

On How Organizational Culture Impact its Performance and Competitiveness

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Abstract: Existing research shows that organizational culture is an important resource for enhancing organizational competitiveness. In recent years, more and more attention is paid to the impact of organizational culture on organizational performance: people try to understand that how much change can be brought to organizational performance by the efforts on organizational culture. By studying on the meaning and composition as well as the function of organizational culture, this paper shows the relation between organizational culture and organizational performance. The model of organizational culture impacting on organizational performance has been set up, and on that basis, it has been analyzed that how to promote organizational performance by organizational culture.

Key words: Organizational culture; Management; Organizational performance

1 Instruction

At present, domestic and foreign academia has done lots of research jobs in the fields of organizational culture and performance, which has led to many leading theories and meaningful achievement. And the research methods have becoming systematical. The management theory believes that organizational culture is the main part of development strategy of organization, as same as production, planning, marketing, controlling and 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 organizational performance directly or indirectly. In recent years, more and more attention is paid to the impact of enterprise culture on enterprise performance. However, when it comes to how organizational culture influences organizational performance, the research is rare. So we will try to explain why and how the organizational culture influences the organizational behavior of employees and customers. In the aspect of organizational culture, performance becomes the major issue that is concerned by all employees. Implement performance management system by discussing, training and planning, each member re-recognizes organization; it is re-construction of organizational culture too. Performance management is a part of organizational culture. Organizational culture will not only get in touch with organizational performance closely, but also exert a great influence on organizational performance.

2 The meaning, composition and function of organizational culture

2. 1 The meaning of organizational culture

There is no unified standard about the definition of organizational culture so far, and it is Schein's definition about organizational culture that is representative and of great impact. In *Organizational Culture and Leader*, Schein explained the meaning of organizational culture in detail. He believes, when the culture is regarded as the values, common shared faith and group norm, it just reflects the content of organizational culture, but not the essence of organizational culture. Culture should include deeper basic assumption and faith that is shared by organizational members; they function unconsciously and explain the purpose and environment of organization itself with a basic way of "it is regarded as naturally". These deep assumptions should be distinguished with values and artificial things which is only the exhibition or the apparent level of culture, but not the essence of culture. On the basis of the

argumentation above, Schein explains the meaning of organizational culture as follows: organizational culture is a mode, composed by some basic assumptions. Those assumptions are found and created and formed gradually by a certain group in the process of exploring the method of adapting to external environment and solving internal interconnected system. The mode can be regarded as effective and workable if it runs well, which guides employee's mind and action correctly.

Comprehend the research of the scholars domestically and internationally, we can make the following understanding to the meaning of organizational culture: Organizational culture is constructed in the course of production and management, and it is the general name of material wealth and spiritual wealth characterized by organization. Organizational culture is combined with the internal requirements of organization, it is the need of organization's own development, and it does not come from outside environment. Therefore, cultural construction is classified to organization's general development strategy by many organizations, and it reflects organization's spirit and image in production, marketing, human resource management and service.

2. 2 The composition of organizational culture

Organizational culture is composed by three layers: material layer, system layer and spiritual layer, and spiritual culture is the kernel. The external layer is organization's material culture, including products style, technology and equipment characteristics, factory appearance etc, and the characteristic and style of enterprise manager. The middle level is organization's system culture, including regulation, norm, and moral concept and rule of conduct which is permeated in the mind of employees. The internal layer is organization's spiritual culture, including management philosophy, management strategy, value orientation, and common pursuit, common purpose and common emotion of employee. Of the three layers, the material culture is the foundation; system culture is the key, spiritual culture is the core and soul.

2. 3 The function of organizational culture

2. 3. 1 The guiding function of organizational culture

The guiding function of organizational culture refers to the culture lead the whole organization and all the employee's personal value and behavioral orientation towards the goal of organization. The essence of the construction of outstanding organizational culture is to set up internal force mechanism. The construction of the mechanism makes vast staff recognize that the organization is striving for lofty goal, which not only can produce creative tactics but also can make staff dare to make individuals sacrifice for realizing organizational goal.

2. 3. 2 The standardizing function of organizational culture

Through establishing common value system, organizational culture forms unified thought, make faith form a kind of tendency on the staff's psychological deep layer, and then a kind of response mechanism reconstructed in the transformation. As long as there is an inducement signal from outside, positive response will take place, and turn into the anticipated behavior rapidly. By coordination and self-control, the collision of restrain to employees is weakened, the conflict of autonomy psychology with the reality of being managed is relieved, which makes a unifying, and harmonious organization from the top to the bottom.

