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## 6 Organizational Culture and Impact on Improving Employee Performance

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### ABSTRACT

The policy of the management in the organization is to introduce organizational culture to its employees which will help employees to get to know the organizational system as a whole and integrated with work behavior. A proper understanding of organizational culture must lead to an increase in employee performance and a contribution to the realization of organizational goals. Organizational culture needs to be developed in such a way as to improve employee performance and continuously develop quality awareness. Thus, the purpose of this study is to analyze and determine the influence of organizational culture on employee performance. The research was conducted in a small business that trades through online media and has 17 employees. The data analysis technique used a simple regression test. The results of this study mostly show a positive relationship between a strong culture and improved performance. Based on this research, it can be concluded that organizational culture has a positive and significant effect on employee performance.

### INTRODUCTION

Organizational development depends on the analysis and identification of factors that have contributed to organizational effectiveness and organizational performance (Lim, 1995). Daft (2000) states that organizational performance is the ability of an organization to use its resources to achieve its goals effectively and efficiently. Management wants to acquaint employees with organizational norms, values and goals that are important for understanding organizational culture (Schein, 2002). It is the responsibility of management to give employees an organizational culture that helps them understand the organizational system. Proper understanding of organizational culture should lead to increased employee performance.

Employee performance is considered as the main element of organizational development. Performance is a description of the achievement in completing activities to achieve the organization's goals, objectives, missions, and visions contained in the organization's strategic plan (Handoko, 2004). According to Ittner and Larcker (1998); and Darmawan et al. (2020), performance is always related to the work

results or achievements of individuals or groups of individuals. There are certain standards to meet work targets. Individual or team achievement is determined by the size of it. Success is declared when standards are met and achievements are met or even exceeded. The absence of standards and targets causes the efforts made cannot be measured and the work results are simply carried out by workers without any efforts to be better.

Previous studies have shown that employee performance contributes to other variables such as leadership, work environment, discipline, work communication, motivation, compensation, organizational commitment and integrity (Mardikaningsih, 2014; 2016; Sinambela et al., 2019; Retnowati, 2019). However, other factors that affect employee performance include organizational culture. Organizational culture is positioned as a differentiator with other organizations. This is the hallmark of the organization and should be a guide for members to behave. The organizational culture created by the company also includes norms to rules that must be obeyed by all employees to achieve discipline at work. This brings uniformity together.

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A strong culture is considered to have a role as a driving force to improve employee performance. Increase employee trust and involvement, reduce workplace stress and improve employee ethical behavior (Saffold, 1998). According to Alvesson (1989), the conceptualization of organizational culture depends on two approaches, namely the process-oriented, and the classification approach. Both have in common that culture tends to emphasize a single organizational culture. However, cultural forces have a major impact on conditions in the workplace. The culture inherent in the organization, if it is strong, will have a role in directing the company's goals and will directly improve organizational performance that comes from member contributions (Brooks, 2006).

Company culture must be known or realized by the members. This must also be embedded in work behavior so that all actions are based on the culture that occurs in the organization. The existence of organizational culture will play a role in directing the behavior and performance of employees (Palembeta and Arifin, 2014). Therefore, organizational norms and values are very important to be identified by management and conveyed and ensured to be understood by employees. Several studies from Rogga (2001); Santosa and Darmawan (2002); and Shahzad et al. (2012) stated that employee performance can be improved and developed through the attachment of organizational culture to employees and this must continuously emphasize the focus on the quality of work results. Organizational culture is suspected to also have a contribution to work results so that the basis of the purpose of this study is to observe and obtain data to determine whether organizational culture has a real role in shaping employee performance.

## RESEARCH METHOD

Associative research aims to determine the relationship between variables, namely the role of organizational culture on employee performance accompanied by an explanation of the position of each of these variables. The study was conducted in a small business that trades through online media and has 17 employees to work on managing the order process from suppliers (purchases) and final buyers (sales). With the characteristic of freedom of working time but the task is given based on instructions from the leadership. This business is very effective because it generates a large turnover and a high level of sales in each partner marketplace.

The definitions and indicators of each variable are explained as follows. Organizational culture is

the values and norms of behavior that are accepted and understood jointly by members of the organization as the basis for the rules of behavior conducted in the organization. The indicators used in organizational culture are individual initiative, direction, integration, management support, control, reward system, and communication patterns.

Employee performance is something that is individual, because each employee has a different level of ability in doing their job. Performance depends on a combination of ability, effort, and opportunities obtained, this means that performance is the result of the employee's work in working for a certain period of time and the emphasis is on the work completed by the employee in a certain period of time. The indicators used in employee performance are loyalty, work performance, discipline, cooperation, skills, and responsibility.

