

Impact of Culture on Employee Performance

Abstract

Organizational culture is as top of mind and important as ever. An attractive organizational culture aids in hiring the best people, helps create and retain happy team members, and can even translate into happier customers and overall organizational growth. Organizations should strive for what is considered a "healthy" organizational culture in order to increase productivity, growth, efficiency and reduce counter productive behavior and turnover of employees. This paper examines the impact of organizational culture on productivity by evaluating how the cultural setting of an organization impacts productivity.

Keywords: Organizational Culture, Productivity, Growth, Efficiency, Customer Satisfaction

Introduction

Let's be clear; these things are not organizational culture:

1. Secret Santa gift exchanges
2. Karaoke nights
3. Bean bag chairs
4. Nerf gun fights
5. Catered lunches
6. Cruises with your co-workers
7. Mashed potato sculpting contests judged by your auditors.

These are fun things people who work together might have or do¹. They may be indicative of a certain type of workplace environment. They may even stem from the culture that's been created. But, they are NOT organizational culture.

When we speak of the culture of an organization, we refer to the behaviour patterns and standards that bind it together. Some organizational cultures encourage productivity; many do not. Our organization's culture is of three big things:

1. Your values – those you state with words and those you exhibit through your actions
2. Your mission & vision – the goal you're driving toward and the force behind that goal
3. Your hiring, firing, and promotion criteria – the reasons you bring people onto the team, the reasons you let them go, and the reasons you promote/reward them

Literature Review - Factors That Contribute To / Inhibit Productivity

If your business seems to be spinning its wheels, with hours of work getting you nowhere, your organizational culture may have something to do with it. Studies have shown that organizational culture has a direct impact on a worker's productivity, reducing absenteeism and dramatically improving morale. But so many different factors influence a company's overall culture, it's important that you understand how each of these office environments impacts worker productivity levels and absenteeism.

When employees are happy, they show up for work each day and work while they're there. Employee absenteeism, high turnover, and wasted time on activities like social media and real-life gossip cause businesses to lose money every day. While the monetary value may vary, it's important to understand the various factors that contribute to lowered productivity in the workplace and how those factors directly contribute to a loss of income for your company.

Accountability vs. Micromanagement

Leaders usually arrive at a position thanks to years of hard work. Their talent and business smarts lead them to follow through on each task they tackle. Because of their ambition and motivation, it can often be very difficult for a leader to delegate tasks and trust team members to complete those tasks properly. Yet experts repeatedly have stressed the danger micromanagement poses to any business². It is often said let them do what



Suman Kathuria

Assistant Professor,
Deptt.of Humanities and
Management Studies,
Giani Zail Singh Campus
College of Engineering,
Bathinda, Punjab

you hired them for and then hold them accountable for mistakes.

If you've gone through the process of hiring capable employees, trained them, but you won't give them breathing room, here are a few ways you're putting your business at risk.

Leader Burnout

Whether you have one employee or 100, if you're micromanaging, you're operating a one-person business. As you continue to grow, you'll likely find you can't do things alone, which was probably why you added staff in the first place. "You've got to let go and give duties to other people," says start up consultant Adam Torkildson. "If you're doing even one employee's job, you're paying a salary for someone who isn't producing, which means you may as well toss that employee's salary out the window."

Failure to Grow

When a leader wastes time doing activities that could be handled by employees, he's taking away time he could be spending on growing his business. Instead of preparing agendas for the upcoming conference, for example, he could be out making connections in the community or winning over new clients.

High Turnover/Low Productivity

Studies have shown that micromanaged workers are less productive than those who are allowed to be accountable for their own work. "I hate to admit it but I've lost a few employees this way in the past," says Torkildson. "When employees feel as though they aren't in control of their own work environment, they're less likely to produce and more likely to seek work elsewhere."

Privacy vs. Open Office

One hot-button topic in recent years has been the trend toward an open-office environment in some workplaces. While studies have cited many productivity challenges open-office workers face, there are benefits, as well. This environment actually works well where workers are encouraged to be mobile, working in different places throughout the day. This allows a worker to hole up in a private office when necessary, sit on a sofa when work lends itself to a more casual environment or gather with other employees to collaborate when necessary. Working from home also tends to be very accepted in open-offices.

