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Exploring the Impact of Organization Culture on Employees' Work Performance using Structural Equation Modeling (SEM) Approach

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ABSTRACT

The prime aim of the study is to explore the impact of organizational culture on employees' work performance using Structural Equation Modeling (SEM) approach. The exploratory research design was adopted. This study explored the impact on organizational culture on employees' work performance at designer industry. Three designer organizations from Chennai was chosen and survey was conducted among 300 samples from those companies using structured questionnaire. The survey questionnaire has two main constructs such as organization culture and employees' job performance. The results of the study indicates that organizational culture is having impact on employees' work performance.

Keywords: Organizational culture, employee performance, job performance, organizational performance, work performance, Akbar Jan and Subramani SEM.

1. INTRODUCTION

Design industry in India is characterized by many small to medium sized "innovative" firms. There are a few well organized design companies with high employment rates. These firms offer multiple specialties and serve more or less as one-stop-shop for design needs (marketing, arts, publication etc.). Indian government is taking initiatives to improve the state of design industry in India and opening doors for satisfying employment

opportunities. Make in India is one such initiative to encourage investors and entrepreneurs to invest in Indian economy. Design industry in any economy holds an important aspect of creativity, innovation and growth. It provides processes and tools to translate ideas into practical business applications and thereby translating into huge monetary growth. It is an interdisciplinary, problem-solving discipline which combines creativity with skill and knowledge in areas of technology, business and communications. This study aimed to examine the impact of organizational culture on the work performance of the employees.

2. LITERATURE REVIEW

Dahie el. at., (2016), in their article examined the effect of Organizational Culture on Employee performance at Telecommunication Firms in Mogadishu-Somalia. Result of correlation coefficient revealed that employee performance (Dependent variable) had significant positive influence with three independent variables namely: competitive culture, entrepreneurial culture and consensual culture. The result of regression analysis found that three constructs had statistically significant, positive, and direct effect on employee performance.

Amin Nikpour (2016), in his study investigated the mediating role of employee's organizational commitment on the relationship between organizational culture and organizational performance. Their results indicated that the organizational culture not only has direct positive impact on organizational performance, but also indirectly affects organizational performance using employee's organizational commitment and the indirect impact is more than the direct impact. Another finding of the study indicated that suggested model has appropriate fit.

Ana Rodrigues & Antonio Caetano (2015), in their study analyzed and compare micro-firms' organizational culture related to organizational performance. In the best performing micro-firms, both owners and their employees find clan culture among the most important culture types. Another conclusion of this study is that the configurations of several culture types are beneficial, as long as they do not focus only on stability and control axis types of culture.

Aliyu Mukhtar Shehu & Rosli Mahmood (2014), in their research investigated the relationship of organizational culture on small and medium enterprise (SME) performance. They concluded that the direct relationship between organizational culture and firm performance of Nigerian SMEs. Furthermore SME's have good understanding of performance in relation to the effect of organizational culture and culture is significant factor in performance.

Dobre Ovidiu-Iliuta (2014), have done research paper is to empirically test the relationship between the components of organizational culture and the practices of performance management. The study shows that organizational culture and performance management are two complementary concepts.

Gunaraja (2014), conducted research that measures empirically the effectiveness of organizational corporate culture on employee performance as well as Employee's productivity using Indian banking industry. They have concluded corporate culture is vital in every organization and that it has positive impact on employee's performance. Their paper reveals that there is a positive relationship between culture of the organization and job performance.

Okechukwu Agwu (2014), in this paper he discussed organizational culture and employees' performance in the National Agency for Food and Drugs Administration and Control (NAFDAC), Nigeria. The findings of the research revealed that there is a significant relationship between organizational culture

and increased employees' commitment in NAFDAC and also there is a significant relationship between organizational culture and increased employees' productivity in NAFDAC.

