THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND JOB PERFORMANCE IN A MANUFACTURING INDUSTRY

Sia Soon Ding

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THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND JOB PERFORMANCE IN A MANUFACTURING INDUSTRY

SIA SOON DING

This project is submitted in partial fulfilment of the requirements for a Bachelor of Science with Honours Human Resource Development

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The project entitled 'The relationship between organizational culture and job performance in a manufacturing industry' was prepared by Sia Soon Ding and submitted to the Faculty of Cognitive Sciences and Human Development in partial fulfillment of the requirements for a Bachelor of Science with Honours Human Resource Development.

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Gred
A-
I would like to express my sincere appreciation to my supervisor, Associate Professor Dr. Prasanth Talwar. He has given me the golden opportunity to do this wonderful study on the topic “The relationship between organizational culture and job performance in a manufacturing industry”. He is a lecturer which have given many advice and guidance in the process of the study. He also gives teachings and show concern during meeting with the supervisor. He has correct my mistakes in the study.

I would like to express my sincere thanks to my faculty which is Faculty of Cognitive Sciences and Human Development for the cooperation in applying permission regarding my research topic. Furthermore, all the necessary facilities also provided and it shows convenience to the students to do their study such as internet connection.

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HUBUNGAN ANTARA BUDAYA ORGANISASI DAN PRESTASI KERJA DALAM INDUSTRI PEMBUATAN

Sia Soon Ding

ABSTRACT

THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND JOB PERFORMANCE IN A MANUFACTURING INDUSTRY

Sia Soon Ding

Organizational culture is a set of shared values, belief and experience between each member in organization. It is known as important component for organization to accomplish their goals and competitiveness in order to maximize human capital. It influences the outcomes of individual and organization such as job satisfaction and performance. In previous study, attention is more focus on norms rather than practices. Moreover, there is no relationship between compensation system and job performance. The main objective of the study was to determine the relationship between organizational culture and job performance and investigate the dominant factors of organizational culture influencing the job performance in a manufacturing industry. The study was conducted on a manufacturing industry, Kuching, Sarawak. 135 employees were selected by using convenient sampling. This is quantitative, cross-sectional study. Data was collected by using questionnaire, face-to-face interview. Pilot study was done before main study was conducted. The research instrument was found to be reliable. The data analyze was using Statistical Package for Social Science (SPSS) version 21. It was found that there is a significant relationship between cultural norms, cultural values, subculture and compensation systems and job performance in a manufacturing industry. Pearson Correlation was used to examine relationship between organizational culture and job performance in a manufacturing industry. Besides, Multiple Regression was used to investigate the dominant factors of organizational culture influencing the job performance in a manufacturing industry. It shows positive relationship between each other. Thus, it may conclude that the dominant factors included cultural norms, cultural values and compensation systems influencing the job performance in a manufacturing industry.
1.0 Introduction

In the globalization era, there is a lot of manufacturing industry established to produce innovative production in order to fulfill demands in the market. There are several types of manufacturing company such as food & beverage, electronic and car.

Manufacturing industry is an organization engaged with the business that uses components and raw materials to make a finish good (Borocki, Cosic, Lalic&Maksimovic, 2011). The final products can either serve as finish goods or intermediate goods used in the process of production.

Hence in order to compete with others, the manufactured goods must be good quality when compare with others. The organization needs efficient manpower, high technology, and capable people to manage the organization in order to enhance productivity. Thus, all employees and manager needs to know and understand well about the culture inside the organization to improve performance. However, in this study the researcher is interested to investigate the relationship between organizational culture and job performance in a manufacturing industry in Kuching.
1.1 Background of Study

Organizational culture is a set of shared values, belief and experience between each member in the organization (Øgaard, Larsen, & Marnburg, 2005). Culture consists of certain categories such as shared values and norms of behavior (Cui & Hu, 2012). In the past decades, organizational culture is an important theme in management and business research due to its effect on the outcomes of individual and organization such as job satisfaction and performance (Chow, Harrison, Mckinnon and Wu as cited in Anas Mahmoud Khaledbashayreh, 2009). There is research done in automotive components industry indicate that in their 11 years study, the companies with organizational culture manage to increase the profit to 682% (Kotter and Heskett as cited in Sumarto&Subroto, 2011). Besides, there are more than two decades shows that many researchers have done the similar research about organizational culture (Shahzad, Iqbal & Muhammad Gulzar, 2013).