As a leader, it's important that you pay attention to the studies and design your workplace accordingly. In certain situations, open offices are said to create stress, cause distractions, increase employee friction and encourage the spread of contagious illnesses--all factors that lead to lower productivity. Also, the money you may save in removing partitions and grouping employees more closely together may be lost if you take away employee privacy.

Casual vs. Business Dress

While many offices have abandoned the business suit in favour of khakis and golf shirts, the casual workplace may have taken things a step too far. Some studies have shown that what a person is wearing can impact his or her alertness. This leads

some to wonder if the jeans-and-t-shirt society being created in many companies is leading to a decline in worker output.

However, todate there has not been a study making a direct link between clothing and a person's productivity. A staff of application developers may feel more comfortable holing up in an office for 10 hours a day wearing jeans. But in a legal office, where attorneys are expected to appear before clients, business professional wear may be in order.

As you're creating a work place culture, consider the preferences of the types of people you'll be employing. Creative people may want a freer, more casual environment while financial professionals may prefer a more structured environment. Also, don't be afraid to ask yourself if these dynamics can exist under one roof. If you set the tone, your employees will follow and productivity can increase.

How Culture Affects Productivity

Organizational culture and productivity are closely related. Simply stated, productivity is the art of getting the company's products and/or services to the customer at the lowest possible cost. But it is more than that - it is related to quality, to customer needs and to labour relations. In other words, productivity and good management are inseparable.

Productivity is a result of motivation, and motivation thrives in a good climate. If management is to transform this fragile good climate into a long-lasting culture for success, it will have to focus on the following seven areas of improvement:

Organizational Clarity

The degree to which the goals and plans of the organization are clearly perceived by its members rises in proportion to the employees' feelings of involvement in the goal-setting and planning procedures. Fostering this feeling of involvement and direction is more important than presenting lists of objectives and detailed plans³. To promote organizational clarity, involve all members of the organization in the goal-setting and planning process.

Decision-Making Structure

We tend to forget that the main purpose of structure is to facilitate decision making, not to develop new organizational charts and lines of authority. In some organizations, especially high technology, ambiguity or looseness of structure may be preferable. Make sure that there is a free flow of information for decision making throughout the organization, and that the structure for disseminating that information allows positive outcomes.

Organizational Integration

Determine how much cooperation exists among various units of the organization. Do they communicate effectively to help achieve the organization's objectives? Cut through red tape by forming temporary task forces, made up of people from various disciplines, which sidestep hierarchical structures.

Relationship of Management Style to Culture

The use of an authoritarian style in a democratic culture is disastrous: resistance is inevitable. Similarly, democratic management in an authoritarian culture leads to the chickens-without-

heads syndrome. People who have worked in an authoritarian climate will have been discouraged from using their own initiative in doing their jobs. They have not felt free to question constraints, and have not sensed that top management will support them if they have made poor decisions. They have not been allowed to develop entrepreneurial traits that enhance innovation and ultimately productivity. Ensure that the management style suits the culture.

Organizational Vitality

Organizational vitality is measured by the boldness of its goals and its responsiveness to changing conditions. This requires that employees be allowed to make mistakes. Develop a system that encourages employees to take risks for the betterment of the organization without the threat of punishment and find ways of helping them learn from their mistakes.

Compensation

The compensation system should reinforce a success orientation without being too positive. If too positive, employees come to expect ever-increasing rewards. If too negative, employees may retaliate by, for example, working to rule. Develop a system of compensation that is equitable, competitive and related to long- and short-term performance.

Human Resource Development

Provide opportunities within the organization for people to develop to their full potential. How does the company deal with obsolescence? Are old or unneeded people fired? Does management give credit to those outgoing people for their career contributions? Or is the prevailing attitude, "what have you do for me lately?" How honourably the company acts in these situations will do much to determine whether or not it has a culture of success.

