

## **The Influence of Organizational Culture on Employee Performance: A Glance on Private Higher Institutions in SNNPRS**

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### **ABSTRACT**

*The government of Ethiopia has launched several reform programs to promote effective performance among employees in the private higher institutions, the performance level is still demanding. In general, positive organizational culture such as a good reward and sustained motivation systems would improve the performance of an organization. The major objective this study was to examine the influence of organizational culture on the employee performance in private higher institutions in Southern Nations, Nationalities Peoples Regional State (SNNPRS). The study employed a cross-sectional survey design and the study included 180 (one hundred eighty) respondents from six private higher institutions residing in SNNPRS. As a sampling procedure, stratified random sampling procedure was used. The study disclosed that there is a statistical significant association between organizational culture and employee performance in private higher institutions in SNNPRS and the centrality of the concept of organizational culture in the performance of private higher institutions like Ethiopia. The finding advised that there is a need to develop and implement an efficient and effective organizational culture that encourages and motivates good performance among employees in private higher institutions.*

**Keywords:** *Organizational culture; Employees performance; Higher institutions; SNNPRS.*

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### **1.0 Introduction**

Company cultures have had different effects on performance of employees and levels of motivation and employees many a times work very hard in order to accomplish

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the goals of the organization if only they regard themselves to being a segment of the corporate culture (Nabukeera *et al.* 2015). In similar vein, the above author stated that good cultures should be compatible with the environment and has to be valuable in order to achieve a competitive advantage. This means that it has to give the firm an opportunity to behave in a manner that would culminate to less costs, huge profits and others that achieve the fiscal performance of the company; it needs to be rare thus should have special features that distinguish the organization from the cultures of a huge number of different other organizations of similar racket; it should be sub standardly imitable in the sense that given that if probable imitators can grasp valuable and rare and corporate cultures, it could still not be viable to copy the cultures (Njugi and Nickson, 2014).

In another interrelated study made by Eisenberger (2003) stated that every organization is influenced by the existing culture which varies from organization to organization. Other researchers like Schein (2004) and Alvesson (2003) concluded that the productivity of an organization is greatly affected by its culture. When you walk in different companies, one will experience a certain atmosphere, feeling, style personality, a charm, a feel that is unique to it, this as a result influences the way the employees relate to their clients.

In similar vein, in organization level, Ajzen and Fishbein (1980) confirmed that culture is regarded as the real driver for superior performance and a definite source of competitive advantage that is very difficult for competitors to emulate. Organizational culture is the main part of development strategy of organization as it includes the concept of production, planning, marketing, controlling, motivation and leading. Each part of the development strategy of organization has a direct or indirect impact on performance which means the quality of organizational culture construction will influence performance of organizations directly or indirectly. Organization is defined as the combination of people or individual effort working together in pursuit of certain purposes called organizational goals (Ajzen and Fishbein, 1980).

When the issue of organizational culture is concerned, it permeates organizational life in such a way as to influence every aspect of the organization. It affects such outcomes as productivity, performance, commitment, self-confidence and ethical behaviour. Implement performance management system by discussing training and planning. Organizational culture will not only get in touch with organizational or employee performance closely but also exerts a great influence on organizational performance (Armstrong and Collopy, 1996).

The business environment that an organization operates within will influence its

culture. It will also be affected by the geographical region, which relates to Hofstede's (1991) work on the effects of national culture. This is also an evidence to suggest that different cultural attitudes depend on the social strata that exists within a region. The type of industry that a company is in will similarly have an impact on how a culture develops. In this perspective, management practices and the formal socialization process also have a strong influence over an organization's culture. It is the way in which a company is actually managed will have influence over the behavior and attitudes of its employees. With the understanding of the above issues, the understanding of the relationship between employee's job performance and culture of the organization is the main research subject because it is ascertain by different studies that individuals work performance is crucial for success of organization particularly in the in the case of higher institutions in the context of developing countries.

