

The Impact of Organizational Culture on Organizational Performance: A Case Study of Telecom Sector

Mashal Ahmed¹ and Saima Shafiq²

¹ Islamia University of Bahawalpur, Pakistan

Received: 11 December 2013 Accepted: 3 January 2014 Published: 15 January 2014

Abstract

The only thing of real importance that leaders do is to create and manage culture. If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening. (Edgar Schein). Organizational Culture is one of the most important construct in management research. This exploratory study elaborates the impact of organizational culture on organizational performance. This study is conducted in different Bahawalpur based franchises of telecom companies. The purpose of this study is to determine the impact of organizational culture on organizational performance in order to know that how culture of an organization assist in enhancing the organizational performance. Balance score card is used to measure the organizational performance. Quantitative approach is adopted in which a questionnaire is used to collect the data. The questionnaire is adopted from a previous study. 22 questionnaires have been distributed to the research participants out of which 15 questionnaire are returned to the researchers with complete information. The findings indicate that all the dimension of the culture influence the different perspective of organizational performance. Research also indicates that if the norms and value of employees are according to organization then it is beneficial for achieving the organizational objective. The findings also indicate that the uncertainty avoidance is high in these companies and roles and procedures are clearly defined. The findings revealed that these companies are characterised by high masculinity which means the managers are effective, more assertive, result oriented and value the final outcome. It is also revealed that there is a power distance between the managers and the employees because only few employees are agreed with the statement that there manager is accessible and visible. The findings indicate that these telecom companies are inclined towards collectivism due to which workers are more sati

Index terms— organizational culture, organizational performance, telecom companies.

1 Introduction

rganizational development has some particular features that can increase sustainability on basis of effectiveness. The enhancement in performance contributes to employee commitment while norms, values and objectives contribute in enhancing the culture of an organization (Awadh & Saad, 2013). Most of us contribute a great part of their time in organizations. The study of Geert Hofstede indicates that cultural differences among nations are found specifically on the greatest level; that is on the level of values. By comparing cultural differences between organizations are specifically identified on the basis of practices. In comparison with values, practices are more tangible. "Organizational Culture can be defined as "the collective programming of the mind that distinguishes the members of one organization from others". (Hofstede, The Hofstede Center). Hofstede (1980)

searches for distinctions among 160 000 IBM employees in 50 various countries moreover in three regions of the world, in order to search different elements of culture that can affect the organizational behavior. He provides reasons for cultural differences that may exist in different regions, as well as the significance of international awareness and multiculturalism for the individual cultural introspection. Cultural differences reveal distinctions in thinking and social action, and even in "mental programs", some sort of term Hofstede uses for expected behaviour. Hofstede correlates culture to ethnic as well as regional groups, but additionally to organizations, profession, family, to community as well as subcultural groups, political systems and legal guidelines. This specific research acknowledged systematic variations in national culture with four dimensions: power distance (PDI), individualism (IDV), uncertainty avoidance (UAI) and masculinity (MAS) (Hofstede, Wikipedia.org). In 1998 Hofstede O organizational behaviour which is related to practitioner's values and beliefs is based on culture elements and norms that influence personality and performance of organization. (Sondergaard, 1994) The cultural elements and personality effects behaviour and sustainability of organization (Schwartz, 1994) the strong relationship of culture has been identified in the model produced by Hofstede in 1980 which represents the 38 countries research. Organizational performance is comprised of the actual output or results of an organization as measured against its intended outputs (or goals and objectives). One of the most important reasons that explain the interest in organizational culture is the assumption that certain organizational cultures lead to an increase in organizational performance.

(Ilies & Gavrea). Organizational performance comprises the actual productions as well as outcomes or outcomes of an organization which are measured against its expected outcomes. According to (Kaplan & Norton, 1992) no single measure can provide a clear performance target? so managers have to choose between financial and operational measures. In this study Items from (Kaplan & Norton, 1992) balance score card are used to measure the organizational performance. These dimensions of the Balance Score card include 1. financial perspective; 2. customer perspective; 3. internal business perspective 4. Learning Perspective.