Literature Review - The Psychology of Success

Concerning the relationship between culture and productivity, behavioural scientists have identified a number of human characteristics that tend to fly in the face of many currently favoured management practices:

1. People are not rational or professional mind-watchers have been telling us that human beings are the ultimate study in conflict and paradox.
2. All of us are self-centred; seek praise and recognition, think of ourselves as winners and not losers.
3. We operate as much by gut feelings as we do by logical, rational thinking.
4. We are creatures of our environment, sensitive and responsive to external rewards and punishment, but we are also strongly motivated by internal pressures.
5. We are looking for meaning in our lives and will make great sacrifices for those employers who will provide us with meaning. At the same time, we need to feel that we are in charge of our own destinies.

For example, how does organization handle the seemingly irrational employee, the person seeking recognition or the one whose ideas are based on emotion rather than logic? They are ostracized, disciplined or criticized. Many (possibly most)

organizations do not know how to handle behaviour that is, after all, only human. So what do they do? They set up systems and procedures that assume most employees are lazy, disinterested in their work or their company and cheat with abandon. These rules and regulations are designed to not only punish deviant behaviour but also encourage productive performance. What they have really produced, however, is a climate and ultimately a culture that works against productivity.

Rising or Sinking to the Occasion

Employee behaviour is influenced by the organization's expectations of how employees act. If the organization creates rules and regulations to apprehend offending employees, employees will be caught and disciplined. The cycle repeats and repeats, if a manager believes employees are lazy, his belief is confirmed when an offending employee is caught. Furthermore, if the only way an employee can get recognition is by breaking the rules, then he or she will break the rules because negative recognition is preferable to none at all.

Behavioural scientists, such as McGregor and Likert, based their management theories on the belief that man is by nature an experimenter, a thrill-seeker and an inventor. They indicated that management should provide meaningful work and equitable compensation, that jobs should be whole and exciting work modules. Given this, the average employee would be happy to contribute, add new ideas and boost productivity.

Mindset for Improving Cultures

For companies that find themselves in this counterproductive merry-go-round, there is a way out. They can improve their corporate cultures by recognizing that:

1. Corporate culture emanates from the top. It is top management's responsibility to recruit, train, teach and coach managers so well that they in turn provide desirable role models for the employees in their charge. In other words, the way these managers behave, the way they lead and the way they think, sets a climate and ultimately a culture for success.
2. Executives, from the top down, must realize that people are unique and that they are frequently irrational and always complex.
3. The organization should establish procedures that take into account the duality in human nature. It should provide both meaningful work and direction, while satisfying in some measure the employees need to feel independent.

Values and Beliefs behind Success

No matter how much effort goes into improving the above areas, if the combination of capital, creativity and human resource management that comprises the organization's culture is not success oriented then the outcome will be failure.

The overriding cultural values that influence a company's productivity level include the intention to produce quality products and to provide quality service. Its production practices and its products will reflect creativeness and innovation. Informality will be the preferred communication practice. The

organization will appreciate that customers are the reason for its corporate existence, and treat them accordingly.

The organization will recognize that its people should be treated with the dignity and respect it affords its customers. The culture will not support the notion that workers work and only managers manage.

Successful companies have in common the following basic values and beliefs:

1. Generally, the drive to provide a top quality product or service affects virtually every function of these organizations and they hold tenaciously to the belief that it is possible to achieve excellence.
2. They focus on the marketplace and are responsive to the needs of the consumer.
3. Regardless of the "economy of scale" argument that says large companies are more efficient, many of the most successful organizations appreciate that small is good.
4. They accept that work should be intrinsically satisfying, that employees can handle autonomy and that increased efficiency will result, and they act on these beliefs.
5. Their personnel policies are established with the realization that the only true discipline is self-discipline. Guidelines are established to provide regular and positive feedback, praise and coaching by the supervisors.
6. Employees see that the organization values the individual and his or her integrity, and that discipline provides a framework. It gives employees confidence to experiment, their confidence stemming from knowing what really counts in the organization.
7. These organizations are often characterized by open, frequent and intense communications, a feeling of informality and a go-with-the-flow attitude. Internal politics are a minor consideration.

What we can do?