Chamdan Purnama (2013), it examines how much influence organizational culture, job satisfaction, organizational commitment and organizational citizenship behavior (OCB) to organizational performance. It concludes that performance of the organization in this case small and medium enterprises (SMEs) is highly influenced by the organizational culture, job satisfaction, organizational commitment and Organizational Citizenship Behavior (OCB).

Mohammad Jasim Uddin et. al., (2013), in their study examined the impact of organizational culture on employee performance and productivity from the perspectives of multinational companies operating especially under the telecommunication sector of Bangladesh in South Asia. Their findings of the paper significantly demonstrate both positive and negative mannerism of culture which has significant consequences on employees as well as firms performance.

Rachna Kumar (2013), examined the mediating role of innovation on the relationship between organizational culture and firm performance. Their findings reveal that in the banking sector, although organizational culture and innovation have a direct and positive effect on the firm performance dimensions. Organizational culture as well as an organization's innovations had a significantly positive relationship with firm performance. There was also a significant and positive relationship between organizational culture and organizational innovations.

Satish Bhavankar & Satya Sidhartha Panda (2013), their research study assesses empirically the impact of reward systems on employee job performance as well as organizational productivity using Assiste Technologies as the case study. They try ascertain if reward system affects employee job performance, and to formulate recommendations regarding reward system and employee job performance. They deduced from this study is that reward systems are very important in every organization and that it has positive impact on employee job performance. Besides, a reward system affects the level of organizational productivity in a positive way. Their study shows that there is a positive relationship between reward systems and employee job performance.

Fakhar Shahzad (2014), defining and measuring of organizational culture and its impact on the organizational performance, through an analysis of existing empirical studies and models link with the organizational culture and performance. They conclude that organizational culture has a positive impact on the employee's job performance. Their Researches shows that every individual in the organization has different culture and he/she first try to adjust him with the norms and values of the organization. The adoption of culture of the organization is helpful for the employees to done their work efficiently and effectively.

3. CONCEPTUAL FRAMEWORK

3.1. Organizational Culture

Organizational culture is the collective behavior of people that are part of an organization, it is also formed by the organization values, visions, norms, working language, systems, and symbols, and it includes beliefs and habits. It is also the pattern of such collective behaviors and assumptions that are taught to new

organizational members as a way of perceiving, and even thinking and feeling. Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. When people join an organization, they bring with them the values and beliefs that they have been taught. Quite often, however these values and beliefs are insufficient for helping the individual succeed in the organization. The person needs to learn how the particular enterprise does things. A common misconception is that an organization has a uniform culture.

3.2. Elements of Culture

The Table 1 summarizes the elements of organizational culture with its description.

