



Impact of Organizational Culture on Employees Job Performance: An Empirical Study of Software Houses in Pakistan

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ABSTRACT

The idea for writing this piece of study is to analyze the overall impact of organizational culture directly or indirectly on employee's job performance. To find the influence of organizational culture on employee performance within software houses working in Pakistan. This is a survey based research study. Primary and secondary data were used in this study. Primary data was gathered via questionnaire and formal & informal interview. Customer service, employee participation, reward system, innovation & risk-taking and communication system, are considered variables for this study. Sample size is (n=110) therefore, descriptive statics, correlation and regression analysis have been used. The overall results support that culture of organizations has the significant positive impact on employee's job performance at selected software houses in Pakistan. Employee's participation is a most important factor for achieving organizational goals. This study fulfils an acknowledged necessitate learning the impact of culture on the employee's job performance of the software industry in Pakistan.

Keywords – Organizational culture, Employee performance, Risk taking and innovation, Employees participation.

1. INTRODUCTION

A company either large or small is consider as a software house whose primary objective is to produce software's. This requires highly technical skills and high level of understanding of software developing. Software has are developed and distributed throughout the world. World famous software developers are Microsoft, Oracle Corporation, HP, and Apple, etc. However, in almost in every country, there are many other private software houses whose aim to get a contract from organizations to develop software's on the required specifications. These organizations have their own culture, which could be the effect on the performance of the employees in the organization.

The organizational culture proposed employees the way things should be done. Most of the time people exercise word culture to express the pattern of individual behavior. Before 1980s in the study of organizational behavior, culture is considered as a most important factor. Businesses show interest in cultural dimensions that was the extreme effect rather than the other fragments of organizational behavior. Peter & Waterman's (1982) supposed that culture is the key to the success of organization. In many business journals and in business articles, published

periodically claimed that culture was fundamental to the organizational success, and it was recommended for the managers, should deal with his work by following their organizational culture, which help to rise in the growth of organization (Moorhead and Griffin, 1995).

Researchers have linked a culture in the organization with many different organizational behaviors. They have also recognized the correlation between culture of organization & employee job performance (Sheridan, 1992), decision making (Gamble & Gibson, 1999) and productivity (Kopelman, Brief and Guzzo, 1990). As per statement of Luthans (1998), organizational culture has always presented within the organization, but most of the time businesses paid less attention towards it. The culture of organization comes into view to permeate every important component of the organization.

To understand the association between employee's job performance and culture of the organization is an imperative research subject because it is proven by different studies that individuals work performance is crucial for success of organization particularly in the software industry. Software developers and engineers are the highly rising group of the global economy. So that why they are in need of an open environment where they can easily share their ideas, make participation in the decision and can provide help to each other. This environment can be developed by the culture of their organizations. Strong culture will make it easy to communicate openly and participate in efficiently and effectively in the decision making to explore their ideas and skills.

The study mentions that organization can get the competitive advantage if the management creates and maintains a culture with high level of involvement of employees. Behavior and performance have not been discuss yet in the software industry of Pakistan in the literature of organizational behavior.

2. LITERATURE REVIEW:

More than two decades, many researchers done and accumulate the nature and scope of organizational culture. Scholars working on the employee's participation in the organizational success agree on that, there is a significant influence of employee's organizational success. The implementation of good reward system and continuous motivation encourage the employee to do best to target achievements of the organization, instead of giving more focus on structures and policies (Juetchter, Fisher, and Alford, (1998).

According to Schein (1990), organizational culture is common values and behaviors of the people that considered as a tool leads to the successful achievement of organizational goals. According to Hofstede (1991), organizational culture is the mindset of people that distinguishes them from each other, within the organization or outside the organization. This includes values, beliefs, and behaviors of the employee's different from the other organization. Organizational culture means stable arrangements of beliefs and norms, which are held commonly by a society or department in the organization (Kotter and Heskett, 1992). According to Greenberg and Robert, B (1995), organizational culture is a framework of values, beliefs, consisting of attitudes, norms; behavior of employees, and their expectations, which are shared within the organization by it is the members.