Creating a positive and healthy culture for your team rests on a few major principles. Our own research (see here and there) on the qualities of a positive workplace culture boils down to six essential characteristics:

1. Caring for, being interested in, and maintaining responsibility for colleagues as friends.
2. Providing support for one another, including offering kindness and compassion when others are struggling.
3. Avoiding blame and forgive mistakes.
4. Inspiring one another at work.
5. Emphasizing the meaningfulness of the work.
6. Treating one another with respect, gratitude, trust, and integrity.

As a boss, how can you foster these principles? The research points to four steps to try:

Foster Social Connections

A large number of empirical studies confirm that positive social connections at work produce highly desirable results. For example, people get sick less often, recover twice as fast from surgery, experience

less depression, learn faster and remember longer, tolerate pain and discomfort better, display more mental acuity, and perform better on the job⁴. Conversely, research by Sarah Pressman at the University of California, Irvine, found that the probability of dying early is 20% higher for obese people, 30% higher for excessive drinkers, and 50% higher for smokers, but a whopping 70% higher for people with poor social relationships. Toxic, stress-filled workplaces affect social relationships and, consequently, life expectancy.

Show Empathy

As a boss, you have a huge impact on how your employees feel. A telling brain-imaging study found that, when employees recalled a boss that had been unkind or un-empathic, they showed increased activation in areas of the brain associated with avoidance and negative emotion while the opposite was true when they recalled an empathic boss. Moreover, Jane Dutton and her colleagues in the Compassion Lab at the University of Michigan suggest that leaders who demonstrate compassion toward employees foster individual and collective resilience in challenging times.

Go Out of Your Way to Help

Ever had a manager or mentor who took a lot of trouble to help you when he or she did not have to? Chances are you have remained loyal to that person to this day. Jonathan Haidt at New York University's Stern School of Business shows in his research that when leaders are not just fair but self-sacrificing, their employees are actually moved and inspired to become more loyal and committed themselves. As a consequence, they are more likely to go out of their way to be helpful and friendly to other employees, thus creating a self-reinforcing cycle. Daan Van Knippenberg of Rotterdam School of Management shows that employees of self-sacrificing leaders are more cooperative because they trust their leaders more. They are also more productive and see their leaders as more effective and charismatic.

Encourage People to Talk to You

Especially about their problems, Not surprisingly, trusting that the leader has your best interests at heart improves employee performance. Employees feel safe rather than fearful and as research by Amy Edmondson of Harvard demonstrate in her work on psychological safety, a culture of safety i.e. in which leaders are inclusive, humble, and encourage their staff to speak up or ask for help, leads to better learning and performance outcomes. Rather than creating a culture of fear of negative consequences, feeling safe in the workplace helps encourage the spirit of experimentation so critical for innovation. Kamal Birdi of Sheffield University has shown that empowerment, when coupled with good training and teamwork, leads to superior performance outcomes whereas a range of efficient manufacturing and operations practices do not.

When you know a leader is committed to operating from a set of values based on interpersonal kindness, he or she sets the tone for the entire organization⁵. In Give and Take, Wharton professor Adam Grant demonstrates that leader kindness and

generosity are strong predictors of team and organizational effectiveness. Whereas harsh work climates are linked to poorer employee health, the opposite is true of positive work climates where employees tend to have lower heart rates and blood pressure as well as a stronger immune systems. A positive work climate also leads to a positive workplace culture which, again, boosts commitment, engagement, and performance. Happier employees make for not only a more congenial workplace but for improved customer service. As a consequence, a happy and caring culture at work not only improves employee well-being and productivity but also improved client health outcomes and satisfaction.

Conclusion

In sum, a positive workplace is more successful over time because it increases positive emotions and well-being. This, in turn, improves people's relationships with each other and amplifies their abilities and their creativity. It buffers against negative experiences such as stress, thus improving employees' ability to bounce back from challenges and difficulties while bolstering their health. And, it attracts employees, making them more loyal to the leader and to the organization as well as bringing out their best strengths. When organizations develop positive, virtuous cultures they achieve significantly higher levels of organizational effectiveness — including financial performance, customer satisfaction, productivity, and employee engagement.

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Footnotes

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