The Impact of Organizational Culture on Organizational Performance: An Overview*

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Abstract: Nowadays, organizations work in an environment where unexpected changes are commonplace. In such an environment, to achieve high organizational performance, they have to employ relevant strategies. Adopting the best possible organizational culture is one of these measures to achieve the desired target. If a strong and positive organizational culture is in place, the organization can achieve its short and long-term objectives more efficiently. This study empirically analyses the impact of the organizational culture on organizational performance, dealing with the sub-dimension of culture: mission, consistency, involvement, and adaptability. Performance elements include financial and market performance. The proposed research model and the hypotheses were tested by the data collected from 415 employees in different sectors in Istanbul through online questionnaires. The findings reveal that organizational culture has a significant impact on organizational performance. In this regard, this study offers leaders and managers practical advice on building a strong organizational culture to achieve higher organizational performance.

Keywords: Organizational Performance, Organizational Culture, Mission, Consistency, Involvement, Adaptability

JEL Classification: M14, L25, E61

1. Introduction

The organization is a comprehensive framework for leading a group of individuals to achieve certain objectives set by the owners. Organizations nowadays aspire for constant improvement, rapid expansion, long-term stability, and global profitability (Obeidat et al., 2018: 263). Furthermore, modern firms operate in a continually changing environment that is difficult to foresee. Due to these challenges, large amounts of money and time have been spent on these adjustments to attain high performance (Nikpour, 2017: 70). Traditional management strategies cannot achieve performance excellence in this age of perpetual change. As a result, businesses must adopt new and effective

* This study is derived from the MBA study of “Examining The Relationship Between Organizational Culture and Organizational Performance.”
management strategies (Van Fleet & Griffin, 2006: 701). It is therefore critical to identify all aspects that may impact organizational success.

The organizational culture comprises practices, experiences, behaviors, and ideas that are produced, invented, learned, and passed down from one individual to another, and it evolves (Salajegheh et al., 2015: 130). Organizational performance refers to an organizational ability to effectively utilize all available resources and carry out all activities to ensure the long-term attainment of the organizational goals (Jenatabadi, 2015: 9). According to Carmeli and Tishler (2004), organizational culture is difficult to grasp since it is invisible. As a result, one of the invisible organizational factors is culture. The relationship between organizational culture and performance has been studied by several scholars (Chehade et al., 2006: 12). However, earlier research that looked at the association between these two factors lacked methodological elements and raised issues about validity. Those surveys included only a few members who did not represent the full group (Wilderom et al., 2000: 194). There are some differences of opinion among the researchers about this relationship. Many research has failed to provide a comprehensive description of organizational culture. There are over 200 definitions for organizational culture, which leads to variations in interpreting the notion.

When organizational culture is successfully implemented, organizational performance will improve (Maleka et al., 2015: 5). Denison’s approach includes four cultural characteristics: mission, consistency, adaptability, and involvement. All of these characteristics have a significant impact on organizational performance. Hence, this study investigates the significant relationship between organizational culture and organizational performance.

2. Literature Review
2.1. Organizational Culture
Organizations have a long history of organizational culture. Obeidat et al. (2018) said that practices, narratives, language, and symbols are four components of culture prevalent in most conceptions of culture. Culture is a set of behaviors, attitudes, and values that become ingrained in a company’s social fabric. The organization’s management system promotes and embodies the fundamental concepts, beliefs, and values, which serve as the foundation for management behaviors and activities (Carmeli & Tishler, 2004: 1258). Employees’ common views and ideas about the organization’s existence and operation are defined as organizational culture (Allard, 2010: 18).
However, Wyatt (2002) explained that culture is defined differently from the perspective of organizations and their constituents, such as beliefs and values.

Organizations are groups of people that work together to achieve specific objectives (Maleka et al., 2015: 5). If an effective environment is created, it will aid in achieving those objectives. Business organizations must meet various standards to succeed in this competitive age; one of those requirements is organizational culture (Salajegheh et al., 2015: 130). According to Nikpour (2017), a lack of an effective organizational culture has a detrimental impact on overall workplace environments.