Strong culture in the organization is very helpful to enhance the performance of the employees that leads to the goal achievement and increases the overall performance of the organization (Deal and Kennedy, 1982). Employee's performance means the ability of employees to attain goals either personal or organizational by using resources efficiently and effectively (Daft, 2000). Sometime the term performance mixed with productivity. Ricardo (2001) said that performance and productivity were two different things. Productivity means the

ratio represents the volume of work done within the due to the period while performance is an indicator of productivity, consistency, and quality of work. He suggested that result oriented culture needed high level of education, concepts, instruments, training and management as well as leadership skills. According to the Stewart (2010), norms and values of organizational culture highly effect on those who are directly or indirectly involved with the organization. These norms are invisible but have a great impact on the performance of employees and profitability. He also suggests that norms and values are the first thing to look in the organizational culture. In the today business, it is confirm by the studies that organizations, which have less focus in the area of managerial components, stakeholders, employees; customers and leadership, outperform, not have the strong cultural characteristics in it (Kotter and Heskett, 1992).

Based on literature, certain parameters are taken to understand the impact of culture on the employee's job performance.

2.1: Employee Participation

In Schein's (1992), viewpoint participation of employees considered key element for setting organizational goals. As per theory setting goals, participation of employees can increase goals acceptance. According to Zairi (1999), a key attribute is participation, which is positively related to overall effectiveness of the organization. He also stated that participation is involved in delegating tasks as per the responsibilities of individual.

2.2: Innovation and Risk-taking

According to Kuhn (1985), Creativity means to produce something from nothing, whereas innovation makes a sense that something into the goods and services. According to Bucker (1997), innovation is consider an environment or a culture has almost a divine power, which exists in the organization and cause to drive value creation. Robbins, Stephen and Mary (1996), have identified three sets of variables that are responsible for stimulating innovation; Organization's structure, organizations culture and HR practices.

2.3: Rewards system

Bovee et al (1993), defines that theory of reinforcement described that the rewards should exploited to strengthen the appropriate behaviors and reinforces for undesirable things performance should be detached. Luthans (1998), states that organization should have the most up-to-date technology, well designed strategic plans, comprehensive job descriptions and inclusive training courses, but unfortunately, people are being rewarded based on performance-related behaviors of the employees, and there is a limited impact of technology, plans or rules. Bucker (1997) demonstrates that for reinforcing an organization's culture, organization's reward system considered a powerful tool.

2.4: Openness of Communication

Chester Barnard states that functions of the executives were; firstly, develop the thoughts of communication considered as a key shaping strength in organization (Luthans 1998). Good communication helps the employees to keep internal processes to run consistently and helpful to create superior association with the people, both within and outside the organization. According to the Luthans (1998), viewpoint, effective communication plays a very important role in industrial disagreements, miscommunication, gossips, and organizational divergences.

2.5: Customer Service Orientation

Joel and Michelle (2000), states that employees observe the organization's procedures as believing them well and giving wisdom of society at workplace and got the customers report regarding the quality of services. High service's quality could be resulted when the organizational culture communicates advanced customer service at the top.

3. RESEARCH METHODOLOGY:

The research is design to judgment the impact of organizational culture on employee's job performance at the software industry in Pakistan. For this purpose, culture is suppose as an independent variable while performance is taken dependent variable. Certain parameters were taken to identify the relationship between culture and employee's performance within the selected software houses in Pakistan. Population for this study was the employees related to different software houses in the distinctive areas of Pakistan, i.e. Eyesoftech, Tec2day, Soft vision, Net sole, Lead concept, Next bridge, Elixor and Trivor, etc. For efficient coverage and lesser cost stratified sampling was being utilized to select the contributing software houses. The sample being chosen for the study were 150 employees of different software house working in Pakistan. The questionnaire was also randomly distributed to ensure the enough participation of every employee in study. Only 110 questionnaires were duly filled and return to the researcher, so that's why 110 is the sample size for this study. Formal and informal interview was also conducted for data collection. Primary and secondary data were used to identify the different factors and getting desired result. Data was gathered and put the data into SPSS, where Descriptive statistic, Correlation and Regression Analysis has been applied to find out the association between organizational culture and performance of employees.