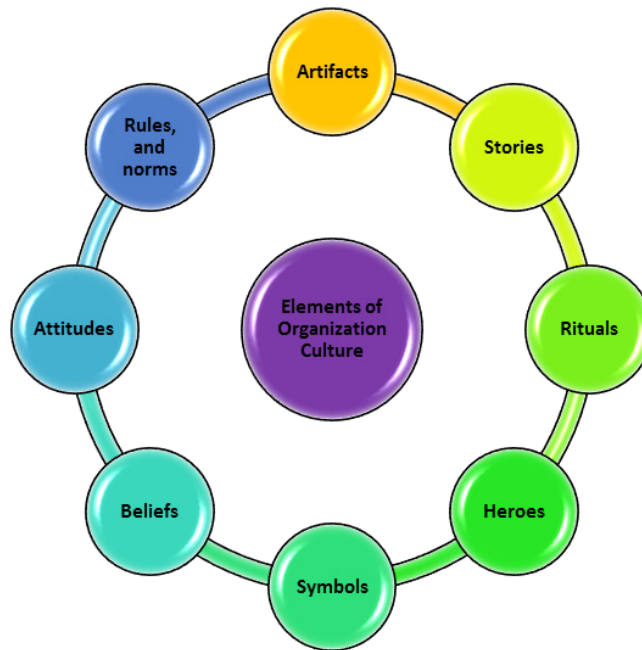


Figure 1: Elements of Organization culture

Table 1
Elements of Organizational Culture

S.No.	Element culture	Description
1	Artifacts	Artifacts are the physical things that are found that have particular symbolism for a culture. They may even be endowed with mystical properties.
2	Stories, histories, myths, legends, jokes	Culture is often embedded and transmitted through stories, whether they are deep and obviously intended as learning devices, or whether they appear more subtly, for example in humor and jokes.
3	Rituals, rites, ceremonies, celebrations	Rituals are processes or sets of actions which are repeated in specific circumstances and with specific meaning. They may be used in such as rites of passage, such as when someone is promoted or retires.
4	Heroes	Heroes in a culture are named people who act as prototypes, or idealized examples, by which cultural members learn of the correct or 'perfect' behavior.
5	Symbols and symbolic action	Symbols, like artifacts, are things which act as triggers to remind people in the culture of its rules, beliefs, etc. They act as a shorthand way to keep people aligned.

S.No.	Element culture	Description
6	Beliefs, assumptions and mental models	An organization and culture will often share beliefs and ways of understanding the world. This helps smooth communications and agreement, but can also become fatal blinkers that blind everyone to impending dangers.
7	Attitudes	Attitudes are the external displays of underlying beliefs that people use to signal to other people of their membership. Attitudes also can be used to give warning for the rivals.
8	Rules, norms, ethical codes, values	The norms and values of a culture are effectively the rules by which its members must abide, or risk rejection from the. They are embedded in the artifacts, symbols, stories, attitudes, and so on.

Figure 1 presents the elements of organizational culture such as, artifacts, stories, rituals, heroes, symbols, beliefs, attitudes, and rules & norms.

3.3. Types of Culture

Table 2 tabulates the types of cultures with its brief description.

Table 2
Types of Organizational cultures

S. No	Cultures Types	Definition
1	Bureaucratic Culture and Performance	An organization that values formality, rules, standard operating procedures, and hierarchical co-ordination has a bureaucratic culture. Long - term concerns of bureaucracy are predictability, efficiency, and stability. Its members highly value standardized goods and customer service.
2	Clan/Consensual Culture and Performance	Tradition, loyalty, personal commitment, extensive socialization, teamwork, self-management, and social influences are attributes of clan culture. Its members recognize an obligation beyond the simple exchange of labour for a salary. The members understand that their contributions to the organization may exceed any contractual agreements
3	Entrepreneurial Culture and Performance	High levels of risk taking, dynamism, and creativity characterize an entrepreneurial culture. There is a commitment to experimentation, innovation, and being on the leading edge. This culture does not just quickly react to changes in the environment, it creates change.
4	Market/Competitive Culture and Performance	The achievements of measurable and demanding goals, especially those that are financial and market-based, characterize a market culture. Hard - driving competitiveness and a profit orientation prevail throughout the organization.

Figure 2. Visualizes the various types of organizational culture.

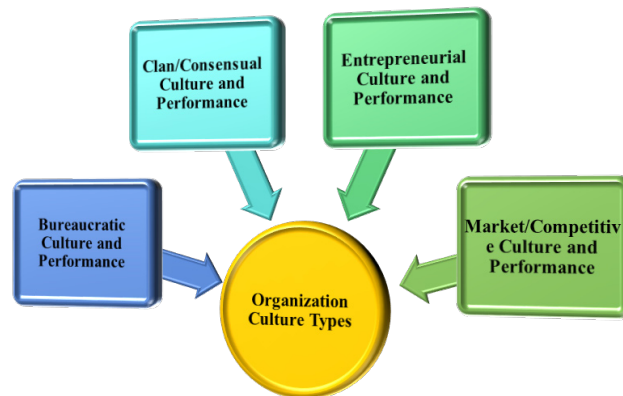


Figure 2: Types of Organizational Cultures

3.4. Employees' job performance

Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. According to Cascio (2006) performance is the degree of an achievement to which an employee's fulfil the organizational mission at workplace. Employees' job performance is based on employees' work related attitude. (Akbar Jan and Subramani, 2016).