The two variables above use a Likert attitude scale. Determination of attitude is represented by points 1 (Strongly Disagree), 2 (Disagree), 3 (Agree), 4 (Agree Completely). The data analysis technique used a simple regression test. As the truth of the processed data determines the quality of the research results, we test the quality of the data to determine if the equipment used is valid and reliable.

## DATA ANALYSIS AND DISCUSSION

The data quality check aims to determine if the equipment used is valid and reliable as the truth of the processed data determines the quality of the research results. Validity test aims to determine the validity of a measuring instrument to measure indicators of an object of measurement. Validity is necessary because invalid or biased data processing will result in incorrect conclusions. To see whether the instrument is valid, a validity test is carried out by observing the corrected total item correlation value which must be greater than 0.3 to be declared valid. From the results of the SPSS output, it was found that all statements in the questionnaire were valid.

Reliability test is a term used to indicate the extent to which a measurement result is relatively consistent when the measurement is repeated two or more times. Reliability testing must be carried out only on statements that already have or meet the validity test, so if they do not meet the validity test requirements there is no need to continue for reliability testing. Reliability is an index that shows the extent to which a measuring instrument can be trusted. Reliability testing is carried out on each construct or variable used in the study by observing the Cronbach's alpha value must be greater than 0.6. The organizational culture variable obtained an alpha value of 0.843

and the employee performance variable obtained a value of 0.639. Thus, the two variables are declared to be reliable and can be used for the next process.

Simple linear regression only uses the t-test statistic to observe the effect between variables. This test basically shows how far the influence of an individual explanatory variable in explaining the dependent variable. The t-test aims to determine the effect of the organizational culture variable on the employee performance variable partially. If Sig t is less than 0.05, it means that there is a significant effect between the independent variables on the dependent variable.

Table 1. Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	25.217	9.882	2.552	.022
X	5.099	1.327	3.842	.002

Source: SPSS output

The value of the coefficient of determination comes from the results of SPSS. It is measured to explain the contribution of the independent variables. The value obtained is 0.496. This 49.6% figure means that the formation of employee performance is obtained from the contribution of organizational culture of 49.6%. The results are shown in Table 2 below.

Table 2. Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704 <sup>a</sup>	.496	.462	6.48439

Source: SPSS output

The results showed that each individual in the organization has a different culture of origin and the initial adaptation is by trying to adapt it to the norms and values of the organization. Culture is proven to have an influence on employee performance. The results of this study are in accordance with previous studies from Rogga (2001); Santosa and Darmawan (2002); Sazad *et al.* (2012) which states that organizational culture has a significant effect on employee performance. Organizational culture has a contribution to shape employee performance because if the culture has been integrated with employees it will create an impetus for them to give their best abilities and take advantage of the opportunities provided by their organization (Issalillah, 2020). The better and attached the organizational culture to the behavior of employees, the more they improve their performance. Organizational culture acts as a guide for employees how to perceive the cultural characteristics of

an organization, the values that employees need in their work, interact with their groups, with systems and administration, and interact with their superiors.

The role of organizational culture is not limited to employee performance but also to organizational performance, one of which is strengthening competitive advantage. According to Darmawan (2010), academics who have conducted intensive studies have suspected that there is a strong relationship between organizational culture variables, various management practices, and individual and organizational performance. The claim that the existence of a strong organizational culture has been embedded in performance begins with the real role of organizational culture that can be developed and embedded in work life in order to strengthen competitive advantage. Basically, the formation of superior organizational competencies that cannot be imitated by competitors comes from a sustainable competitive advantage (Saa-Pe're & Garcia-Falcon, 2002). Academics and practitioners suggest organizational achievement or performance depends on the extent to which cultural values are shared comprehensively (Denison, 2006). Thus overall, the application of organizational culture greatly helps employees to do their jobs efficiently and effectively

## CONCLUSION

The results of this study mostly show a positive relationship between a strong culture and improved performance. Based on this research, it can be concluded that organizational culture has a positive and significant effect on employee performance.

One of the important management policies is how to form all members of the organization who are and are involved in organizational life and accommodate the interests of all parties, so that in carrying out its activities it does not conflict with the various attitudes and behaviors of each individual. Organizational culture plays a role in these efforts. This study also obtained the fact that the observed organizational culture is strong enough as a cause and impetus for new employees to immediately embed cultural elements into their work behavior in the organization. They realize that organizational culture is a source of competitive advantage under certain conditions. By forming an organizational culture that represents in general all the values, beliefs, assumptions, expectations of the members of the organization, it will form a shared belief value that underlies the identity of the organization.

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