In a similar study conducted by Pushpakumari (2008) points out that a positive organizational culture would improve the performance of an organization in different ways such as placing constraints on the individual's freedom of choice and providing a source of reward and punishment. Another study conducted by Ahmad (2012), found out that the implementation of a good rewarding system and continuous motivation encourages the employees to do best to target achievements of the organization, instead of giving more focus on structures and policies. Therefore, basing on this background there was a need to investigate influence of organizational culture on employee performance in private higher education in Ethiopia specifically SNNPRS.

### **1.1 Statement of the problem**

When the issue of organizational culture is concerned, all organizations, everywhere, function within a specific culture, and it is becoming more widely recognized in contemporary discussions of organizational performance that managers and other organizational practitioners have to develop an understanding of their cultural settings if their organizations are to perform effectively. Assessing and improving organizational culture as well as determining when major cultural transformations are necessary is critical to long-term organizational success. Managing differentiated cultures and creating synergies across these cultures is also a critical leadership challenge.

In another interrelated study made by Yilmaz and Ergun (2008), define organizational culture includes beliefs and attitudes of people in performing, organizing, assessing and rewarding their performance when dealing with problems of external adaptations and internal integration, how they think and feel about their organizations

(Yilmaz and Ergun, 2008). These beliefs and attitudes are fruits of the modal of organizational structure within a certain organization.

Organizational culture is characterized by things like incentive system, technological skills, re- structuring of organization structure, vision, mission, core values, training, motivation, recruitment and termination. It happens that these characteristics of organizational culture change from on leadership to another in a given organization. Such changes can be indicated by an increase or decrease of a certain characteristic.

Onyambu (2013) examined organizational culture on organizational performance at Kenya Power and Lighting Company Limited and found out that organizational culture change process was championed by a team of Change Agents or Ambassadors drawn from formal and informal structures of the organization and supported by top management. In this regard, none of the studies reviewed above focused on the influence of organizational culture on the performance of employees at private higher institutions. Studies done on organizational culture have focused on linking employee performance to organizational culture without looking at influences of culture to performance of employees. This research therefore wanted to fill the research gap by answering one research question: What is the influence of organizational culture on employee performance in the private higher institutions in SNNPRS? The major objective of this research is to evaluate how the culture of an organization affect the performance of employees. Keeping in mind the above gaps, the research answered the following questions.

- How culture can affect employee's performance?
- What is the employee's expectation towards organizational performance?

## **2.0 Objective of the Study**

The general objective of the study is to assess the effect of organizational culture on employee performance on private higher institutions in SNNPRS.

The specific objectives are:

- To determine how culture can affect employee's performance
- To examine the employee's expectation towards organizational performance

## **3.0 Review of Related Literature**

This portion of the study aim to show literature important to the study and to provide a theoretical frame work. This chapter also consists of definition, concepts, theoretical literature, empirical evidence and conceptual frame work of the study.

### **3.1 Organizational culture**

According to Magee (2002) organizational culture is the set of assumptions that members of an organization subscribe to. The assumptions are mainly beliefs and values. Beliefs focus on reality and they come from experience while values are about ideals that are desirable and worth striving for. It is the specific assortment of principles that are shared by everyone in the organization. This in turn controls the way these people intermingle with each other and with outsiders. The sharing of these beliefs and values create a business culture (Azhar, 2003). Robbins (2012) views organizational culture as a homogeneous discernment of the organization based on outstanding uniqueness separating one organization from the other.

Barney (2012) disclosed that, organizational culture has a pervasive effect on an organization because it defines who its relevant employees, customers, suppliers, and competitors are, and how to interact with these key actors. The culture's intensity or strength, and its adaptiveness are the components that enable organizations to meet the twin demands of internal consistency and external flexibility (Schein, 2011). When employees are made aware of the culture of their company they will appreciate both the organization's past and present system of operation. This gives direction about the way to behave in the future and also promote the organization's way of life by enhancing shared feelings. Therefore, any organization that has a well stipulated culture often works toward common goals and can achieve efficiency because workers share success oriented ideals (Barney, 2012).

