following themes: culture as; a learnt identity, belief system, strategy and mental programming.

According to Bate (1995), culture is strategy (culture is a strategy phenomenon). Beliefs impact the definition of strategy which needs to take into consideration the cultural aspects, and need to have a storytelling component. He added that culture change is a strategic change. On culture as a mental programming, Hofstede (1980), defined culture as the collective programming of the mind, this distinguishes the members of one category of people from another. It stresses that culture is collective and not a characteristic of individuals (shared values) it is invisible and intangible as such. It attractive only to the extent that it differentiates between categories of people. Culture is valid if it can be measured (Hofstede, 1980).

3.1.1. Perspectives of Organizational Culture

Sun (2009) perceived organization culture as the deeply rooted values and beliefs that are shared by personnel in an organization whereby culture is based on shared attitudes, beliefs, customs and written rules that have been developed over time and are considered valid by the organization’s members. Needle (2004) states that culture includes organization’s vision, values, norms, symbols, language, assumptions, beliefs and habits. Apart from corporate culture, other phrases are often used interchangeably, including corporate culture, workplace culture and business culture (Cancialosi, 2017). Organizational culture is a set of shared assumptions that guide behavior, pattern of such collective behavior and assumptions that are taught to new organizational members as a way of perceiving and even thinking and feeling. Flamholtz & Randle (2011) suggested that one can view organizational culture as corporate personality. They defined it consisting of values, beliefs, and norms which influence the behavior of people as members of an organization.

Hofstede (2020) introduced six elements in organizational culture: organizational effectiveness (means oriented vs goal oriented), customer oriented (internally driven vs externally driven), level of control (easygoing work discipline vs strict work discipline), focus (local vs professional), approachability (open system vs closed system) and management philosophy (employee oriented vs. work oriented). Individualism is the culture in which the ties between individuals are loose; meaning that everyone looks after himself or herself and his or her immediate family. People in the individualistic culture prefer to act as an individual rather than as members of groups (Hofstede, 1994). Thus, in cultures with a high degree of individualism, customers are more independent, self-centered, and, consequently, more demanding. This type of culture, according to Kueh and Voon (2007) is characterized by self-orientation, identity based on the individual, low-context communication, emotional independence from institutions or organizations, emphasis on individual achievement, privacy and autonomy.

Conversely, collectivist societies lay emphasis on belonging to in-groups to which one is expected to remain loyal throughout one’s lifetime. It is considered important to maintain social harmony and to avoid direct confrontation. Collectivist customers need harmony and interdependence in social relationships (Hofstede, 2005). Hence et al. (2007) observe that collectivist customers are more tolerant of mistakes and have lower expectations of reliability but will have a greater need for the service provider to show empathy, assurance and responsiveness. They will also have a greater need to be assured of the quality of service by using tangibles as surrogate evidence. Customers in this culture are less demanding than their counterparts in an individualistic culture who want prompt service and that the service must be provided right the first time (responsiveness and reliability)
(Furrer et al., 2000). Examples of countries with individualistic culture include the United States, Great Britain, Canada, and Italy; while examples of societies with low individualism include Japan, Iran, Taiwan, and Colombia.

3.1.2. Dimensions of Organizational Culture

Although there are many dimensions of organizational culture, three major ones that have been widely recognized are Hofstede (1980), Schein’s (1985) and Denison’s (1990). These dimensions of organizational culture are a useful way of comparing the basic properties of organizational culture in general. The pervasiveness of an organization’s culture requires that management recognize underlying dimensions of their organizational culture and its impact on employees related variables such as satisfaction, commitment, cohesion, strategy implementation, performance, among others (Lund, 2003). Denison, Haaland & Goelzer (2004) found out that culture contributes to the success of organization, but all dimensions contribute the same. The effects of these dimensions differ by global regions, which suggest that organizational culture is affected by national culture. Flamholtz (2011) identified and validated a model of organizational culture components that drives financial results. The model consists of five identified dimensions of organizational culture: treatment of customers, treating of people, performance standards and accountability, innovation and change, and process orientation.