Organizational Culture is the most important variable that influences the organizational performance. The purpose of this study is to examine the impact of organizational culture on organizational performance in different franchises of Bahawalpur based Telecom Companies. This finding can be useful to telecom companies and their managers when attempting to understand the influence of organizational culture on organizational performance

2 II.

Research Objectives 1. To explore the culture of telecom companies 2. To analyze the impact of organizational culture on organizational performance. 3. To understand the importance of organizational culture and organizational performance.

3 III.

4 Literature Review

a) What is Culture Culture can be defined as a combination of values, sets, beliefs, communications and simplification of behaviour which gives direction to peoples. The basic idea of culture arrives through sharing of learning processes which is based on the proper allocation of resources. (Titiev, 1959) The mental ability of human which helps in enhancing thinking and decision making depends on the organization culture (Pettigrew, 1979). According to (Schein, 1990) culture is a collection of various values and behaviors that may be considered as a guide to success. As per (Kotter & Heskett, 1992), culture is collection of beliefs, behaviors and values which society contains normally. In simple we can say that culture is knowledge, explanations, values, beliefs, communication and behaviors of many people, at the right time and right place. In present era the concept of culture is used as a concept of organization (Kotter & Heskett, 1992). Organizational culture may be consist of two important elements of social group; structural stability of number of peoples and assimilation of an individual item in good standard ??Schein, Organizational culture, 1995). According to (Stewart, 2010), organization's norms and values have a great impact on those who are fully devoted to the organization. According to him norms are unable to be seen but if the organizations want to increase the profits and productivity of the employees norms comes first to be considered.

5 b) Organizational Performance

The notion of organizational performance is affiliated to the endurance and success of an organization. In service organization as well as in manufacturing organizations the computation of the organization performance is critical (Brynjolfson, 1993). A balance score card proposed by (Kaplan & Norton, 1992) is used to measure the organization performance. The dimensions of the balance score used in this study are financial perspective; customer perspective; internal business perspective and learning perspective. Performance is a comprehensive measure that can include productivity, quality, consistency, and so on. On the other side, performance indicators may also involve (criterion-based) results, behaviors and (normative) relative measures, concepts of education and training and instruments, involving management development and leadership training for developing attitudes of performance management and essential skills. (Richard, 2002) . Balance Scorecard is the one of most critical tool which provides help or frame work to ensure that the strategy is translated into rational set of performance

measurement (Kaplan & Norton, 1992).The performance measurement system assist in enhancing organization association to achieve goals and objectives in a successful manner. (Ittner & Larcker, 1998) The strategic planning that is based on development of objectives assist organization to emphasize on non-financial or intangible assets. The quality, performance and services associated with customers have financial features .The financial and non financial reward management system said that an essential element of the Balance Scorecard technique is the feedback and learning part, where an organization is able to measure ,where organization is building its strategic capability, in the scenario of its current performance, and possible dynamic business situations. This data makes the leadership capable to analyze that whether the organization is on right track, and what, if there is need of any change. If there is need of change, these need to be in the definition of the objectives, the path of the journey, or to rebuild the initiatives developed to enhance the capability. Perspectives of balance score card are discussed below (Chavan, 2009) i.

Financial perspective How should we appear to our shareholders to succeed financially? Measures are: return on capital; improved shareholder value; and asset utilization.

ii.

Customer perspective How should we appear to our customers to achieve our vision? Measures are: Product/service qualities; customer relations; Image and repute.

iii.

6 Internal business processes

At what business processes must we excel to satisfy our shareholders and customers measures are: produce products and services; deliver products and services; and "after-sales" services.

7 iv.

Learning and growth perspective How will we maintain our ability to change and improve to achieve our vision?

Measures are: employee capabilities; information system capabilities; motivation, empowerment and alignment.