In Hofstede's (2007) view, the actions of an individual at work are often dependent on national, industrial and organizational cultures. Organizations often have their own distinctive cultures, however unlike a society, an organization is defined largely by its purpose and this is a further influence on its culture. In similar vein, Owino and Kibera (2015) the dominance and coherence of culture is an essential feature of an organizational culture. In most cases, cultures often function based on a structure of invisible, theoretical and emotional forms which enable workers to meet their physical and social needs. Besides increasing employee's commitment, organizational culture gives workers a sense of identity, reinforces work based values and serves as a control mechanism for work based ethics (Nelson and Shavitt, 2002). This facilitates acceptable solution to known problems as employees learn to set principles, norms and patterns of behavior that promote work accomplishment (Schein, 2011).

### **3.2 Organizational culture and performance**

Some studies have been conducted in relation to organizational culture and employee performance in different organizations. A study by Byrne and Hochwarter

(2012) on the factors influencing employees' belief in the care by their organization in Canada reported that employees' felt that their organization cared about their success and this increases their commitment to the organization, help the organization accomplish its goals and make them to be more loyal to their organizations. Hence, the felt organizational culture is seen in job enrichment, organizational rewards, promotions, appreciation and involvement in policy formulation. A study by Noruzy (2013) investigating the link between workplace justice and organizational performance in Pakistan revealed that organizational culture significantly influenced the organizational citizen behavior and had meditating role between organizational justice and organizational citizenship behavior.

However, Eisenberger (2003) meta-analysis revealed a small association between organizational culture and employee work performance. In a study by Zain (2013) on the influence of job satisfaction on employee work performance in commercial banks in India revealed minimal influence of salary on job satisfaction. However, the study exposed a strong link between job satisfaction and happiness in comparison to salaries. This relationship suggested that rank was a stronger predictor of employees' professional achievements. In another study conducted among bank employees in Brazil by Njugi and Nickson (2014) established that employees' performance was influenced by income and job satisfaction. A study by Dorman (2010) on the factors influencing employee performance in Britain revealed that organizational culture that embraced job satisfaction often declined with increase in employees' level of education. This suggests that employees' level of education negatively impacted on job satisfaction.

#### **4.0 Research Methodology**

The aim of this section is to explain methods used in carrying out this research, how the research will be designed, sampling technique and reasons for the choices. The chapter presents data collection and data analysis methods employed in the research.

##### **4.1 Research design**

The research used a descriptive study. A descriptive study aimed to create an accurate profile of persons, events or situations. Another author adds that a descriptive study may means to establish only associations between variables. The reason for this choice centered on the research objective "to examine the effect of organizational culture on employee performance" and on the way in which the research questions will be structured. Also the research used descriptive design since a descriptive study

establishes only association between variables on what the researcher will try to do; creating an accurate profile of a situation about the relationship between organizational culture and employee performance. Furthermore, the research followed a cross-sectional study because the research used more than one case in the research and in cross-sectional studies variables of interest in a sample of subjects are tested once and the relationships between them are determined.

## **4.2 Population and sampling procedures**

### **4.2.1 Study population**

The target population of this study would be employees who were working as an employee in private higher institutions of SNNPRS Ethiopia.

### **4.2.2 Sampling design**

The researcher used non-probability sampling specifically convenience sampling to select employees to represent all population of the study. The reason behind this technique is it is easy to analyze and give equal chance for the respondent. This study selects some representative (samples) from the total population to draw valuable conclusion on organizational culture on employee performance. So to keep accuracy of data 182 respondent employees from 6 private higher institutions residing in SNNPRS were selected from all categories.

### **4.2.3 Data collection procedures**

The study employed both primary and secondary sources for collecting facts and figures relating to the topic under the study. The primary data was collected with the help of questionnaire. Secondary source includes previous reports, procurement trackers, quarter and year end reports and various websites, which provide information for building up the theoretical and conceptual framework of the study. This study used a structured type of questionnaire as its main technique of data collection. The choice of the instrument was based on the fact that the study were quantitative in nature. The questionnaires was developed in search of the study objectives with close-ended questions, designed from literature review.