Previous researchers have discussed various aspects of organizational culture, but they have not agreed on a uniform definition of culture. Organizational culture is a set of basic ideas that everyone shares (Davis & Landa, 2000: 26). Individuals learn these basic principles when overcoming concerns and difficulties. Internal integration and external adaptation are at the root of these issues (Van Fleet & Griffin, 2006: 701). These concepts are thought to be effective and valid. As a result, all new members should learn to solve organizational issues (Schein, 1999: 3). Thus organizational culture is a set of values, beliefs, and taught strategies for dealing effectively with a certain experience that has evolved as the organization's history has progressed (Brown, 1998). Members' actions and material arrangements demonstrate this. Needle (2004) states that organizational culture manifests collective principles, beliefs, and values regarding the organization's members. Organizational culture includes consistency, adaptability, mission, and involvement (Denison, 2000: 350).

2.2. Organizational Performance
Rose et al. (2008); Jenatabadi (2015) said that organizational success is linked to the outcome of cultural integration, including behaviors, attitudes, and values. Culture integration has an impact on long-term organizational success (Collins & Smith, 2006: 545; Xenikou & Simosi, 2006: 570; Chow & Liu 2007: 50). Businesses that can effectively handle organizational culture integration and transformation can achieve positive organizational performance. Like Cambra–Fierro et al. (2008), many researchers have claimed that organizational culture is positively related to performance. The importance of organizational culture and organizational performance has been recognized in recent studies; consequently, it is critical to discuss research. The success of the organization can be reflected through organizational performance. Performance is concerned with applying, performing, and doing committed and regular tasks. Chamanifard et al. (2014) said that organizational performance is associated with inputs and outputs.
Furthermore, organizational performance has been defined as the sum of departmental or business organization success. These success elements are tied to the organization's long-term objectives (Lee & Huang, 2012: 145). Furthermore, Ahmed and Shafiq (2014) argued that organizational effectiveness is linked to the profitability and survival of businesses. Organizational performance includes innovation, quality, productivity, efficiency, and effectiveness (Tangen, 2004: 730). Individuals' attitudes and sentiments regarding their jobs, whether favorable or bad, are reflected in job satisfaction (Yousef, 2002: 260). Individuals' involvement and strength of identification with their organizations are called organizational commitment (Porter et al., 1974: 605).

Moorhead and Griffin (2004) explained that over the last century, improving organizational performance has been a hot topic of debate. Culture's beginnings can be found in social science disciplines such as social psychology, sociology, and anthropology. Scientific management's founders looked at efficiency and performance and how they affected efficiency. The focus was on research that looked at morale and productivity. It was shown that satisfied employees worked harder than dissatisfied workers. Maslow did a thorough investigation on employee motivation. Other theories, such as theory Y and theory X, looked into the conduct of employees.

Good organizational performance is based on a strong organizational culture. However, two distinct businesses do not achieve the same results with the same strategy in the same industry. A strong organizational culture has the power to elevate even the most ordinary business. Employees might be discouraged and demotivated by a poor and negative organizational culture, leading to poor performance (Chamanifard et al., 2014: 654). Organizational culture will now have a direct and active role in enhancing or damaging organizational performance. Studies on culture will help better understand how to improve organizational performance. Organizational actions and practices, such as organizational performance, may be detrimental if the impact of organizational culture is ignored. The reason for this is that these variables are interrelated. A change in one variable will cause the other variable to alter.

According to Jenatabadi (2015), organizational performance is an organization's ability to use various resources and complete numerous activities. It will aid in assuring long-term success by aligning with company objectives. Ogbonna and Harris (2000) said that organizational performance has multiple dimensions and has become increasingly important in practical and academic research investigations. Various research has been conducted on the relationship between organizational performance and organizational culture. Financial success and organizational culture have been linked in numerous
studies. Ogbonna and Harris (2000) have explained the link between market performance and organizational culture.

Organizational effectiveness is strongly linked to organizational members and organizational culture (Tsui et al., 2006: 114). According to Matkó and Takács (2017), this link has been extensively discussed in the literature. However, a few research studies have analyzed the relationship between organizational performance and culture (Ogbonna & Harris, 2000: 770). Furthermore, the relationship between financial and market organizational performance has been thoroughly investigated. This research discovered a substantial link between organizational performance (both market and financial) and organizational culture. The same relationship was studied in a study undertaken by Xenikoi and Simosi (2006), who discovered that organizational performance and organizational culture are highly linked.