According to Robbins (2005), dimensions of Organizational Culture includes: innovation and risk taking; attention details; outcome orientation; people orientation; team orientation; aggressiveness and stability. According to Moeljono in Chatab (2007), the dimensions of Organizational Culture consist of: integrity; professionalism; role model; and respect for human resources. There have been many approaches to the classification of organizational culture. Quinn and Rohrbaugh (1983) developed the competing-values model, which incorporates two sets of competing values along two axes: the control/flexibility dilemma which refers to preferences about structure, stability, and change; and the people/organization dilemma which refers to differences in organizational focus. From these two axes emerge four quadrants which reflect four types of culture, namely rational, hierarchical, developmental, and group. For their part, O'Reilly et al. (1991) point out seven cultural dimensions that could be used to make comparisons across organizations. They comprise: innovation and risk taking, which express the willingness to experiment, take risks, and encourage innovation; attention to details, which emphasize the precision; outcome orientation, which favors results-oriented over process-oriented procedures; people orientation, which reflects the degree of value and respect for people; individual versus team orientation, that is, are individuals or collected efforts more highly valued; aggressiveness, which reveals the willingness to take action and deal with conflict; and stability, which means the openness to change.

Cameron et al (1999) divided Organizational Culture dimensions into two (first and second dimensions) as: dimension effectiveness criteria emphasizing flexibility and dynamics from the effectiveness criteria emphasizing stability, order and control. Second dimension effectiveness criteria emphasize the internal orientation, integration and unity from the effectiveness criteria emphasizing an external orientation, differentiation and competition. For example, competitive culture as described by Despande and Farley (1999) is very similar to the market culture of Cameron and Freeman (1991), and the task culture of Harrison (1972). Hofstede (1980) initially drafted four dimensions of culture value: power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity. Hofstede (2001) developed four cultural dimensions: power distance, individualism and collectivism, uncertainty avoidance, and masculinity. Power distance is the degree to which members of a society accept differences in power and authority. Society with high power distance, people are more likely to accept that power inequality is good and acceptable that there are some powerful people who are in charge and these people are entitled to special benefits. Societies with low power distance tend to consider that all members are equal. In high distance society, employees will then equate age with wisdom and seniority. If multinational is sending people to negotiate in high power distance country, they should send high-level and older managers if they want to be taken seriously.

Individualism is the degree to which a society focuses on the relationship of individual to the group. Collectiveness is the degree to which society focuses on the relationship of the group as a whole. Society with high individualism (or low collectivism) scores, individuals are valued for their achievements and are rewarded and recognized for such achievements. While people in society with
low individualism (high collectivism) as seen as being part of a wider group known as the in-group. The in-group includes the family, team, or social class, and how individuals relate to such wider groups is seen important to their success. People’s successes are gauged by how others in their group view and support them.

Uncertainty avoidance is the degree to which people in a society are comfortable with risk, uncertainty and unpredictable situations. People in high uncertainty avoidance, societies tend to want to avoid uncertainty and unpredictable work environments in such countries try to provide stability and certainty through clear rules and instructions. Societies with low uncertainty avoidance are comfortable with risk, change and unpredictability. Managers are advised to provide structure and order to reduce uncertainty and ambiguity for subordinates, because in these cultures have many written rules and procedures that tell employees exactly what the organization expects of them. Managers should give clear and explicit directions to their subordinates about exactly what is expected of them in performing their jobs. According to Pandey and Sharma (2009) suggested that cultures high in uncertainty avoidance are less likely to be explorative but more likely to be exploitative.