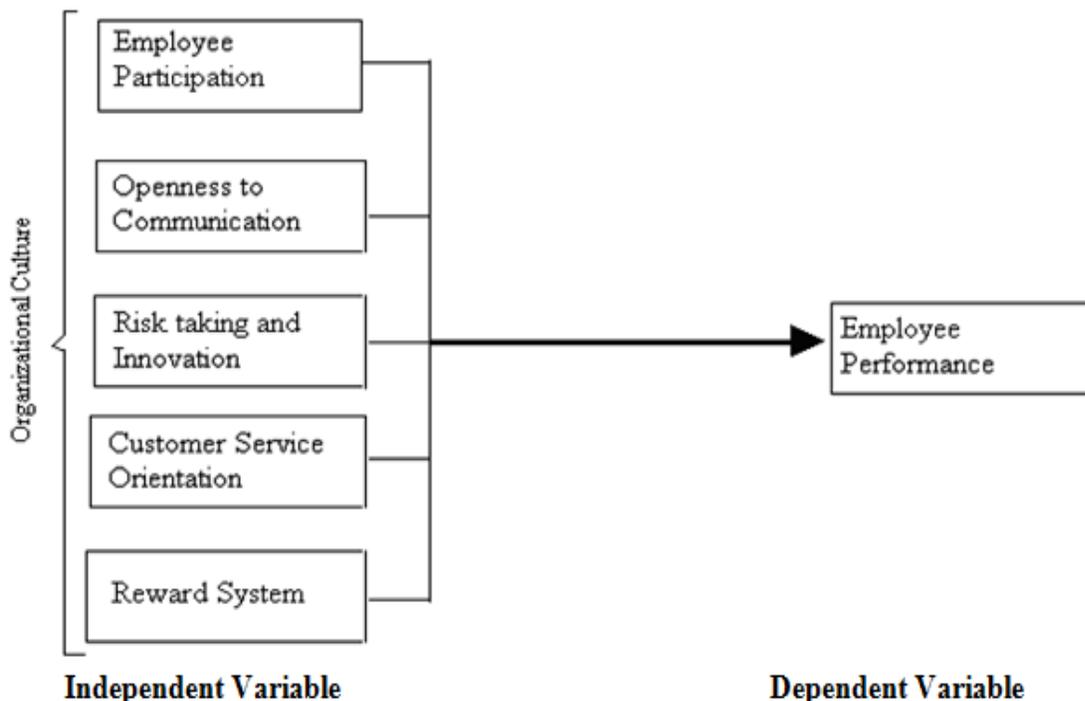
3.1: Hypothesis

Following hypothesis are developed for finding results in Pakistan Software houses.

H_0 : *There is no association among culture of organization and employee's job performance*

H_1 : *There is association among culture organization and employee's job performance*

3.2: Theoretical Frame Work



4. DATA PRESENTATION AND STATISTICAL ANALYSIS:

The main focus of this section is on the presentation and interpretations of data collected through the questionnaire form employees of selected software houses. The collected data was examined by using the *SPSS* (statistical package for social sciences) version 17. The results describe that organizational culture have a significant positive impact on employee's job performance. It shows that software houses in Pakistan have some common characteristics of culture.

4.1 Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
OC	110	1.42	4.47	2.9474	.74313
EP	110	1.50	4.79	3.1273	.96979
Valid N (list wise)	110				

Given table shows the value of minimum, maximum, and standard deviation of independent and dependent variable. Mean value of OC is 2.947 that provide the idea regarding central tendency of variables. Standard deviation, minimum, & maximum values provide the idea regarding the dispersion from its mean.

4.2 Regression Analysis

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1	OC (a)	.	Enter

a. All requested variables entered.

b. Dependent Variable: EP

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857(a)	.734	.716	.26734

a. Predictors: (Constant), OC

Coefficients (a)

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta	B	Std. Error	
1	(Constant)	1.533	.347		4.414	.000
	OC	.541	.114	.415	4.735	.000

a. Dependent Variable: EP

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.621	1	17.621	22.417	.000(a)
	Residual	84.893	108	.786		
	Total	102.514	109			

a. Predictors: (Constant), OC

b. Dependent Variable: EP

To explain the influence of organizational culture on the employee's job performance regression model was developed.

$$EP = C1 + C2 (OC)$$

Where EP denotes employee's performance and has been treated as a dependent variable. On the other hand (OC) organizational culture is independent variable in the model. In this model C1 is intercepted, which shows the value of EP not influenced by OC. C2 is the coefficient of organizational culture and tells how employee performance is implemented by organizational culture. In above results, clearly C2 is significant, which defines that organizational culture significantly affects the employee's performance.

