

# The Relationship between Organisational Culture and Employee Performance: Case of Sri Lanka

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## Abstract

Employees are more than the most important asset, they play pivotal role in current operational performance and future competitive advantage. Employees spend their major part of their life in the organization within which they work. When people join, they bring with them the unique values and behaviors' that they have been experienced. While every aspect of managing people in organizations is important, when they are all combined, they make up the organizational culture-perhaps the major determinant of effectiveness and performance. An effective organizational culture can be recognized as one factor that always seems to be associated with successful companies. There is a dramatic increase in the business and organizations in Sri Lanka, after the post war period. Organisations should aware about their culture, in order to survive successfully in turbulent business environment. Organisational culture values varied significantly among the firms. The variation in cultural values had a significant effect on employee performance. Therefore the purpose of this study was to investigate relationship between organizational culture and employee performance in apparel sector in Sri Lanka. The independent variable is organizational culture and the dependent variable is employee performance. This study has been completed with an empirical survey which was thoroughly conducted using a self administrated questionnaire and the sample consisted of employees in apparel sector. Questionnaire consisted with three parts and which were sent directly to the target segment. This study was associated with hypothesis testing and it was co relational. Since the current study setting can be referred as a field study where the study has done in non-contrived setting with minimizing interference of the researches.

**Key words :** Organisational Culture, Employee Performance

## 1 INTRODUCTION

Performance is a vital factor as per the information gathered by the researcher. It could either impact in a negative or positive manner towards an organization. Employee performance is frequently the most significant scenario in an organization. When employees start performing poorly it worries the management as it affects the entire operations of an organization. The disadvantage faced by an organization is that once they realize that employees are performing poorly they should take immediate action to restore it before it affects the company growth. At these instances managers should sit down and find the root that has caused this. Many companies face the issue of employee performance due to prevailing strict cultures.

Organizational culture is considered as the personality of the organization and it is the aspect of the shapes the way the organization functions. It comprises the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it. Furthermore, culture highlights attention on the human sides of the organizational life emphasizing on the importance of creating appropriate systems to enable employees to work together in achieving a common goal.

Cohesive business cultures are thought to underpin higher productivity, improve employee morale, affect work attitudes and encourage stronger employee commitment. Thus organizational culture constraints and direct management

behavior which affects performance through decision making, problem solving and strategy formulation.

Also organizational culture is frequently said to be responsible for all manner of organizational ills and, on occasions, credited with creating positive qualities. A better understanding of the concept would allow people in organizations to solve problems and improve employee performance.

The employee performance would be considered as backbone organization as it leads to its development effectively. The loyalty of employee relies upon knowledge and awareness of culture that improves behaviour of organization Organization culture have first time been identified by Administrative Science quarterly . The value and norms of employee's basis upon management identification that help in improving employee performance. The awareness of quality helps in improving organizational culture and employee performance.

## 2 PROBLEM STATEMENT

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The main objective of this study is to find the relationship between organizational culture and employee performance. Employee performance is most important component to the organizations as well to the organizations in apparel sector. Organisations always expect high employee performance from their employees, in order to achieve organizational targets. Low employee performance will be a cause for poor organizational performance and inefficiency in the organization. In present context, most organizations in apparel sector are unable to achieve their organizational targets.

There are very few studies on investigating the relationship between organizational culture and employee performance regarding to apparel sector in Sri Lanka, so the researcher's aim to fill the research gap. Therefore, the problem addressed in this study to investigate the extent the relationship between organizational culture and employee performance. Therefore, the researcher's intend to conduct this research, While researching the relationship between organisational culture and employee performance in apparel sector in Sri Lanka. Accordingly, the research question for this study would be, Is there any relationship between organizational culture and employee performance ?

### 3 RESEARCH OBJECTIVES

According to this study, researcher has divided the objectives into two categories, it helped researcher to identify the main objective and sub objectives of this study. This research study was aimed to fulfill following research objectives.

#### 3.1 PRIMARY OBJECTIVE

To identify the relationship between organizational culture and employee performance of apparel sector in Sri Lanka

#### 3.2 SECONDARY OBJECTIVES

- To out new suggestions, recommendations and ideas to change the culture and improving employee performance.
- To absorb dynamic knowledge about the organizational culture
- To make recommendations for future researches