Masculinity is the degree to which society emphasizes traditional masculine qualities such as advancement and earnings. In high masculinity societies, work tend to be very important to people, gender roles are clear, and work takes priority over other aspects of person’s life, such as family and leisure. Masculine societies emphasize earnings and achievements, and employees tend to work very long hours and take little vacation time. In masculinity, Pandey and Sharma (2009) suggested that it describes the possessing qualities of aggressiveness, toughness, and logical analysis against tenderness, concern for people and relationships and concern for quality of life. The groupings of cultural approaches shown above can be used to identify the organizational culture of a business organization.

3.2. The Concept of Organizational Performance

The culture concept has the advantage that it seems to provide a conceptual bridge between micro and macro levels of analysis and between organizational behavior and strategic management. Neves (2004) denote the ideas that are often associated to the concept of organizational culture. A frame of references that is common and shared by a significant number of people; socially developed learned and transmitted in behavioral, cognitive and emotional teams; composed of several layers, some more peripheral and visible and some more profound and invisible; and wherein the basic core is compared of fundamental assumptions that also call values.

Neves (2004) consider the following possible consensus in the definition of organizational culture: ‘a structure made up of different layers of elements (values, norms, key assumptions, patterns of behavior, and artefacts), linked by a common core that is the meaning’, encompassing behavioral, cognitive, symbolic and emotional dimensions.

Costa (2003) who mobilizing Schein (1985)’s typology and some of Ott (1989)’s improvements, presents three levels of components of organizational culture: artefacts, values and key assumptions. Artefacts is the most visible level of culture, relatively easy to observe although more difficult to interpret, composed of wide range of manifestations: like physical space, material objects, arrangements, written or spoken language, symbols, habits, rules and standards and patterns of behavior. According to Costa (2003) Values is less visible than artefacts but more aware than key assumptions. Values encompasses a whole set of elements that seek to ascribe sense to and justify the organizational action, specifically values and believes, attitudes, organizational ethics, ideologies, justifications for action, knowledge, intentions, vision mission and feelings. Key assumptions is a set of assumptions taken as true, invisible, internalized in individuals, that are expressed in the conceptions about the relationships with the environment of the nature of reality (real, unread, facts) and of the truth (revealed, discovered), of human nature (good, bad, perfection), of human activity and of the nature of human relationship (corporation, competition, individualism, power, love) (Costa, 2003).

Schein (2004) consider the existence of the three levels of cultural elements from the most least visible (artefacts) which encompasses the visible structures and processes like architecture, language technology and products, clothing, routines, visible pattern of behavior, myths, stories, rituals and ceremonies, at more conscious level being easier to observe but difficult to interpret. He espoused
beliefs and values which encompasses the strategies, goods and organizational philosophies and underlying assumptions as basic assumptions. According to Schein (2004) these underlying basic assumptions results from shared values and beliefs that have been over time empirically tested and confirmed in problem-solving of the group or tested through ‘social validation with the social consensus attained by shared social experience of a group in situations of values and beliefs that cannot be tested empirically such as religious and moral values.

The third level of key assumptions internalized in the actors’ issues related to autonomy and the more or less conscious role of the subjects in the internalization. Hofstede (2003) considers that the shared perceptions of daily practices should be considered at the Centre of organization’s culture and not the shared values, presenting as justification the fact that values of each member of organization depends more from extra-organizational factors than from those of organizational belonging which influence more directly the practices. If one wants to work organizational culture, it tends to emerge a holistic perspective that includes the three levels (artefacts, values, key assumptions) given that organizational culture consists of elements from all levels. No level organizational culture can continue to exist without the others (Ott, 1989).

3.2.1. Measuring Organizational Performance

Adkins & Caldwell (2004) found that job satisfaction was positively associated with the degree to which employees fit into both the overall culture and subculture in which they work. A perceived mismatch of the organization’s culture and what employees felt the culture should be related to a number of negative consequences including lower job satisfaction, higher job strain, general stress and turnover intent. Studies indicate that Human Resource systems that relate to productivity have been shown to enhance performance as measured by similar measures. These system include extensive training, competitive pay that contingent upon performance, career planning, performance appraisal, and participation in decision making. According to Salamon & Robinson (2008) study on customer surveys shows that customer service was rated more favorably is employees felt trusted by management. Practice that improve the commitment and attitudes of employees do, indeed enhance many financial indicators at workplace performance.