8 c) Understand

Organizational Culture and Organizational Performance

In the organizations Culture can be learned and shared (Titiev, 1959). According to (Pettigrew, 1979)cultures of an organization is based on the systems that may help to define how employees take decision and think. He also noted the different level of culture based on the multifaceted set of beliefs, values and assumptions may define ways to organizations to do its business. Organizational culture is the combination of values, beliefs, and norms which may impact the way employees behave, think and feel in the organization ??Schein, 2011). There are 4 functions of organization culture: providing sense of identity to members, enhancing the commitment, strengthening organizational values, and shaping behavior through a control mechanism (Nelson & Quick, 2011). Performance is a measure that involves productivity, quality, consistency, and so on. On the other side, performance indicators involve results and behaviors (criterion-based) and education and training concepts and instruments involving management development and leadership training for developing essentials skills and attitudes of performance management, relative (normative) measures (Richard, 2002). The organization's performance is the function of the basic returns to the Instillation of strong culture in the organization's systems which enable it to perform its routines undoubtedly. This concept is important in permitting researchers and managers to asses firms' performance over time and matches their performance with the competitors. In simple word, organizational performance is the most essential criterion in managing and assessing the actions and environments of organizations d) Methods of Learning Organizational Culture (Brown, 1998) Has identified the following methods of learning the organization's culture: i. Arte facts It refers to the total social and physically developed environment of an organization for example office space, equipments, rules, systems and procedures.

ii.

Language It refers to basic ways in which the organization understands its world for example jokes, stories, myths and legends.

iii.

Behaviour patterns Behaviour patterns are repetitive patterns of behaviour which are characteristics of organizational life. It includes rites, rituals, ceremonies and celebrations. iv.

9 Norms of Behaviour

It refers to rules of behaviour that determine what are considered to be suitable and unsuitable responses from employees in different conditions. These norms grow over time when several persons make a discussion with each other in order to reach at a decision on how they can handle the organizational issues.

10 v.

Heroes Heroes help to attain success present role models and represent the organization to the people outside of the organization. Heroes are the persons who influence other employees.

11 vi. Symbols and Symbolic action

These may be defines as words, objects, conditions, acts or features of the organization that are important to organizational members. It includes corporate logos, policies and products. They are considered as an expected solution of a recognized problem. In the organization basic assumptions direct organizational member's feelings, emotions and perception about things.

12 ix. History

Culture is considered as a result of the historical process.

13 e) Dimensions of Organizational Culture

In order to describe results IBM employees of more than 50 countries were gathered in order to perfectly analyze the organization culture on the basis of dimensions. ??Hofstede, 1980) The four dimensions of organization culture are as followed:

14 i. Power Distance

It refers to the extent to which people of a society accept the unbalanced distribution of power frequently. Power distance refers to the extent in which a nation accepts the factors that dissimilarity in its citizens' mental and physical capabilities increase the inequalities for their welfare.

ii.

Individualism versus Collectivism Individualism: It is a national culture quality that defines a flexible social framework in which people stress on the protection of themselves and their family. Collectivism : A national culture quality which define a close knit social framework in which people require from the others people of the group to take care of them and protect them.

iii.

15 Masculinity/Femininity

The masculinity represents a preference for achievement, heroism, assertiveness and material reward for success. While femininity, stands for a preference for coordination, emotions, caring for the weak and quality of life; iv.

Uncertainty Avoidance A national culture quality that describes the extent to which a society feels threatened by unknown situations and try to avoid them; v.

Long-term Versus Short-term Orientation Long-term Orientation: A national culture quality which stresses the future, parsimony, and patience. Short-term Orientation: A national culture quality which stresses the present and past, fulfilling social responsibilities and respect for customs. Hofstede and Bond determined fifth dimension in which 23 countries long and short term orientation have been analyzed in 1998. The organizational behaviour is associated to professional values and beliefs based on culture factors and norms which influence personality and productivity of organization.

16 f) Effect of Organizational Culture on Organizational

Performance Organizational culture has ability to increase job satisfaction, and awareness about problem solving and organization performance (Kotter, 2012). If the organizational culture becomes incompatible with the dynamic expectations of internal and/or external stakeholders, the organization's success will decrease as it has happened with some organizations ??Ernst, 2001).