Moreover, the value of adjusted R square is 0.716, which represents that 71% variation in employee performance is explained by organizational culture. ANOVA table shows the significant level 0.000, represents that applied model is good fit.

4.3 Correlation Matrix

Correlations

		OC	EP
OC	Pearson Correlation	1	.415(**)
	Sig. (2-tailed)		.000
	N	110	110
EP	Pearson Correlation	.415(**)	1
	Sig. (2-tailed)	.000	
	N	110	110

** Correlation is significant at the 0.01 level (2-tailed).

The result from the correlation matrix shows the value of Pearson's correlation between the organizational culture and employee's performance is 0.415. The value describes that there is a relationship between them, and significant value is 0.000 shows the significance of this relation. 0.415 is the positive value and having a moderate effect because value is in between 0.3 to 0.7. Overall results supported to the alternative hypothesis, we found that organizational culture has a significant positive impact on the performance of employee's job at selected software houses in Pakistan.

Formal and informal interviews were the part of this study. Based on the report from Pakistan, Federal Bureau of Statistics, more than 14000 employees are working in the software industry of Pakistan in 2010-11. In which 90% are males, and rests are the females engaged in developing software's in Pakistan. Female participation in this industry is very low as compare to other services industries. Here another question arises that what are the reasons behind this low proportion of female participation in this industry. Whether the culture of the software houses is the cause for that or not?

To answer this question informal interview was conducted for the female's employees of the organization and also observation technique was used to determine the facts. At the end, it was found that female employees are satisfied with the environment of the software houses. Workplace is very cooperative, neat & clean and excellent for the career growth. Most of the female's employee's comments that they are very pleased with their job and reason for not joining the software houses are non-technical aptitude and low interest of the female in software developing. Most of the females like teaching and wants to join the banking sector for their own convinces, after getting the degree in information technology. The other reason was the nature of this industry, due to that turnover rate of employees is very high. Software houses in Pakistan are working based on projects. An organization hire software developer on the temporary basis, when the specific project is finished the job is closed. Most of the time employees rapidly switch the organization for getting maximum job security. However, switching the organizations is not a very easy task for female's employees so that why they prefer to join that organization where they stay for long time.

5. CONCLUSIONS:

In this piece of study, the researcher tries to evaluate the overall impact of organizational culture on the employee's job performance with the indication from software houses industry in

Pakistan. Questionnaire was developed and distributed and also conducted the formal and informal interviews for data collection.

The preliminary research question investigated the affiliation between five possible aspects of organizational culture, I-e customer service, employee participation, reward system, innovation, & risk-taking and communication system. The results show the positive relationship between organizational culture and employee's job performance at software houses in Pakistan. Correlation shows the value 0.415 and 0.000 is a level of significance; prove that there is a positive relation between the organizational culture and employee's performance. Based on regression and correlation results, the alternate hypothesis shows the link between culture and employee's job performance within the organization.

Strong culture within the organization leads to raise the employee's commitment towards achieving the goals of the organization with a common path. It is very helpful to increase the performance of the employees. Personal beliefs are different from the organizational values when an employee is entering in the organization. In strong culture employees are on the common path towards achieving organizational goals, which also provide the opportunity to the employees to grow in the organization (Deal and Kennedy, 1982). It is found by results that employee's commitment and participation are most important the factor to increase the organizational performance.

Female participation in the software industry is very low as compare to be male but after getting information researcher analyze that culture of the software houses is not the only the reason for their low participation but the technical skills and low rate of interest in the software development of females are the main cause for that. Turnover rate of employees is also very high due to project oriented nature of software house industry.

Considering a larger number of respondents for the study from numerous organizations will provide the healthier possibility to walk around the validity and generalize-ability of the results. Future researchers can explore the relationship between the employee's performance and their perceptions about culture across multiple organizations, which are obviously considered necessary.

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