3.5. Organization Culture and Work Performance

A high degree of organization performance is related to an organization, which has a strong culture with well integrated and effective set of values, beliefs and behaviors (Cameron & Quinn, 1999; Akbar Jan and Muthuvelayutham, 2012; Denison, 1990; Juechter & Fisher, 1998; Subramani et. al., 2015; Subramani et. al., 2016). However, many researchers noted that culture would remain linked with superior performance only if the culture is able to adapt to changes in environmental conditions. Culture may have a big influence on the performance of all organizations worldwide. This is a practice that cannot just be assumed as it has both positive and negative effects as far as performance is concerned. The organizational culture and the work performance are intertwined thus making culture an important aspect in an organization. This being said there is no common culture that yields higher performance and output for the organization, it is one that is developed overtime and sometimes changed to suit the current trends of the people but most importantly it differs based on the nature of work that an organization does. A good culture instigates employee willingness to contribute more and feel secure about the place he is in, motivates him to trust and be loyal to the organization and grow old with it, these are the result of a good culture where the employee likes and feels comfortable thus the employee feels obligated to give his best at whatever he does. Organizational culture to a large extent determines the performance of the employees. Therefore, it is in the interest of organizations to eliminate negative factors that slow down employee performance in order to foster a positive workplace environment or a positive organizational culture.

4. METHODS AND SAMPLES

This study followed exploratory research design. It has attempted to explore the impact on organizational culture on employees' work performance at designer industry. Three designer organizations from Chennai was chosen and survey was conducted among 300 samples from those companies using structured questionnaire. The survey questionnaire has two main constructs such as organization culture and employees' job performance. Table 3 presents the main constructs, dimensions and number of items in measuring each dimension of the self-developed questionnaire.

Table 3
Questionnaire Main constructs and its dimensions

<i>S.No.</i>	<i>Main Constructs</i>	<i>Dimensions</i>	<i>No. of items</i>
1	Organization Culture	Power Distance	4
		Individualism and Collectivism Individualism	4
		Masculinity/Femininity	4
		Uncertainty Avoidance	4
		Confucian Work Dynamics	4
2	Employees' Job Performance	Task performance	3
		Contextual performance	3
		Adaptive performance	3

The collected data was coded and edited using IBM SPSS 24.0 software and it was analyzed through Structural Equation Modeling (SEM) using IBM AMOS 24.0 software.

5. AKBAR JAN AND SUBRAMANI SEM MODEL FOR IMPACT OF ORGANIZATION CULTURE ON EMPLOYEES' JOB PERFORMANCE

The Structural Equation Modeling approach was used to test the relationship between organization culture and its impact on employees' job performance. The Figure 3 and 8.4 presents the structural equation model based on unstandardized and standardized estimates.

The conceptual model and structural equation model has been developed based on the literature survey. The research hypothesis has been defined on the basis the below presented model:

H0: Organization culture is having impact on employees' job performance.