Moreover, job performance is the achievement of a designed task with a time set and done by a person which later will measure by using performance management (Shahzad, Luqman, Khan & Shabbir, 2012). According to Sofijanova and Zabijakin-Chatleska (2013), the researchers indicated that the employee empowerment and employee involvement are important components to contribute towards success in the organization. There are researchers indicate that the way to measure performance affects the perception on the performance measurement system (Hotstede et al. as cited in Hilal, Wetzel, & Ferreira, 2009). A strategic performance measurement system (SPMS) is a new path to measure and evaluate the performance of employees (Ahmad, 2012). Hence, this study is conducted to investigate the relationship between organizational culture and job performance.

1.2 Problem statement

Organizational culture has become a significant problem in an organization which directly influences the performance. There are several elements in the organizational culture such as norms, and values, subculture conflicts and systems. Previously, in organizational culture, there were few studies have been done on norms rather than practices (Ismael Younis Abu-Jarad et al., 2010). Another European researcher indicates that at the organizational level, the studies on values as compared with practices were rarely done by researchers (Hostede as cited in Hilal et al., 2009). It can observe at multiple levels in the organization because culture reflected in values, norms and practices (De Long & Fahey, 2000).
There is little attention indicated that influence of subculture on organizational commitment (Lok, Rhodes & Westwood, 2011). The researchers had neglected the influence of organizational subcultures. The ability to adapt and change by employees will impact on the various organization subcultures (Palthe & Kossek, 2003). Thus, subcultures impact on the attitude and behavior of employees that may be independent of the main culture effects (Lok, Westwood, & Rhodes, 2009). Although there is little attention towards the influence of organizational subcultures on commitment, there are multiple foci of work groups, supervisors, and occupational groups. There is a symbolic influence on the performance through work groups.

Apart from that, there is research showed that there is no relationship between rewards system and performance (Furtado, Aquino & Meira, 2012). There is little empirical work has been done on compensation for employees (Prendergast as cited in Herpen, Praag & Cools, 2003). Thus, this study is investigating the employees’ perspectives based on the compensation system proposed by the organization. Rewards can generate an important role towards employees’ performance. It leads as a result of the motivational factor of employees in their performance by linking the interest of employees to the organization. If rewards or recognition offered to employees, there would be a change in work motivation and satisfaction which leads to employees’ performance.

1.3 General objective

The main objective of this study is to determine the relationship between organizational culture and job performance in a manufacturing industry.

1.4 Specific objectives

Several specific objectives are identified in this research and are as follows:

1. To investigate whether the cultural norms have effects on job performance in a manufacturing industry.

2. To determine whether the cultural values have effects on job performance in a manufacturing industry.

3. To analyze whether the subculture has effects on job performance in a manufacturing industry.
4. To study whether the compensation systems have effects on job performance in a manufacturing industry.

5. To determine the dominant factors of organizational culture have effects on job performance in a manufacturing industry.

1.5 Hypothesis

<table>
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<th>Null Hypothesis</th>
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<tr>
<td>H₀₁</td>
<td>There is no relationship between the effects of cultural norms on job performance in a manufacturing industry.</td>
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<tr>
<td>H₀₂</td>
<td>There is no relationship between the effects of cultural values on job performance in a manufacturing industry.</td>
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<td>H₀₃</td>
<td>There is no relationship between the effects of the subculture on job performance in a manufacturing industry.</td>
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<td>H₀₄</td>
<td>There is no relationship between the effects of compensation system on job performance in a manufacturing industry.</td>
</tr>
<tr>
<td>H₀₅</td>
<td>There is no dominant factor of organizational culture effects on job performance in a manufacturing industry.</td>
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1.6 The theoretical framework

Independent variables: **Cultural norms**, **Cultural values**, **Subculture**, **Compensation system**

Dependent variable: **Job performance**
1.7 Definition of terms

1. Cultural norms
   Conceptual definition: An attitudes and behaviors that are considered as typical within that group that includes judgment of what is important through interaction (Cultural values, beliefs, norms, n.d.).
   Operational definition: The reflection of attitudes and behavior by employees towards the core values, patterns, characteristic and behavior which shared inside organization whether is acceptable or not.