### 4 LITERATURE REVIEW

#### 4.1 ORGANISATIONAL CULTURE

Culture itself is a product of a group of people living at the same place and having similar attitudes and behavior. People who belong to a certain culture share similar norms, history, religion, values and artifacts which distinguish them from others. Therefore, there are numerous organizational cultures and even more subcultures, providing certain types of organization and action. In

modern international review of management and marketing, societies, however, culture is considered to be a tangible or intangible environment in which a group of people live and work together. Robbins (2005) defined organizational culture as to a system of shared meaning held by members that distinguishes the organization from other organizations. This system of shared meaning is, on closer examination, a set of key characteristics that the organization values. Aswathappa & Sudarsana (2009) referred to culture as a, .complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities and habits acquired by man in a society. According to Hofstede (1980), culture is the collective thinking of minds which create a difference between the members of one group from another. As per Schein (1990), defined culture is set of different values and behaviors that may considered to guide to success. According to the Kotter and Heskett (1992), culture means fairly established set of beliefs, behaviors and values of society contain generally. In simple words organisational culture is gained knowledge, explanations, values, beliefs, communication and behaviors of large group of people, at the same time and same place. Although it's difficult to get consensus about the definition of organizational culture, several constructs are commonly agreed upon - that organizational culture is holistic, historically determined, related to anthropological concepts, socially constructed, soft, and difficult to change.

The unique 'behaviour' of an organization can be attributed to the makeup of the values that it supports the organizational culture. These are very general characteristics that every organization would have to look into; otherwise the culture would seem incomplete. Although all these characteristics are at some level a part of every company, the importance and individual interpretation of each differs from business to business, thus making each business unique in its own way. Robbins (2005) has been defined primary characteristics of organizational culture which are listed below.

1. Innovation and Risk Taking: Risk and returns go hand in hand. Places where you take a risk, the chances of returns are higher. Same goes for innovation. Thus, innovation and risk taking is one of the main characteristics of organizational culture defining how much room the business allows for innovation.

2. Attention to Detail: Attention to detail defines how much importance a company allocates to accuracy and detail in the workplace. This is also a universal value as the degree of attention the employees are expected to give is crucial to the success of any business. The management defines the degree of attention to be given to details.

3. Outcome Orientation: Some organizations pay more attention to results rather than processes. It is really the business model of each business that defines whether the

focus should be on the outcome or the processes. This defines the outcome orientation of the business.

4. People Orientation: This is still one of the most contentious issues in organizational culture today. In what extent the management focuses on people? Some organizations are famous for being employee oriented as they focus more on creating a better work environment for its 'associates' to work in. Others still are feudal in nature, treating employees no better than work-machines.

5. Team Orientation: It is a well established fact today that synergistic teams help give better results as compared to individual efforts. Each organization makes its efforts to create teams that will have complementary skills and will effectively work together.

6. Aggressiveness: Every organization also lays down the level of aggressiveness with which their employees work. Some businesses like Microsoft are known for their aggression and market dominating strategies.

7. Stability: While some organizations believe that constant change and innovation is the key to their growth, others are more focused on making themselves and their operations stable. The managements of these organizations are looking at ensuring stability of the company rather than looking at indiscriminate growth.

Hofstede's (1980) used the gathered data from IBM employees more than 50 countries and classified organizational culture into four dimensions;

- Power distance (the degree in which employees and management have distant relationship, formal and informal)
- Individualism (the degree in which people may create difference between interest of organization and self interest)
- Uncertainty avoidance (the level in which people are willing to mitigate the uncertainty and tolerant of ambiguity)
- Masculinity (the level in which defines the success as ambition, challenge and insolence, rather than caring and promotion)

#### 4.2 EMPLOYEE PERFORMANCE

One of managers most important responsibility as a manager is to ensure that the member of their team or employees in their organization to achieve high level of performance, managers have to ensure that they understand what managers expect from them, that managers and employees work together to review performance against those expectations and jointly agree what needs to be done to develop knowledge and skills and where necessary, improve performance. Job performance or employee performance is poorly defined concept in

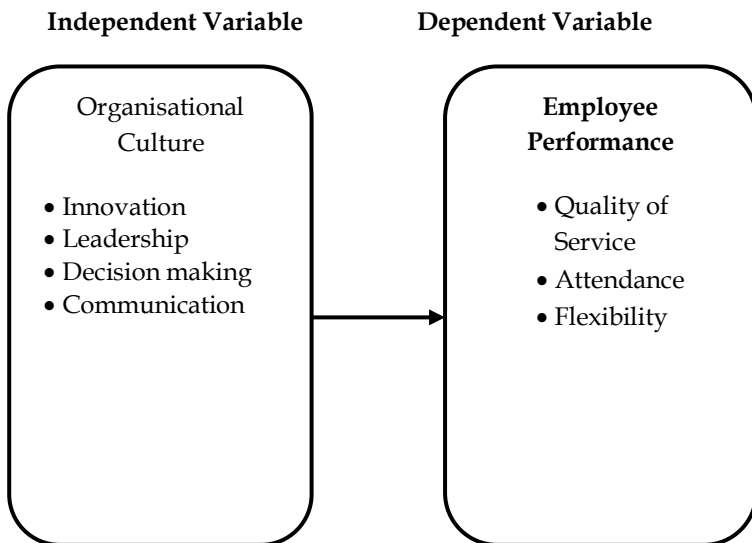
industrial psychology and organizational psychology. Campbell (1990) cited in (Jehn,2003) defined job performance as an individual level variable. That is, Performance is something a single person does. This differentiates it from more encompassing constructs such as organizational performance or national performance. Those variables are in higher level than individual performance.