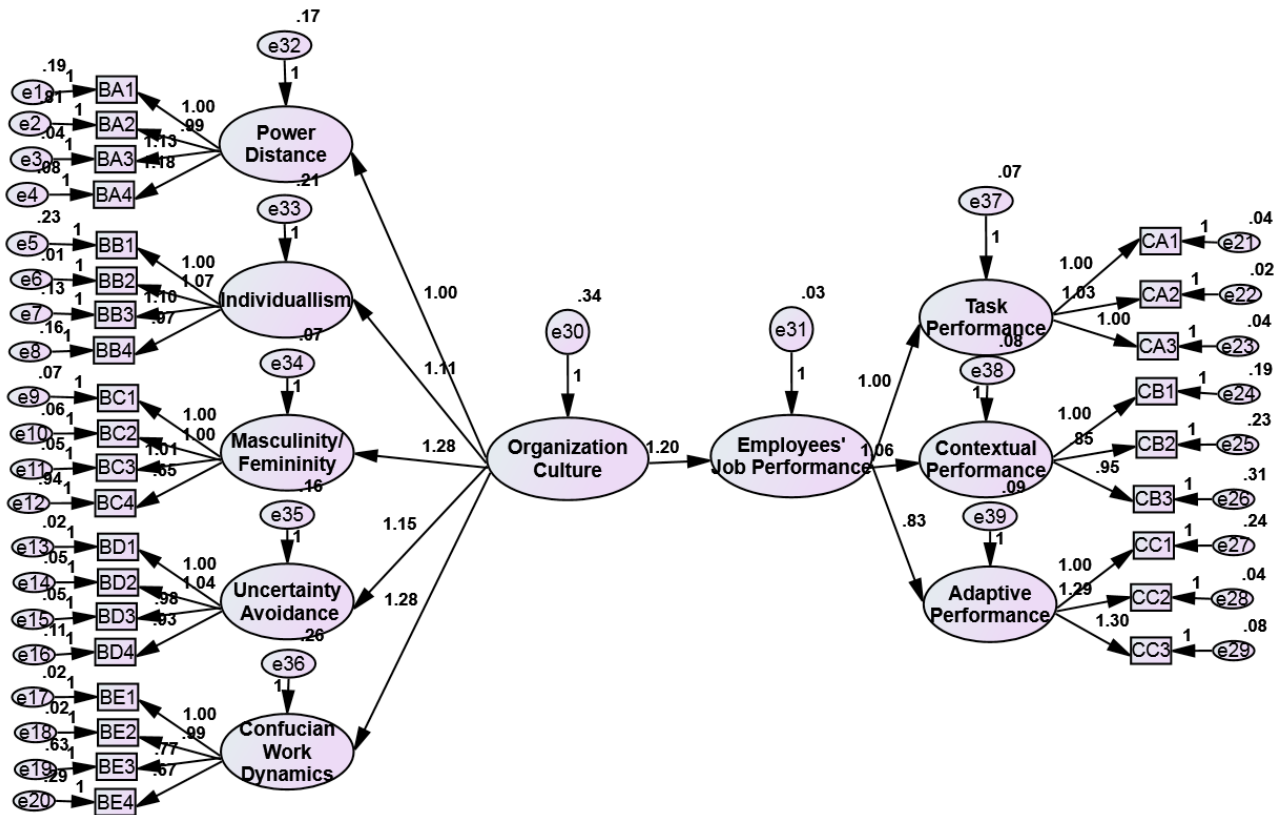


Figure 3: Akbar Jan and Subramani SEM model for impact of organizational culture on employees' job performance based on Unstandardized coefficients

Table 4 summarizes the unstandardized and standardized regression weights of the measured and latent variables. The Unstandardized regression coefficient value for organization culture is 1.198 which represents effect over employee's job performance holding the other variables as constant. The positive sign of the estimate represents that employees job performance would increase by 1.198 for every unit increase in organization culture of the designers industry and this coefficient value is significant at 1% level.