2. Cultural values
   Conceptual definition: Groups or societies have values that are shared together by their members. The values identify objects, conditions and characteristics which are valuable (Definition of values, n.d.).
   Operational definition: A group of members or societies are sharing the same characteristics which are valuable to the organization.

3. Subculture
   Conceptual definition: Segments of culture inside departmental of an organization that shows different values, norms and ethics (Merriam-Webster, 2014).
   Operational definition: The different perspectives towards the culture such as values and norms by different groups from the different department in the organization which require certain skills to do the jobs.

4. Compensation system
   Conceptual definition: Salary or monetary and non-monetary benefits that give by an employer to its employees (Susan, 2014).
   Operational definition: A systematic way of manager to reward employees in return of their labour either with direct financial, indirect financial and non-financial compensation due to the exchange for work and service.

5. Culture
   Conceptual definition: An experience, knowledge, attitudes and religion acquired by a group of people through interaction (Culture, n.d.).
   Operational definition: A total of learned behavior of a group of people with knowledge, experience, belief and values and it is transmitted from old generation to the next generation.
6. Organizational culture

Conceptual definition: A set of values, beliefs and norms that defines a group of people which crowd together to form a community in order to influence other people (Spencer-Qatey, 2012).

Operational definition: A system of shared values, rules or behavior which is unique that implementing in the organization so that the employee understands how to behave and influence other people.

7. Job performance

Conceptual definition: A person can differentiate between behavioral aspect and outcome aspect on their specific tasks (Sonnentag, Volmer & Spychala, 2008).

Operational definition: The work-related tasks accomplished by individuals through the ways to perform their job and it may evaluate through performance appraisal.

1.8 Significance of research

It is important to provide the appropriate norms or cultural values that can develop high performance among employees. In particular, cultures that emphasize norms and values tended to conceal a stronger relationship between culture and performance on job-related tasks. They are more confident and responsibilities about the way to do a job. Consequently, a strong culture and high compensate may be probable when task performance is the focus on the job-related tasks rather than unrelated tasks. Culture is tremendously difficult to mimic or duplicate due to its innate are complexity and specificity. Therefore, we believe that a valuable organizational culture have a direct effect on sustaining the above-normal performance.

1.9 Limitation of research

There are few limitations in this study. Firstly, the research only conducted in a manufacturing industry in Kuching, Sarawak. Few hours are too limited for data collection and it is unable to estimate the relationship between organizational culture and job performance. The method used for data collection is questionnaire by using Likert’s scale.

1.10 Summary

As general, this chapter consists of an introduction, the background of the study, problem statement, general objective and specific objectives. It is important to determine the research in perspectives and understand well about the research. Besides, other elements such
as hypothesis, research questions, theoretical framework, the definition of terms, the significance of research and limitation of research also describe in details about the research that want to conduct.
CHAPTER II
LITERATURE REVIEW

2.0 Introduction

There are several cases about issues in organizational culture had happen and it mostly occurs in a foreign country. A lot of journals had the study on the investigation of the relationship between organizational culture and job performance. Below are the journals that related with the research and being reviewed.

2.1 Issues

2.1.1 Mergers and acquisitions

In North America, these issues become serious and critical as organization tries to expand their working in order to increase their competitive advantage (Pikula, 1999). However, it achieves the failure due to managers neglect human resource issues and it has achieved a serious level in the organization. These are due to after mergers and acquisitions, the turnover rate of top managers are increase and there is a spread of inaccurate rumors. Culture and human resource issues are the causes for failure of mergers.