## **5.0 Analysis of the Study**

### **5.1 Inferential analysis of the study**

This section presents the results on inferential statistical analyses. Pearson correlation analysis was applied to establish the relationship between organizational

culture and employee performance in private institutions in SNNPRS. The findings are presented in Table 1.

**Table 1: Correlation Analysis between Organization Culture and Employee Performance**

		<b>Organization Culture</b>
<b>Employee performance</b>	Pearson Correlation	0.994
	Sig. (2-tailed)	0.001
	N	180

\*  $\sigma=0.05$  (Correlation is significant at 0.05 level (2-tailed))

Source: Survey result, 2019

As presented in Table 1, there was a strong positive relationship between organizational culture and employee performance ( $r=0.994$ ;  $p<0.05$ ). This suggests that organizational culture positively influenced employee performance in higher institution in SNNPRS. This implies that the issue of the interrelation between organization culture and organizational performance is brought out clearly in this study. The result confirms also that as far as higher private institutions in Ethiopia are concerned, to some significant extent has been felt on such employee performance dimensions as teamwork, employee productivity and financial performance.

**Table 2: Regression Model Summary of Organization Culture on Employee Performance**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.871a	0.759	0.753	0.462

a. Predictors: (Constant), Employee Performance

Source: Own survey result, 2019

Table 2 depicted that the R2 value of 0.759. According to this result the independent variables (organizational culture dimensions) have an effect on employee performance accounted 75.9 percent and the other unexplained variables which are not considered in the study accounted 24.10% have affected employee performance, the adjusted R square is 0.753 and standard error of the estimation is 0.462. To sum it up, in accordance with the above result, employee performance in the study area.



**Table 3: Regression Model for Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
Model		Beta	Std. Error	Beta	t	Sig.
	Constant	-0.727	0.084			
	<b>Artifacts</b>	0.255	0.041	0.196	6.193	0.01
	<b>Beliefs and values</b>	0.204	0.039	0.161	5.172	0.01
	<b>Rules and Policies</b>	0.321	0.036	0.278	8.813	0.01
	<b>Management behaviors</b>	0.205	0.042	0.144	4.857	0.01
a. Dependent Variable: Employee Performance						

Source: Survey 2018/2019

From Table 3 one can observe that the coefficient of artifacts, espoused beliefs and values, rules and policies and management behaviors are positively related to employee performance. From the above analysis it can be said that the organizational culture of NIC bank is positively associated with employee performance.

## 6.0 Findings

The study determined that strong positive relationship existed between organizations culture with performance of employees as denoted by the high coefficient of 0.995. These findings are supported by Kotter (2012) organizational culture has ability to increase employee job content, sense of assurance about solving problems and performance of employees. In general, the results revealed that all independent variables accounted for 75.9 percent of the variance in employee performance ( $R^2 = 0.759$ ). Thus, 75.9 percent of the variation in employee performance can be affected by the identified cultural dimension factors and other unexplored variables may explain the variation in employee performance which accounts for about 24.1 percent (Table 2).

## 7.0 Recommendations

The study results have important implications for the management of higher private institutions. Based on the results of the study, the management needs to know the importance of organizational culture to the growth and success of the firm. They should develop a clear understanding of the organizational culture concepts then build a stronger organizational culture which later will create a competitive advantage for the organizations and improve employee performance. The following recommendations should be considered.

Private higher institutions should put emphasis on embracing and adopting great organizational culture. This is because organizational culture positively influences strategies and policies implemented thus creating sustainable competitive advantage. Additionally, firms should ensure they align their strategies and organizational culture if they intend to benefit from good organizational customs.

The research findings revealed that organizational culture has influence on performance of employees in higher private institutions. The study therefore recommends that management should define organizational cultures that are self-sustaining and practical because if there is a conflict between personal agendas and organizational culture then the system designed would fail to reach the success desired. Top management ought to oversee the successful cultivation of practical and suitable organization cultures. Generally, higher private institutions should work on all the stated culture dimensions especially which affected employee performance highly as stated in the finding part of the study it accounts 75.90 percent (Table 3).

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