2. 3. 3 The agglomerating function of organizational culture

Organizational culture is the group consciousness created by the staff together. It is a kind of binder, unites the people of all respects and all levels around organizational culture, and makes cohesiveness and centripetal force to organization. Organizational culture connects employee's personal thoughts and feelings, and destiny with the safety of organization closely. At the same time, employee has a sense of ownership and acceptance to the organization.

2. 3. 4 The motivating function of organizational culture

Organizational culture emphasizes on regarding people as the centre, its core is to create common values. Outstanding organizational culture means creating a kind of atmosphere that everybody is paid

attention to and respected. Excellent cultural atmosphere usually may produce a kind of incentive mechanism which makes each member's contribution get other employee's and leader's appreciation and reward in time. By this way, encouraging the employees dare to dedicate themselves, make unceasing progress and constant innovation in order to realize self-value and the development of organization.

In addition, the establish of organizational culture, not only influence enterprise itself, but also have a certain impact on public, as well as domestic and international enterprises, it forms a part of social culture while improving enterprise's popularity, that is to say, organizational culture has enormous radiating function .

3 The analysis of organizational culture impacting on organizational performance

3. 1 The relation between organizational culture and organizational performance

The performance is concerned by organization ultimately forever. Little Tom Watson, chairman of directorate of IBM, said on the lecture in Columbia University in 1962: "when it comes to the relevant business performances of organization, the basic management philosophy, the spirit and goal of organization is far more important than technological or economic resources, structure of organization, invention and creation and making decision at random. Certainly, the two factors influence the achievements of organization greatly. But I believe that they stem from the degree of how much the staff believes in organization's basic values and beliefs, and stem from the degree of how much they practice these values and beliefs in actual management at the same time". Therefore, we may find out that there is close relation between organizational culture and organizational performance.

For many years, scholars take a large number of works to study the impact of organizational culture on organization performance. For example, Akin and Hopelain (1986) have proved that the connection between culture and achievement strengthened as time goes by. Denison's (1990) research indicates that organizational culture influences organizational performance directly. An organization whose organizational culture is propagated extensively and profoundly, and practiced in management decision, the repayments in investment and sale are all much better than those organizations which do not popularize organizational culture. Therefore, those researches prove that cultural factor leads the realization of a lot of organization's value achievements, and it may be the extreme crucial factor for the success of organizations. The later research on organizational culture develops into a more macroscopically organizational aspect gradually. Researchers have done much investigations and tried to establish the relation between organizational culture and organizational performance, namely, there is a close connection between organizational culture and organizational performance at least.

Studies have suggested, organizational culture is a kind of complicated and comprehensive composition element, it is a kind of values that is shared by the members, it is a kind of inherent regulatory faith. It will not only influence people's behavior but also decide working atmosphere, leadership style and the formulation of strategy. Organizational culture influences the operation of organization on the two aspects of organization and individual, and then it will exert an influence on organizational performance. The impact of organizational culture on organizational performance can be decided by the degree of how much main values and beliefs of organization is accepted deeply and widely, its influence can be divided into three aspects: firstly, cultural direction, it means the accurate degree of how much does organizational culture influencing organization's operation direction; Secondly, cultural permeability, it refers to the degree of how much does organizational culture is shared by all the members in common; Thirdly, cultural intensity, that is the degree of how much does the employees abide by the culture. Culture has comparatively great influence means it has extensive permeability and relatively far-reaching influence intensity, namely the so-called uncompromising culture. Employees have identical goal and common values at this moment; Therefore, the employees will be satisfied with what they did and devote themselves to work even more. The development of Haier proves that, the most essential thing is to establish a kind of highest cultural idea for continuously developing organizations. However, in a lot of organizations, organizational culture is seems regarded as

the accessory, it is even considered only some slogans brushed on the company wall or posters of companies, its existence will only produce surplus documents and procedure, and does not create any value.