During mergers, companies frequently use their energy and power to plan and solve the financial issues. These conditions have neglected the human resource issues due to the attention towards financial issues. Human resource issues are important as it has high priority as increasing the probability of success combination between people and culture inside the organization. The role of people and organizational culture is often placing in an insignificant position. The strength of corporate culture is determined by the number of beliefs, values and
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assumptions, the number of employees who accept or reject the basic beliefs and the amount of the employees who obtains beliefs, values and assumption.

There are several effects of mergers and acquisitions towards the organization. The effect such as stress also occurs due to the absenteeism, poor performance and high turnover among employees. Besides, job demands also increase and expand due to the new expectations towards employees in future. Thus, the differences between two organizational cultures are leads to competition among employees and account each other as “enemies”. Hence, the unique of cultural leads to the formation of corporate culture.

On the other hand, the success of merger and acquisition depends on the cultural compatibility of two organizations. The implications of mergers and acquisitions are produced anxiety and stress among employees. The name of the phenomenon is ‘merger-emotions syndrome’. Moreover, the ‘Them-Us Syndrome’ occurs after the mergers and acquisitions. From this point, managers are able to emphasize the differences between employees’ status and able to act as a reminder for ‘winner’ and ‘losers’. In order to improve the issues, proactive ways need to be conducted. The strategies to relieve stress can be done such as conduct a cultural audit and merger stress audit. Positive feedback and avenue are provided for employees to express concern about the issues.

Besides, Weber and Tarba (2012) had a study about the use of corporate culture analysis throughout the mergers and acquisitions (M&A) process. It is an issue that remains poor to understand in a lot of research over many years of study and experiences. Mergers and acquisitions are suffered from failure due to the differences in culture (Dauber, 2012). The problems are arising due to the differences on both organizations (Buono et al., Cartwright and Cooper as cited in Riad, 2007). According to Hay Group, there are more than 200 European M&A but only 9 percent of organizations complete success in mergers (Weber and Tarba, 2012). There is an argument that during the last two decades cultural differences have the negative impact on performance after M&A. However, several studies indicate that there are cultural differences for both positive and negative effects on performance (Ahmmad and Glaiser, Reus and Lamont, Sarala, Slangen, Vaara et al., Weber et al., as cited in Weber and Tarba, 2012).

There are several reasons why the M&A achieve failure. These are because the lack of cultural assessment in the early of M&A and unclear about the concept of corporate culture (Weber and Tarba, 2012). Thus, in order to enhance the output of M&A, managers
should improve the corporate culture, especially for cross-cultural management. The consultant is needed to solve the particular problem that emerges in overall M&A process. The clash of culture may lead to the human resource issue that contributes to the failure of M&A. The measurement of culture differences is important through all the stages of M&A such as planning, negotiations and the integration of the organization. During the stages of planning, screening and classification of potential mergers, it compares the advantages and disadvantages of each candidate for merger.

2.2 Theoretical Framework

Porter and Lawler’s Model of Motivation

Organisational Culture

Role Perception

Value of Reward

Work Performance

Organisational Performance

Figure2.2.1: Model of Culture effects on performance

Based on the figure2.2.1 above, organizational performance can be achieved individual performance through the efforts in terms of the value of rewards and role of perception towards tasks. In order to accomplish performance, rewards given such as intrinsic and extrinsic rewards able to influence the level of effort contribute to the tasks. There is previous study indicate that improvement efforts in performance is concentrated more on financial rewards (Chang and Birch as cited in Gideon, Sonrandein & Georgina, 2013). Hence, in order to motivate them to perform well, the level of satisfaction among employee is based on the types of rewards and equitable rewards.