Organizational performance reflects the ability or an organization to fulfill its stakeholders’ desires and survive in the market (Griffin, 2003). Also it is known as the outcome of the actions or activities which members of organization carried out to measure how well organization has accomplished its objectives (Chung & Lo, 2007; Ho, 2008). Organizational performance is the ability of the organization to achieve its goal. Lorsch (1970) suggested measuring organizational performance based on two factors: good fit between the organization and environment; and good fit between the organization and its contributors. He believed that the performance of an organization has expected to be more successful if there are efficient operations between the organization and its environment and its staff. Adam (1994) considered organizational performance as heavy dependent on the employees’ performance quality. He believed that I order to ensure high quality organizational performance, it is vital to have regular experience of the staff of the company to new and up-to-date knowledge and skills to enhance the quality of organizational performance. The quality of organizational performance can be enhanced through job design, decision making, control structures and reward systems.

Job design refers to the specification of job methods, relationships and contents so as to satisfy organizational as well as technological requirements and job holders’ personal and social requirements (Amstrong, 2003). Design of job is the functions of task arrangement responsibilities and duties into an institutional work unit. Scott and Bruce (1995) defined decision making styles as “the learned habitual response pattern exhibited by an individual when confronted with a decision situation”. Baum and Walley (2003) found that fast strategic decision making have an impact on organizational performance in terms of organizational reputation, financial performance, employee commitment and growth of organization. According to Tannenbaum (1956) control structure is the basic to the distribution of reward and punishment within the organization. Control structures help circumscribe idiosyncratic individual actions and keep them conformant with the rational plan of the organization (Tannenbaum, 1956). According to Lin (2007), reward is the compensation which an employee receive from an organization for exchanging for the services offered by the employee or as the return for work done. Carraraher et al (2006) advocates that there should be an effective reward system for organizational performance and reward should be related to their productivity.
4. Literature Review

This section presents the theories that underpin the construct of Organizational Culture and organizational Performance as well as related empirical literature.

4.1. Theoretical Review

The following two theories were reviewed:

4.1.1. Resource Based View Theory

Barney (1986) introduced the cornerstone of Resource Based View (RBV) attributes of a sustained competitive advantage: value, rare, and imperfectly imitable resource. Barney (1986) regarded culture as a valuable resource, and defined culture as: a complex set of values, beliefs, assumptions and symbols that define the way in which a firm conducts its business. Culture has pervasive effects on a firm because a firm’s culture not only defines its relevant employees, customers, suppliers, and competitors are, but it is also defines how a firm will interact with these key actors.

Barney (1991) examines the link between firm resources and sustained competitive advantage. Sustained competitive advantage comes from exploiting internal strengths, through responding to environmental opportunities, while neutralizing external treats and avoids internal weakness. Barney (1991), Resource Based Theory operates under the assumptions that the resource needed to design, select, and implement business strategies are heterogeneously distributed across firms and that these firm difference are stable over time. The main point of Resource Based Views are to identify the potential key resources of a company and to assess whether these resources are costly to copy, as these are the resources that potentially provide a suitable competitive advantage (Conner, 1991).

Resource Based View helps managers of firms to understand why competences can be perceived as a firm’s most important asset and at the same time, to appreciate how those assets can be used to improve business performance. RBV of the firm accepts that attributes related to the past experiences, organizational culture and competences are critical for the success of the firm. Resource Based View focuses on resources that cannot easily be purchased or transferred and that require superior knowledge expertise, and major changes in the organization in terms of processes or culture (Barney, 1991). Resource Based View analyses and interprets resources of the organizations to understand how organizations achieve sustainable competitive advantage. A sustained competitive advantage may only be made when resources are strategic and valuable, are heterogeneously distributed and imperfectly mobile and firms should sustain the advantage.