2.3. Theoretical Framework and Hypotheses Development
There were several issues in investigating the relationship between organizational performance and organizational culture (Chehade et al., 2006: 12). The history of organizational culture revealed a focus on employee performance, productivity, and culture, highlighting and assisting in examining the relationship between organizational performance and organizational culture. In other investigations, however, the process was more formal. As a result, the knowledge and techniques gained from prior research projects were expanded in this study.

Schein (2004) explained that individuals define their roles in the organizational culture by establishing expectations and priorities that allow them to comprehend and learn crucial components. As a result, kids will be able to recognize the elements that can lead to reward and punishment. As a result, the researchers discovered a robust link between organizational culture and performance. Organizational culture must be centered on organizational performance, success, and growth. As a result, it shows that organizational culture is critical to its performance.

Furthermore, research has demonstrated that organizational culture significantly impacts various factors, including fraud, turnover, strategy, ethics, teams, and change. According to Fisher (2000), all of these characteristics contribute to organizational performance. An individual can analyze the employee–organization culture gap by carefully examining the compatibility between organizational and employee values. French (1998) said that understanding the phenomenon of organizational culture is essential for organizational effectiveness. As a result, businesses should assess and
quantify their cultures, as poor cultures can result in significant losses. Kee (2003) argued that most executives and managers were unaware of the importance of organizational culture in shaping organizational strategies and processes. Companies that ignore the concept of organizational culture will suffer significant losses.

Irefin and Mechanic (2014) said that various elements, such as organizational culture, work happiness, and organizational commitment, can influence organizational performance. According to Gregory et al. (2009), the link between organizational culture and numerous indices of organizational success, such as organizational commitment and work satisfaction, has gotten a lot of attention in recent years. Patterson et al. (1997) said a favorable relationship between organizational performance and organizational culture.

Furthermore, the experts claim that a strong organizational culture is critical to success (Ladika, 2008: 77). Denison’s model also includes four cultural aspects, including mission, adaptability, consistency, and involvement (Denison & Mishra, 1995: 207). These characteristics significantly impact organizational performance (financial and market). The link between financial performance, market performance, and organizational performance has been thoroughly researched (Ogbonna & Harris, 2000: 770). This research discovered a substantial link between organizational performance (both market and financial) and organizational culture. The same relationship was addressed in a study by Xenikoi and Simosi (2006), who found a substantial link between organizational performance and organizational culture.

Denison’s model comprises assumptions and beliefs that demonstrate the depths of organizational culture (Yilmaz, 2008: 300). These core ideas provide the foundation for action and behavior and more surface-level cultural elements such as rituals, heroes, symbols, and values (Denison, 2000: 350). Organizational comparisons are based on surface-level values. These numbers are more valid and dependable than the other factors since they are more accessible than the assumptions. Furthermore, according to Denison and Mishra (1995), Denison’s approach includes four cultural characteristics: mission, adaptability, consistency, and involvement. All these characteristics have a significant impact on organizational performance. As a result, it is claimed that:

**H1:** A strong organizational culture positively impacts organizational performance.

**H2:** Organizational performance (financial and market) is impacted by cultural features such as mission, adaptability, consistency, and involvement.
2.4. Conceptual Framework

The following is the study’s conceptual framework:

![Conceptual Model](image)

**Figure 1. Conceptual model**

3. Research Methodology

The information for this study was gathered from employees of several organizations in Istanbul, Turkey. The convenience sampling strategy was used in this study to acquire data from subjects who were simple to approach (Sekaran & Bougie, 2016).

The item–response theory was used when gathering data through surveys (43*10 = 430). Employees were given 430 online questionnaires to complete. The respondents completed and returned 415 online surveys. As a result, 96.51% of people responded.

Employees of organizations in Istanbul, Turkey, were given online surveys. Google Forms was used to create these questionnaires. Participants were sent questionnaires via various channels such as WhatsApp, Facebook, Instagram, and Twitter. Due to the COVID-19 epidemic, it was possible to distribute questions via online channels.