According to Ployhart, Weinrich & Koontz, organizational performance is a total of work performance and it is influenced by the value of rewards (Gideon et al., 2013). There is evidence body of organization literature indicate that rewards influence on performance (Chiang & Birch as cited in Gideon et al., 2013). There is an expression that perception and cognitive mechanism are not culture-free. Recognition of audience plays an important role to
achieve rewards. It depends on the cultural differences of the audience towards the rewards and motivational impact. Rewards may motivate an audience from same culture but not from the different culture. Besides, there is an argument that rewards are affected by the environment (Weinrich& Koontz as cited in Gideon et al., 2013). The surrounding environment such as non-financial rewards may affect the ability to perform. Since the culture is an environmental factor, its influence on rewards perception is recognized. Culture has an important role in shaping reward preferences. Diverse interpretations of a situation and flexible actions are given to individual due to differences among values. Thus, culture may influence work performance through its impact on the value of rewards.

2.3 Findings from past studies

Ismael Younis Abu-Jarad, Nor' Aini Yusof and Nikbin (2010) had a study about the relationship between organizational culture and the organizational performance. In this research, the definition, concept and measurement of culture and performance were examined. Yet, there is limited empirical evidence for the impact of organizational performance by using organizational culture practices (Wilderom and Berg as cited in Ismael Younis Abu-Jarad et al., 2010). There is an argument that organizational culture practice was the most imperative factor that will determine the success in the organization (Ismael Younis Abu-Jarad et al., 2010). According to Wilderom and Berg, researchers should try to reduce the divergence between employees favored organizational culture practices and their recognition of the organizational practices (Ismael Younis Abu-Jarad et al., 2010).

According to Stewart, organization's cultural norms affect who are involved in organization (Ismael Younis Abu-Jarad et al., 2010). Although organizational norms are almost invisible, it should become the first elements to look in order to enhance the organizational performance. This research was carried out at United States of America. Hofstede develop four dimensions of cultural values such as power distance, uncertainty avoidance, individualism or collectivism and masculinity or femininity. It is a GLOBE study which involves 825 organizations located in 62 countries. Thus, based on the result, organizational performance can be enhanced by strong shared values. However, there was a need to use organizational cultural practice to study the organization because most of the studies link values to performance.

James (2014) had a study whether the values of organization and individual are aligned and circulate with organizational values. This research was carried out at India. It
found that many of MBA students cannot find the values of good Indian companies and
cannot figure out in the assignment. It examines the values of top 25 companies as ranked by
‘Business Today’ magazine from two perspectives. The examination of perspectives is
done to know whether companies articulate values to easier identify and map the keywords of
values in value theory through the cognitive process. He is using the secondary data method
to collect data from websites of 25 top companies. Through secondary input, the examination
of the cognitive map for espoused values is done to the value theory framework. From the
issues, it found that many organizations do not outline their values to the individual values or
propagate them in an accessible behavior. Only 11 companies out of 25 articulate their
espoused values to find behavior while 3 companies describe them as core values.

Paarlberg and Perry (2007) had a study about the values management in
the organization in order to align employee values and organization goals. In this research,
managers believed that high-performing organizations communicate and reward individuals
with consistently shared values to control employee behavior (Collins & Porras; Peters &
Waterman as cited in Paarlberg and Perry, 2007). Hence, social structures such as shared
beliefs and values play an important role in regulating employee behavior. This research is
carried out at United States. The method to carry out research is using qualitative research
method. The collection data is using interview method that consists of 52 employees and 45
managers. The survey data was used to identify the work units and interview data to compare
the case study. The interview is carried out from 1998 to 2003.

The findings suggest that employees were motivated by strategic values. They can
reflect employees’ internal affective, normative and task-oriented values. Values
management system can provide opportunities among employees to interact socially with
each other. Besides, middle managers play an important role to integrate a continuous process
in the organization to communicate strategic practices that link employees’ values to
organization values. Moreover, most employees account that they are strongly motivated to
do the job at work by affective, based on norms and cognitive or task-oriented values.

Seevers (2000) had carried out a descriptive correlational study to identify the validity
of organizational values and investigate the relationship between organizational values and
demographic characteristics. In this research, strategic planning models include the process of
values clarification (Seevers, 2000). It is a critical step to identify organizational values
because values influence directly how people behave. This research was carried out at