4.1.2. Upper Echelon Theory

When organizational strategic actions, the Upper Echelon Theory (UET) framework, and value of the TMTs, fit within the cultural norms and values of a community, that community will begin to associate with organization (Hofstede, 1980 and Schwartz, 1994). DiMaggio and Powel (1985) pointed out that when trust exists between a community and the members of an organization, they will connect with the organization which will promote successful performance and effectiveness are reflections of the value and cognitive bases of powerful actors (senior executives) in the organization (Carpenter, Hambrick & Mason, 1984). Upper Echelon Theory states that organization outcome: both strategies Hambrick & Mason (1984) put forward the idea that strategic decisions are connected to the background characteristics of an organization.

According to Finkelstein and Hambrick 1996), a Top Management Team is a formulation of top-level managers and directors within a firm who possess specific expertise in areas that will enables an organization to make decisions. Their individual characteristics and cognitions are developed by past experience, education, and personal values. Cognition shaped by these, influence the way top managers analyze and respond to situations and the strategy chosen for the organization (Kaplan, 2005). Apart from personal characteristics, further studies have explained additional characteristics such as manager’s tenure, international experience, functional background and age (Hermann & Datta, 2002). Upper Echelon Theory was built upon strategic leadership and suggests that individual characteristics influence differing strategic decisions by Top Management Team.

When top management shares the same value, perceptions, preferences, behaviors, and goals of the community it operates, there will be a level of integration between organization and the environment.
Ghemawat (2001) indicates that it is important for Top Management Teams to be aware of administrative and political factors such as law regulations, and historical attributes that will impact a firm’s decision to locate to another community.

4.2. Empirical Literature Review

Organizational culture assists the sense-making process. It helps employees understand organizational events enabling them to communicate more efficiently and effectively thereby reaching higher levels of cooperation with each other because they share common mental models of realities. The powerful, pervasive role culture plays in shaping organizational life lends credibility to speculations that cultural factors may be linked with exceptional levels of organizational performance. A commonly hypothesized link suggests that if an organization’s culture is to contribute to or enhance performance, it must be both “strong” and possess distinctive “traits”; particular values, beliefs, and shared behavior patterns. Some scholars have claimed that positive cultural traits boost performance in proportion to the strength of their manifestation. This view has been called the strong culture hypothesis.

According to Denison (1984) cited in Saffold (1988). Strong, powerful cultures have been hailed as keys to improved performance and as almost always being the driving force behind continued success in businesses. Firms with strong culture are said to generate an almost tangible social force field of energy that empowers employees and drives the organization toward superior performance. According to Barney (1986) in order for a firm’s culture to provide sustained competitive advantages, and thus, by implication, be a source of sustained superior financial performance, three conditions must be met. First, the culture must be valuable; it must enable a firm to do things and behave in ways that lead to high sales, low costs, high margins, or in other ways add financial value to the firm. Because superior financial performance is an economic concept, culture, to generate such performance, must have positive economic consequences. Second, the culture must be rare; it must have attributes and characteristics that are not common to the cultures of a large number of other firms. Finally, such a culture must be imperfectly imitable; firms without these cultures cannot engage in activities that will change their cultures to include the required characteristics, and if they try to imitate these cultures, they will be at some disadvantage (reputational, experience).

Deal and Kennedy (1982) state that cultures, both weak and strong, have powerful influence on organizational behavior. However, in strong cultures “everyone knows the goals and strategic vision of the corporation, and they are working together towards achieving them. Thus, in a strong culture employees’ goals are aligned with management’s goals while in a weak culture, members’ goals differ from management’s strategic direction. It could be drawn from all the explanations above that firms with sustained superior financial performance typically are characterized by a strong set of core managerial values that define the ways they conduct business. It is these core values (about how to treat employees, customers, suppliers, and others) that foster innovativeness and flexibility in firms; when they are linked with management control, they are thought to lead to sustained superior financial performance.