3.1. Scales

The "five–point Likert scale ranging from strongly disagree to strongly agree" was used to analyze all responses. Mission, adaptability, consistency, and involvement were the four components of organizational culture. Fey and Denison (2003); Xiao (2007); Okoro (2007) used a 36–item scale to assess organizational culture. "Our organization has an ethical code that governs our behavior and helps us identify right from wrong," for example. Wu et al. (2006) developed a 7–item scale to assess organizational performance; Xiao et al. (2007). "Our company develops new markets better and faster than our competitors" is one of the sample items.
4. Findings of Research
4.1. Demographic Analysis
Gender, age, the highest level of education, role, average working hours, years with the company, and full-time employees are among the demographic characteristics of the sample. Respondents completed 415 of the 430 online questionnaires that were emailed to them. There were 240 male participants and 175 female participants regarding gender. As a result, the majority of the participants were men (57.83%). In terms of age, 23 participants were between the ages of 20 and 25, 189 were between the ages of 26 and 35, 121 were between the ages of 36 and 45, and 82 were over the age of 45. Thus, most of the participants were between the ages of 26 and 35 (45.54%).

When it came to the greatest level of education, 54 individuals had completed high school, 110 had completed a bachelor's degree, 210 had completed a master's degree, and 41 had completed a Ph.D. degree. As a result, most of the responders held a master's degree or higher (50.60%). According to the role, 65 people worked in executive positions, 305 in middle management positions, and 45 in staff positions. As a result, most participants were in middle management (73.50%).

When it came to working hours, 67 individuals worked for 0–10 hours on average, 119 for 11–20 hours on average, 113 for 21–35 hours on average, and 64 for more than 35 hours on average. As a result, most individuals worked an average of 11–20 hours per week (29.6%). In terms of years with the organization, 182 participants had been with the organization for 0–5 years, 128 participants had been with the organization for 6–15 years, 84 participants had been with the organization for 16–25 years, and 21 participants had been with the organization for over 25 years. As a result, most employees had been with the company for 0–5 years (43.86%).

4.2. Reliability Analysis
0.70 threshold of Cronbach Alpha's was used to test the constructs' reliability (Cronbach, 1951). OCI has a reliability value of 0.89, OCC has a reliability value of 0.92, OCA has a reliability value of 0.87, OCM has a reliability value of 0.93, and FP has a reliability value of 0.90. MP has a reliability value of 0.85. The reliability levels are all higher than the cutoff. All of the factors were determined to be bigger than 0.70. As a result, the data was proven to be trustworthy. All of the constructs have an overall alpha value of 0.98.
4.3. Correlation Analysis

The correlation analysis was employed to examine for existing relationships between variables. OCI has a statistically significant relationship with OCC ($r = 0.682$, $p < 0.05$), OCA ($r = 0.528$, $p < 0.05$), OCM ($r = 0.514$, $p < 0.05$), FP ($r = 0.629$, $p < 0.05$), and MP ($r = 0.573$, $p < 0.05$). OCC shows a statistically significant relationship with OCA ($r = 0.533$, $p < 0.05$), OCM ($r = 0.608$, $p < 0.05$), FP ($r = 0.496$, $p < 0.05$), and MP ($r = 0.486$, $p < 0.05$). OCA shows a statistically significant relationship with OCM ($r = 0.637$, $p < 0.05$), FP ($r = 0.535$, $p < 0.05$), and MP ($r = 0.616$, $p < 0.05$). OCM has a statistically significant relationship with FP ($r = 0.548$, $p < 0.05$) and MP ($r = 0.479$, $p < 0.05$). MP and FP have a significant relationship ($r = 0.606$, $p < 0.05$). All of the values are significant, indicating a strong link between the constructs. Furthermore, no value exceeds 0.85, indicating discriminant validity in this study.

<table>
<thead>
<tr>
<th>Variables</th>
<th>OCI</th>
<th>OCC</th>
<th>OCA</th>
<th>OCM</th>
<th>FP</th>
<th>MP</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCI</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCC</td>
<td>0.682**</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>OCA</td>
<td>0.528**</td>
<td>0.533**</td>
<td>1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OCM</td>
<td>0.514**</td>
<td>0.608**</td>
<td>0.637**</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>FP</td>
<td>0.629**</td>
<td>0.496**</td>
<td>0.535**</td>
<td>0.548**</td>
<td>1</td>
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<tr>
<td>MP</td>
<td>0.573**</td>
<td>0.486**</td>
<td>0.616**</td>
<td>0.479**</td>
<td>0.606**</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: ** shows the significance level at $p < 0.05$.