Organization performance and organization culture are clearly affiliated (Kopelman, Brief, & Guzzo, 1990), though the confirmation concerning the perfect nature of this relationship is miscellaneous. Research shows that the relation between many cultural qualities and high performance are not persistent over time ??Dension & Sorenson, 1990, 2002) We can say that the impact of organizational culture on employee behavior and performance is based on 4 important ideas (Bulach, Lunenburg, & Potter, 2012). Firstly, having knowledge of the organization culture permits employees to understand the history and functioning of the organization. This knowledge provides information about projected future behaviors. Secondly, organizational culture raises devotion to the organization's philosophy and values. This commitment creates shared feelings of achieving common goals. It means organizations can achieve greater success only when employees share values. Thirdly, organizational culture, with its norms, deal as a control mechanism to direct behaviors toward expected behaviors and away from unfavorable behaviors. This can also be achieved by recruiting, selecting, and retaining employees whose values match with the values of the organization. This type of organizational culture may be linked directly to greater efficiency and performance than others.

17 Year

() 1 Research Model V.

18 Research Methodology

As the purpose of the current study is to determine the impact of organizational culture on organizational performance. So exploratory research technique is adopted for this purpose. Exploratory study is an exploration technique which is mainly related with the development of the theory. Many researches are usually exploratory. In social sciences exploratory research is connected to the notion of exploration and the researcher as explorer. (Davies, 2006). Exploratory research is an initial research that can be used to define and clarify the nature of the problem (Zikmund, 2003). Data for current study is gathered through the questionnaire adopted from a previous study "Benchmarking culture and performance in Chinese organizations by (Rajendar & Ma, 2005). There are two parts of the questionnaire. The initial part is used to collect information about the culture of the cellular companies. The second part is used to measure the performance of the organization on the basis of the 3 dimensions of the balance score card. A 5-point Likert scale, which range from 1 ("strongly agree") to 5 ("strongly disagree") used to record the responses of the research participants from different telecom companies. The quantitative approach is used to determine the impact of organizational culture on organizational performance. Quantitative data is analyzed in the form of percentages.

19 VI.

20 Data Collection and Analysis a) Data collection

Data that is use in this research is obtained from franchises of telecom companies.

21 b) Analysis

25 questionnaires are distributed in Bahawalpur based franchises of different telecom companies out of which 15 are returned to researchers. Among participants 33% are females and 66% male from whom data is collected. 66% respondent are under 25 years old. Organizational Performance

22 Conclusion

Result shows that Hofstede culture dimensions affect the organizational performance in telecom companies. There several factors which influence the organizational performance but this research consider the Hofstede culture dimensions only. Organizational culture plays an important role in achieving the organizational objective. Result show that there is high uncertainty avoidance in the organization, higher the uncertainty avoidance better will be organizational performance. Results also indicate that is a difference between the power of the manager and the employees. When there is a power distance employees seeks their problem solved by the management. In this situation employees respect their supervisors by enhancing the performance in return. Result shows that these companies are inclined toward collectivism but there is also some element of competition which is in individualism. Collectivist workers are more satisfied with their work and supervisor. Organization can provide reward to motivate employees, which increase the performance of employees and also the performance of the organization. It is also revealed from the result that managers are characteristised by masculinity which indicates that they are result oriented and value the final outcome. The result indicates that these companies have faith in their financial performance means they believe that there financial performance is enhancing day by day. In customer service perspective it is clear that these companies are trying to compete with each other due which less customer are satisfied. In internal business perspective it is revealed that most of the workers agreed that their company is productive. In learning perspective it is stated that these companies are already focusing and competing on innovation and technology that why this dimension is not included in research.

23 X.

24 Recommendations

1 2 3 4

¹© 2014 Global Journals Inc. (US)

²The Impact of Organizational Culture on Organizational Performance: A Case Study of Telecom Sector

³()© 2014 Global Journals Inc. (US)

⁴© 2014 Global Journals Inc. (US)The Impact of Organizational Culture on Organizational Performance: A Case Study of Telecom Sector



Figure 1:

Question:

2014

Year

()

6. Dension, D. R., & Sorenson. (1990, 2002).

Corporate Culture and organizational effectiveness.

New York: John Wiley & Sons.

7.