Furthermore, Saffold (1988) identifies two relevant facts relating to organizational culture and performance. First, culture can shape organizational processes, but processes also act to create and modify culture. Culture’s contribution to performance is a consequence of this ever-evolving interaction. Secondly, it is likely that culture’s link to performance is considerably less straightforward than many studies imply. When a firm’s strong culture is misaligned with its environment, it is unable to effectively serve customers and other dominant stakeholders. Hence, a large amount of empirical evidence suggests that there are positive correlations between organizational culture and market performance, knowledge management and organizational effectiveness (Zheng, Yang & Mclean 2010) as cited in Cui et al., (2018).

Organizational culture has the potential to enhance organizational performance, employee job satisfaction, and the sense of certainty about problem solving (Kotter, 2012). If an organizational culture becomes incongruent with the changing expectations of its’ internal and/or external stakeholders, the organization’s effectiveness can decline (Ernst, 2001). Organizational culture and performance clearly are related, although the evidence regarding the exact nature of this relationship is mixed. Studies show that the relationship between many cultural attributes and high performance has not been consistent over time (Denison, 1990). Knowing the culture of an organization allows
employees to understand both the organization’s history and current methods of operation. This insight provides guidance about expected future behaviors. Organizational culture can also foster commitment to the organization’s philosophy and values. This commitment generates shared feelings of working toward common goals.

Organizations can achieve effectiveness only when employees share values. Third, organizational culture, through its norms, serves as a control mechanism to channel behaviors toward desired and accepted behaviors. This can also be accomplished by recruiting, selecting, and retaining employees whose values best fit the values of the organization. Finally, certain types of organizational cultures may be related directly to greater effectiveness and productivity than others.

4.3. Proposed Theoretical Model

The theoretical model essential in helping to reveal the relationship between independent variables, moderating variables, mediating variables and dependent variables. The theoretical model was proposed that illustrated the relationship between Organizational Culture and Organizational Performance. The relationship is demonstrated in Figure 5.1.

The proposed model shows Organizational Culture is the independent variable and Organizational Performance is the dependent variable. In this study, Organizational Culture is measured through power distance, individualism and collectivism, uncertainty avoidance, and masculinity. Power distance helps an organization build a strong culture power and authority, equality, wisdom and seniority amongst employees. Leaders are encouraged to use their power to the extent that it helps both the employee and the organization to maintain a culture which will give better yields.

Individualism and collectivism shows the value for achievements, rewarding systems and individual/group relationship. This reveals the organizational togetherness which creates a collective
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responsibility in any organizational achievement. Uncertainty avoidance will assist the organization on risk taking on changes/transformations which as inevitable. The organization will develop a culture which will be guidance when hard decisions are needed. In masculinity, leaders need to have qualities such as aggressiveness, toughness, logical analysis and quality of life. The qualities are vital in an organization which aims at achieving and sustaining competitive advantage. The theoretical model illuminates that organizational performance as a dependent variable is determined by job design, decision making, control structures and reward systems.

5. CONCLUSION

The study of organizational culture and performance is advantageous since cultural values are observable and measurable. Studying the effect of culture on performance, it is vital that both financial and non-financial (cultural values, norms) measures are used to get more comprehensive results. Indeed, employees must absorb the organizational culture at the maximum strength and top management should provide a precise guideline and direction to motivate the employees to leverage on the organizations culture to achieve the organizational objectives. It was noted that in organizations with strong cultural values, employees practice acceptable personal values, which are guided by the organizations’ overall strategic plan, in carrying out and completing work assigned to employees with regards to the desired standards, and committing maximum efforts to the work leading to improved performance. Further research on these issues in public organizations will add significant knowledge to this field of management. It is therefore recommended that organizational culture be enhanced in organizations since it influences organizational performance. It is hoped that this review will provide a source of information for policy makers, researchers and human resources professionals to understand better the link between organizational culture and organizational performance in organizations.

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