4.4. Regression Analysis

To describe and approve the hypotheses, the regression technique was used. The majority of researchers have utilized this method to determine the significance of hypotheses that have been proposed. Because of the significant value, it was discovered that OC had a significant association with the OP after this research. As a result, the study’s first hypothesis has been confirmed. Then, all OC dimensions, such as OCI, OCC, OCA, and OCM, have a significant relationship with FP because of substantial values. Because of substantial values, all of the dimensions of OC, such as OCI, OCC, OCA, and OCM, have a significant relationship with MP. As a result, the second hypothesis is supported because all four dimensions of OC show a strong relationship with both dimensions of OP.
Table 2. Regression Analysis

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Beta Values</th>
<th>Stand. Deviation</th>
<th>T-test Values</th>
<th>Significance Values</th>
<th>Approval or Rejection</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: OC→OP</td>
<td>0.891</td>
<td>0.128</td>
<td>10.258</td>
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<td>Approved</td>
</tr>
<tr>
<td>H2 (a): OCI→FP</td>
<td>0.671</td>
<td>0.187</td>
<td>12.258</td>
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<td>Approved</td>
</tr>
<tr>
<td>H2 (b): OCC→FP</td>
<td>0.512</td>
<td>0.117</td>
<td>9.258</td>
<td>**</td>
<td>Approved</td>
</tr>
<tr>
<td>H2 (c): OCA→FP</td>
<td>0.536</td>
<td>0.361</td>
<td>18.247</td>
<td>**</td>
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</tr>
<tr>
<td>H2 (d): OCM→FP</td>
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<td>0.298</td>
<td>17.325</td>
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<tr>
<td>H2 (e): OCI→MP</td>
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<td>0.418</td>
<td>16.743</td>
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<td>H2 (f): OCC→MP</td>
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<td>58.247</td>
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<tr>
<td>H2 (g): OCA→MP</td>
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<td>0.416</td>
<td>47.218</td>
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<tr>
<td>H2 (h): OCM→MP</td>
<td>0.629</td>
<td>0.517</td>
<td>14.287</td>
<td>**</td>
<td>Approved</td>
</tr>
</tbody>
</table>

5. Conclusion and Recommendations

5.1. Limitations
There are some limits to any study. Future researchers will have some limits as well. Because this study was only done in Istanbul, Turkey, its generalizability is limited. Researchers can collect data from additional cities and nations in the future to broaden the scope of their research. Second, no qualitative tools were used in this study; instead, the employees provided quantitative data. Researchers will be able to obtain thorough replies of rising significance using qualitative methods in the future. Finally, this study used a non-probability sampling technique rather than a probability sampling technique. Researchers can use any probability sampling technique in the future by obtaining a list of all employees. Fourth, this analysis was conducted only based on individual employee data. Researchers can collect data in the form of dyads in the future, such as supervisors and supervisees.

5.2 Conclusion
The main goal of this research is to investigate and assess the impact of organizational culture on performance. Data was collected from 415 employees in Istanbul, Turkey, who worked for various organizations. SPSS was used to capture their responses. The hypotheses were investigated using a variety of techniques. As a result of the significant beta values, both study hypotheses are supported.

Furthermore, the correlation study revealed a substantial relationship between all constructs. All of the constructions are reliable because their alpha values exceed the 0.70 requirements. The data show that organizational culture has a major impact on organizational performance. Mission, adaptability, consistency, and involvement are aspects of organizational culture that strongly link to financial and market performance.
5.3. Recommendations
Organizational culture has now become a worldwide phenomenon. As a result, performance is substantially impacted. Many researchers have stated that one of the most important aspects influencing organizational performance is organizational culture. To attain the desired goal of great organizational performance, managers must thoroughly understand the concept of organizational culture. On the other hand, managers and leaders will not be able to attain the intended aim of high performance in their organizations if they overlook the culture of their organizations. There is no doubt that a strong and positive organizational culture leads to higher organizational performance.

This research has crucial implications for managers who want to highlight organizational culture since it can help them achieve their objectives by improving organizational performance. By presenting Denison's framework, this study provides new insight to the theory of organizational culture.

References


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