In simple words, employee performance means contributing to producing a high quality product or service. Understanding individual employee performance is a systematic approach to assigning work and expectations, supporting and enabling employee efforts, providing assessment and feedback. Also managers should understand employee performance is helping to reduce uncertainties of organization in terms of organizational productivity and its overall effectiveness.

Denison (1984) used data from 34 American firms on cultural performance over a period of five years and scrutinized the characteristics of organizational culture and tracked the performance over time in these firms. As per Reichers and Schneider (1990), stated that culture researchers have committed various studies to the definitions of culture, relatively few researchers have been contributed in culture and performance research. Only reason for doing this was the complexity in operational concept of the culture construct. According to Kotter and Heskett (1992), investigate the relationship between long-term performance and economic performance across more than 200 organizations. More ever, being one of the most important and most conscientious research efforts on this subject, the study has arranged three vital contributions. First, relationship between culture and performance established in their research is forceful. Second, the writer gives an important combination of theoretical point of view regarding the nature & scope of culture. Third, they sketch strong associations between culture, management practices and performance.

### 5 CONCEPTUAL FRAMEWORK

Independent variable and dependent variables are used by the researcher in order to develop conceptual framework. This conceptual framework is logically developed, designed and elaborated. According to the primary objective of this study, to identify the relationship between organizational culture and employee performance in apparel sector, organizational culture is selected as independent variable and employee performance as dependent variable.



## 6 HYPOTHESIS

Researcher has developed two hypothesis based on the conceptual framework. It could be determined the validity of the suggestions.

H1 = There is a positive relationship with organizational culture and employee performance.

H2= There is a negative relationship with organizational culture and employee performance.

## 7 RESEARCH METHODOLOGY

Dependent variable of the study is employee performance. The independent variable is organizational culture. In the current study, there are two hypotheses developed based on the relationship between independent and dependent variables. Therefore hypotheses testing can be introduced as the purpose of the study. The primary objective of this study is to find out a relationship among the variables and the current study is called as a correlational study.

This research has done in the natural environment where work proceeds normally. Correlational studies are invariably conducted in no contrived settings, whereas most rigorous casual studies are done in contrived lab settings (Sekaran, 2010). Any artificial or contrived setting was not created by the researcher. Unit of analysis for this study was individual; because data was gathered from each individual, employees of selected garment factory in Western Province, Sri Lanka.

The data were collected within one month, which is known as cross sectional. The total number of operational level workers in the selected organization was 250. Due to the resource and time constraint, 80 operational level employees were selected as the sample size. Simple random sampling techniques was adopted for data collection.

Sample units were selected randomly in each production line of the factory. Data collection was done using the primary and secondary data in the selected company to achieve research objectives. This study was completed with the help of self administered questionnaires. Five point likert scale used to weight from strongly disagree to strongly agree. The questionnaire was distributed to 80 employees and the entire questionnaires were returned. The response rate was 100%. The collected data from the operational level employees were analyzed by using statistical package for social sciences (SPSS V.16). The data analysis consists with univariate and bivariate analysis.

### 7.1 Readability Testing

Cronbatch's coefficient alpha was used to test the internal consistency of the data collection instruments. The results are displayed in the table 01, which suggests that the internal reliability of each instrument and sub instrument is satisfactory.

Table 1 Cronbatch's Alpha Coefficients

Variables	Cronbatch's Alpha
Organisational Culture	.878
Employee Performance	.942

## 8 ANALYSIS

### 8.1 Univariate Analysis

The frequency distribution analysis was made for the variables individually.

Table 2 Descriptive Statistics for Organisational Culture

N	Valid	80
	Missing	0
Mean	2.1200	
Std. Error of Mean	.17989	
Median	2.0000	
Mode	1.00a	
Std. Deviation	1.27199	
Variance	1.618	
Skewness	1.192	
Std. Error of Skewness	.337	
Kurtosis	.453	
Std. Error of Kurtosis	.662	
Range	4.00	



Minimum	1.00
Maximum	5.00
Sum	106.00

As per the table, the mean value is 2.1200. That means the average answer given by the respondents is "disagree". So, the researcher interprets the organization culture in the selected organization is weak.