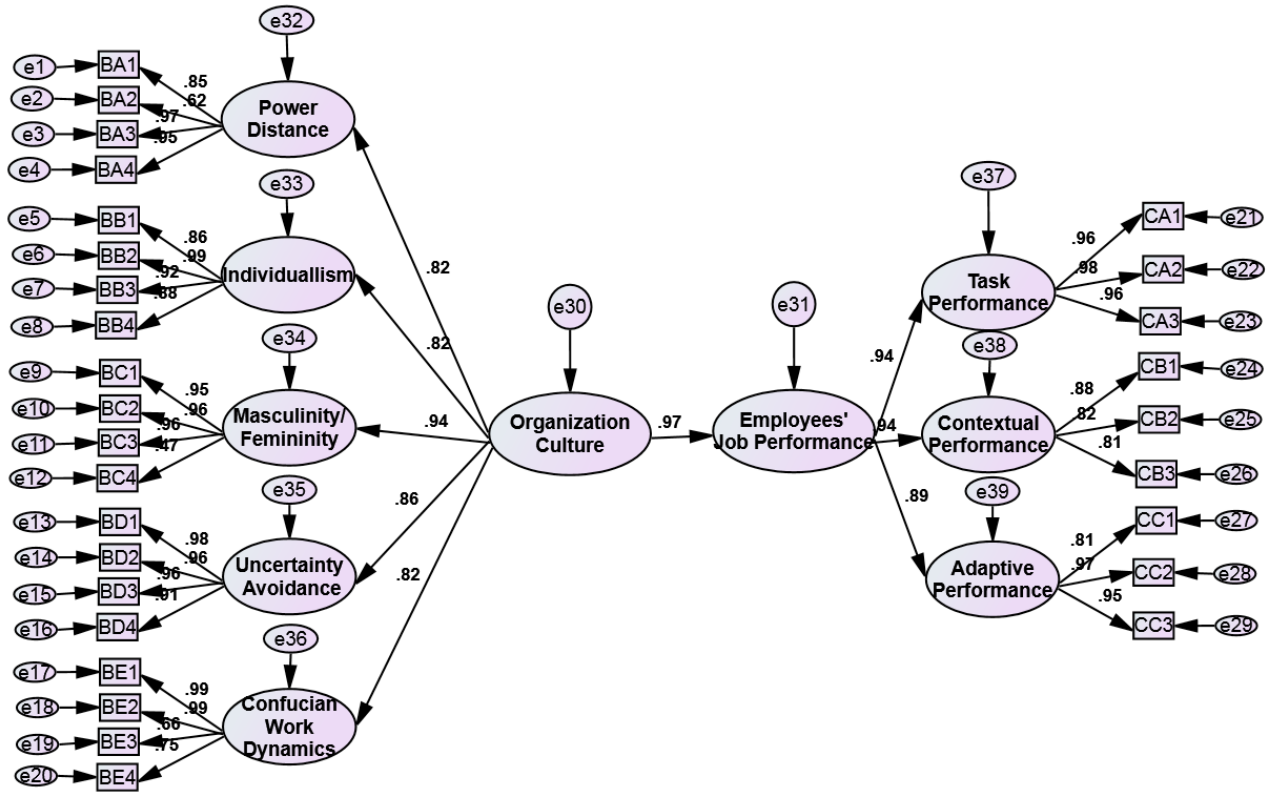


Figure 4: Akbar Jan and Subramani SEM model for impact of organizational culture on employees' job performance based on Standardized coefficients

Table 4
Unstandardized and Standardized Regression weights

Observed Variables		Latent Variables	Estimate	S.E.	Estimate	C.R.	P
Employees Job Performance	<---	Organization Culture	1.198	0.150	0.973	7.983	<0.001**
Power Distance	<---	Organization Culture	1.000	—	0.819	—	—
Confucian	<---	Organization Culture	1.280	0.174	0.824	7.337	<0.001**
Individualism	<---	Organization Culture	1.110	0.170	0.815	6.531	<0.001**
Uncertainty Avoidance	<---	Organization Culture	1.147	0.150	0.859	7.629	<0.001**
Masculinity/Femininity	<---	Organization Culture	1.283	0.158	0.940	8.105	<0.001**
Task Performance	<---	Employees' Job Performance	1.000	—	0.936	—	—
Adaptive Performance	<---	Employees' Job Performance	0.832	0.097	0.892	8.571	<0.001**
Contextual Performance	<---	Employees' Job Performance	1.062	0.102	0.936	10.409	<0.001**

Note: ** Denotes significant at 1% level

The coefficient value of organization culture is 1.000 which represents the same effect over power distance, holding the other variables as constant. The estimated of positive indication implies that power

distance would increase by 1.000 for every unit increase in impact of organization culture activities in the designers industry and this coefficient value is not significant at 1% level.