1

Figure 2:

This research consider only the dimensions of Hofstede which affect the organizational performance future research needs to consider some other variables that affect the organizational performance like working environment and job satisfaction. To get more accurate results more respondents from franchises of other cities should be included. Future research should enlarge the size of the population because more diverse participants will make significant contribution to the results.

.1 XI.

.2 Limitations of the Study

The current study has some limitations. The outcome of the study is not precisely accurate as the sample size is too small. There is a lack of geographical coverage because this study has considered only the Bahawalpur based franchises of telecom companies. Limited time span is also another limitation of this study.

[Francisco] , San Francisco . Jossey -Bass.

[Benchmarking an International Journal] , *Benchmarking an International Journal*

[Johnsen ()] *Balanced scorecard: theoretical perspectives and public management implications. Managerial auditing journal*, A Johnsen . 2001.

[Rajendar jun ()] *Benchmarking Culture and Performance in Chinese Organizations*, Ma Rajendar &jun . 2005.

[Schwartz ()] 'Beyond Individualism-Collectivism: New Cultural Dimensions of Values'. S H Schwartz . *Sage* 1994.

[Kotter and Heskett ()] *Corporate Culture and Performance*, J P Kotter , J L Heskett . 1992. New York: Free press.

[Kotter ()] *Corporate culture and performance*, J Kotter . 2012. New York: Free press.

[Bulach et al. ()] *Creating a Culture for high performing schools:A comprehensive approach to school reform*, C Bulach , F C Lunenburg , L Potter . 2012. Lanham. (Rowman&Littlefield)

[Richard ()] *Experiments with New Teaching Models and Methods. International Public Management Review*, C Richard . 2002.

[Stewart ()] *Growing the Corporate Culture*, D Stewart . <https://www.wachov-ia.com/foundation/v/index.jsp?vgnextoid=ab411f07760aa110VgnVCM1000004b0d1872> 2010.

[Hofstede] G Hofstede . *Wikipedia.org. Retrieved from Wikipedia free encyclopedia*,

[Sondergaard ()] 'Hofstede's Consequences: A Study of Reviews, Citations and Replications'. M Sondergaard . *Organization Studies* 1994.

[Awadh and Saad ()] 'Impact of Organizational Culture on Employee Performance'. A M Awadh , A M Saad . *International Review of Management and Business Research* 2013.

[Ittner and Larcker ()] 'Innovations in Performance Measurement: trends and research implications'. C D Ittner , D F Larcker . *Journal of Management Accounting Research* 1998.

[Titiev ()] *Introduction to cultural Anthropology*, M Titiev . 1959. New York: Henry Holt & Company.

[Schein ()] 'Organizational Culture'. E Schein . *American Psychologist* 1990.

[Schein ()] *Organizational culture*, E Schein . 1995. Frankfurt: Campus Verlag.

[Brown ()] *Organizational Culture*, A Brown . 1998. Prentice hall.

[Pettigrew ()] 'Studying organizational culture'. A Pettigrew . *Administrative Science Quarterly* 1979.

[Kaplan and Norton ()] 'The balanced scorecard-measures that drive performance'. R S Kaplan , D P Norton . *Harvard Business Review* 1992.

[Chavan ()] *The balanced scorecard: a new challenge. The balanced scorecard: a new challenge*, M Chavan . 2009.

[Hofstede] *The Hofstede Center*, G Hofstede . (Retrieved from Geert-Hofstede.com)

[Ilies and Gavrea] *The Link Between Organizational Culture And Corporate Performance -An Overview*, L Ilies N.D , C Gavrea N.D .

[Brynjolfson ()] 'The productivity paradox of information technology'. E Brynjolfson . *Communications of the ACM* 1993.

[Kopelman et al. ()] 'The Role of Climate and Culture in Productivity'. R E Kopelman , A P Brief , R A Guzzo . *Organizational Climate and Culture*, 1990. p. .

[Kaplan and Norton ()] *The Strategyfocused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment*, R S Kaplan , D P Norton . 2001. Harvard business School Press.

[Nelson and Quick ()] *Understanding Organizational Behaviour. Belmont: Cengage southwestern*, D L Nelson , J C Quick . 2011.

[Zikmund ()] Zikmund . *Business Research Methods.7E*, 2003.