Table 3 Descriptive Statistics for Employee Performance

N	Valid	80
	Missing	0
Mean		2.2400
Std. Error of Mean		.18196
Median		2.0000
Mode		2.00
Std. Deviation		1.28667
Variance		1.656
Skewness		1.027
Std. Error of Skewness		.337
Kurtosis		-.020
Std. Error of Kurtosis		.662
Range		4.00
Minimum		1.00
Maximum		5.00
Sum		112.00

Table 3 indicates the frequency distribution for the variable employee performance. The mean value of the distribution is 2.2400 and the standard deviation is 0.28667. Having obtained a mean score of 2.2400, individuals in the study report to have poor performance.

### 8.2 Bivariate Analysis

The bivariate analysis is used to determine the relationship between organizational culture and employee performance and the impact of organizational culture on employee performance.

Table 5 Correlation between Organisational Culture and Employee Performance

\*. Correlation is significant at the 0.05 level (1-tailed).

		Organizational Culture	Employee Performance
Organizational Culture	Pearson Correlation	1	.245*
	Sig. (1-tailed)		.043
	N	50	50
Employee Performance	Pearson Correlation	.245*	1
	Sig. (1-tailed)	.043	
	N	50	50

According to the above table the correlation coefficient is 0.245 at significance level of 0.05 (1-tailed test). This is a positive and weak relationship. Thus, there is statistical evidence to claim that organizational culture and employee performance are positively related. Therefore hypothesis one (H1) is accepted. And hypothesis two (H2) is rejected.

### 9 DISCUSSION AND CONCLUSIONS

The main objective of this study to identify the relationship of organizational culture and employee performance of apparel sector in Sri Lanka. The findings of this study suggest that organizational culture is positively associated with employee performance. These findings have significant implications for managers. Also these results are consistent with previous researches that suggested that variable associate with organizational culture are predictive of organizational performance as well employee performance ( Hofstede et al. 1990).

The conceptual model of the research study was derived from the literature survey, and the framework was used to create the questionnaire in order to gather the information from the selected sample. The conclusion of this research paper basically obtained from the data analysis part.

According to the findings, organizations in apparel sector should give more focus on their culture management. In apparel sector, most of the workforce consists with machine operators and operational level employees who have lower educational and social background. Organizations in apparel sector should give more attention for this issue.

With regards to the research findings, several recommendations pertaining to the selected company and future research have been identified by the researcher.

As the selected organization is having a weak organizational culture (according to the findings), researcher recommend the organization to enhance their existing culture to a strong one. Strong organizational culture always drives the organization towards to the excellent employee performance, so it is extremely important to understand the difference in organizational culture from one division to another and how those differences play out when they interact with each other.

Organization can take the support of the top management and training and development programmes to change the existing organizational culture. Top managers must show behavioral support for the cultural change. They must lead the change by changing their own behaviors. It is extremely important for Top managers to consistently support the change. Enhancing culture is not just the outward trappings like awards, offices, dress codes or titles. It is not even the stated goals and procedures of the organization. It is the deep down, unspoken, unobservable rules and ethics that govern the behaviour of the participants. Cultural enhance depends on behavior change. Members of the organization must clearly understand what is expected of them, and must know how to actually do the new behaviors, once they have been defined. Training can be very useful in both communicating expectations and teaching new behaviors.

The need for continual innovation and change is causing many, an organization to become more of a learning organization. The organization should develop the capacity to assess and act on risks and opportunities in order to better design their administrative rules, support innovation in the work place, and achieve their objectives. Create a convincing vision for their people, become champions for innovation, challenge the status quo, and explore unconventional ways of solving problems.

Practicing team orientation is a way to enhance the culture. In an effective team culture, team members understand where the work of their team fits in the total context of their organization's strategic plan and success goals. When the organization culture supports teamwork, team members understand how the strategy of using teams fits in the total context of their organization's strategic plan and success goals. Team members understand why using teams will help their organization attain its business goals.

Future research could focus on improving the

organizational culture and the enhance employee performance in fast changing business environments. The present study is focusing only few apparel factories in Western Province, future researches can be conducted for, the purpose of identifying the relationship between organizational culture and employee performance on other apparel factories as well.

Furthermore, the research on identifying the best suitable cultural type to the apparel industry is another area to study in future.

## 10 LIMITATIONS OF THE STUDY

This research study had been conducted within few apparel factories in Western Province. The future researchers can expand the sample to study about the impact of organizational culture on employee performance, to get a broader idea about the impact and/or relationship as well as to protect the generality of the findings. Also, it might provide a better outlook about the relationship between organizational culture and employee individual performance, in the Sri Lankan context since a fewer researches might have done in related with this topic. . As the sample, researcher's target is only to machine operators. But it's not enough researcher have to select some employees from every levels to covered the whole company.

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