Similarly the coefficient value of Confucian is 1.280 which represents the partial effect on Confucian towards impact of organization culture holding other variables as constant. The estimated positive sign implies that such effect is positive that impact of organization culture would increase by 1.280 units for every unit increase in Confucian activities in the designers industry at 1% level of significance.

The coefficient value of individualism is 1.110 which represents the effect of individualism towards impact of organization culture holding other variables as constant. Therefore it is projected that positive indication implies such effect is positive that impact of organization culture would increase by 1.110 units for every unit increase in individualism in the designers industry and 1% level significant as coefficient value.

The coefficient value of uncertainty avoidance is 1.147 which represents the positive effect on impact of organization culture, holding the other variables as constant. Hence the positive sign implies that impact of organization culture would increase by 1.147 units for every unit increase in uncertainty avoidance where the coefficient value is significant at 1% level.

The coefficient value of masculinity/femininity is 1.283 which represents the partial effect of masculinity/femininity on organization culture, holding the other variables as constant. The scope of positive sign implies that for every 1.283 unit of increase in employee organization culture would increase by 1.283 units in masculinity/femininity where the coefficient value is significant at 1% level.

The coefficient value of task performance is 1.000 which represents the same effect on employees' job performance, holding the other variables as constant. The estimated positive sign implies such effect is positive that employee's job performance would increase by 1.000 for every unit increase in task performance of the employees those who are working in the designers industry is not significant at 1% level significance.

The coefficient value of adaptive performance is 0.832 which represents the partial effect towards employee job performance, holding the other variables as constant. The positive sign of the estimate implies that every unit of increase of adaptive performance would increase employee job performance by 0.832 at 1% level of significance.

The coefficient value of contextual performance is 1.062 which represents the effect towards contextual performance on employee job performance, holding the other variables as constant. This estimated positive sign implies for every unit of increase in employee job performance would increase by 1.062 for every unit increase in contextual performance with 1% level of significance.

Table 5 shows that the calculated p value is 0.091, which is greater than 0.05 which specifies perfect fit and the value of Chi-square is 2.932, which designates perfect fit. Here GFI, AGFI and CFI values are greater than 0.9 which signifies good fit. The calculated value of TLI and NFI are greater than 0.95 which represents absolute fit and also it is found that RMR is 0.021 and RMSEA value is 0.032 which is less than 0.08 which specifies a good fit.

Table 5
Model Fit Summary

<i>S.No.</i>	<i>Model Fitness Indices</i>	<i>Value</i>	<i>Recommended Values</i>
1.	CMIN or Chi Square Value	2.932	Range from as high as 5.0 (Wheaton et. al., 1977) to as low as 2.0 (Tabachnick and Fidell, 2007).
2.	P value	0.091	> 0.05 (Hair et. al., 1998)
3.	GFI (Goodness of Fit Index)	0.905	> 0.90(Hair et. al., 2006)
4.	AGFI (adjusted Goodness of Fit Index)	0.918	> 0.90 (Daire et. al., 2008)
5.	CFI (Comparative Fit Index)	0.936	> 0.90 (Hu and Bentler, 1998)
6.	RMSEA (Root Mean Square Error of Approximation)	0.032	< 0.08 (Hair et. al., 2006)
7.	RMR (Root Mean Square Residuals)	0.021	< 0.08 (Hair et. al., 2006)
8.	TLI (Tucker-Lewis Index)	0.982	> 0.95 (Hu and Bentler, 1998)
9.	NFI (Normed Fit Index)	0.963	> 0.95 (Hu and Bentler, 1998)

Source: Primary Data

6. CONCLUSION

The outcome of the study clearly indicates that there is a robust relationship exists between organizational culture and employees' job performance. The earlier literatures also evident that positive organizational culture has positive impact on employees' job performance, so the policy makers and top executives in the designers industry need to focus on crafting the positive organizational culture in order to enhance employees' job performance. The change of organizational culture may not happen overnight, it is time consuming process, but it has impact over decades, or generations.

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