3. 2 The model of organizational culture impacting on organizational performance

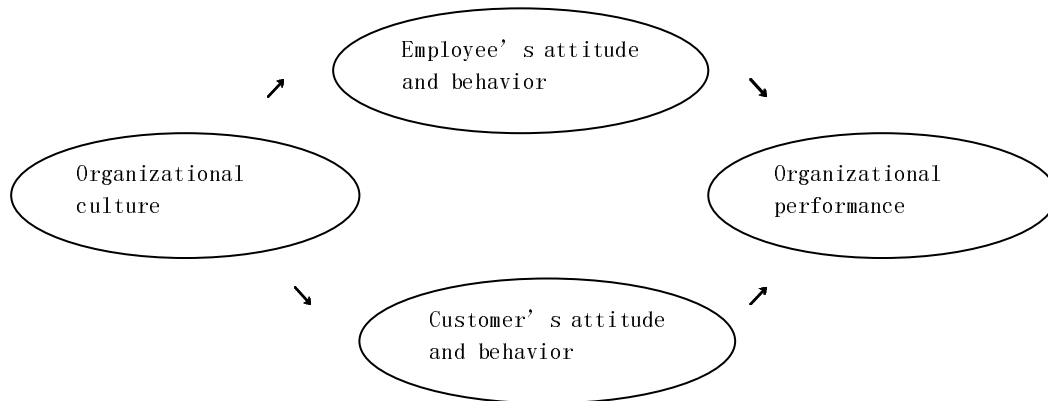


Chart 1 Model of Organizational Culture Impacting on Organizational Performance

As the two important factors that influence organizational performance, employee and customer's attitude and behavior are impacted by organizational culture in some degree, as chart 1 shows.

The improvement of organizational culture identity can guarantee sufficient exertion of enterprise common employee's enthusiasm and knowledge system. If it is enough to pay attention to the staff, organizational culture will build a kind of positive working atmosphere, mutual values and management mechanism for the staff. Thus, a suitable working environment that encourages creation actively is produced. The staff are motivated to establish uniform goal, as same as the goal of organization, and keep pace with organization's goal while struggle individually, which will encourage the employee's working enthusiasm greatly, improve work efficiency, and reduce trade cost inside enterprises effectively; Besides, organizational culture promotes the will that the staff take action in enterprise's responsibility or broader field voluntarily, make them pursue the completion of service for others actively, and improve the satisfaction of external interests relatives; Organizational culture promotes the group to study, improves employee's work skills in order to increase work productivity, thus improve the relative value of products or service. The staff are direct creators of enterprise's value, while creating value, on one hand the staff fasten their own intelligence, physical ability on the production of better products or service; On the other hand, through positive connection and cooperation with external environment, for instance, market investigation, questionnaire investigation, etc., they understand customer's demand and suggestion, improve or produce new products or service. Consequently, staff plays the most basic role to organizational performance.

On the other hand, customers demand not merely including satisfactory products, service and solution; they also hope to buy a kind of product which is connected emotionally with a certain product or trade mark of a company, or one kind of product or service which has the scheme of solving the problem and reflect the brand identity concurrently. For that reason, it depends on organizational culture in establishing customer's trust and loyalty further. Organizational culture, on one hand, impresses customers with a good brand image; on the other hand, lead administrators and staff pay close attention to customers much more, cooperate together and work hard for the common goal, as well as observe customer demand voluntarily. It makes administrators and staffs treat customers consistently, fairly and reasonably which facilitate getting and keeping loyal customer even more. The customer brings direct

economic performance to organizations through purchasing products or service.

Based on the above analysis, organizational culture is an effective factor that determines whether the organization can obtain outstanding performance or not, it is an effective factor that determines organization's response and attitude to particular incident and external change of environment too. Organizational culture can influence organizational performance through employees and customers. The researcher who pays attention to practice regards culture pattern as goods, and binds organizational performance with organizational culture. They make organizational culture come to equally important status as institutional structure, tactics or control. Accordingly, enterprises must attach importance to the operation revision and innovation of organizational culture, so as to make organizational culture include the value orientation of enterprise staff and customer, and really meet their demands in the course of execution. Only in this way, can we unite enterprise, staff and customer, create ideal organizational performance and realize strategic objectives of organizations successfully.

4 Conclusion

Organizational culture is the philosophy spirit of organization; it is the foundation stone of organization development. This paper study organizational culture and organizational performance on the basis of former scholars' researches, and build up the relation model of organizational culture impacting on organizational performance, propose enterprises should pay attention to the impact of organizational culture on organizational performance. As far as administrator is concerned, the agglomeration function of organizational culture must be paid attention to. Lead each member's value and behavioral orientation unanimous with the whole value of organization, improve staff's commitment to organization, set up shared values and intelligence mode and make various aspects of strength advance towards a definite goal. Only by that means, can organization set up an unassailable position in the keen competition.

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