

## **Organizational culture and employee job performance: Case of insurance companies in Anuradhapura District**

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### **Introduction**

The concept of organizational culture has become a fundamental aspect in business, management, psychology and sociology (Oyafunke et al., 2014). According to Hofstede (1980), culture is the collective thinking of minds which create a difference between the members of one group from another. Organizational culture creates the value of an institution not only by the manners and behaviors of every individual in the organization but also by the collective attitudes and behavior of the organization in general (Aksoy et al., 2014). Several studies have investigated the relationship between organizational culture and employee performance. Once companies achieve effective organizational culture, they might continue to diversify business without affecting performance (Murphy, 2013). 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 an organization (Deal & Kennedy, 1982). Some studies show a strong culture as a driving factor for organizational performance (Simoneaux & Stroud, 2014; Pinho et al., 2014). Rahmisyari (2016) stated that strength of corporate culture has a significant effect on both individual and company performance in the long term. He further mentioned that even the culture will become one of the increasingly important factors in determining the success or failure of a company. In the situation of increasing competition, globalization, alliances and major work force development have generated an essential need for corporate culture. Thus, it is assumed that managing organization culture is one of the key managerial challenges of the millennium. More often than not, employees are unconscious of their organization culture until it is become a problem and until the occurrence of a new culture which can be made obvious and explicit (Oyafunke et al., 2014). However, many organizations today put more efforts on the focus of only intrinsic and extrinsic reward systems to enhance employee performance, giving less concern on the value and belief system. Furthermore, there is no conclusive finding on the link between organizational culture and employee performance. There is limited literature pertaining to organizational culture and employee performance in Sri Lankan context specifically in insurance industry. Based on above understanding,

this study formulates the research problem as “Is there any relationship between organizational culture and employee performance in insurance companies in Anuradhapura district?” Thus, the purpose of this study is to investigate the impact of organization culture on employee job performance in insurance industry in Anuradhapura district.

**Methodology**

The target population of this study was all the employees in insurance companies in Anuradhapura Distric. The sample of this study consists of 100 employees which were drawn using a convenience sampling method. Data for this research were obtained from both primary and secondary sources. Mainly a structured questionnaire was used as the primary data gathering tool for the study. The questionnaire consists of three sections. The first section gathers information about demographic characteristics of the respondents. The section two was devoted to measure the key dimension of the organizational culture namely power distance, uncertainty avoidance, collectivism and masculinity. This section contained a series of statements on Likert type five scale ranging from 1- strongly disagree to 5- strongly agree. In the final section, employee performance with respect to task and contextual performance were measured with statements in similar scales.

This study used quantitative approach in data analysis. Descriptive statistics such as mean and standard deviation were used in uni-variate analysis. The correlation analysis was employed in bivariate analysis and it examined the relationship between key variables of the study. Multiple regression analysis was finally used to examine the effect of organizational culture on employee performance.

**Table 1** Results of correlation analysis

Variable	A	B	C	D
A. Power distance	-			
B. Uncertainty avoidance	-.779**	-		
C. Collectivism	-.795**	.818**	-	
D. Masculinity	.187*	-.249**	-.190*	-
E. Employee Job Performance	-.747**	.780**	.754**	-.238**

\*\*. Correlation is significant at the 0.01 level (1-tailed).

\*. Correlation is significant at the 0.05 level (1-tailed).

**Result and discussion**

Table 1 shows the results of correlation analysis. The result indicates that power distance ( $r=-.747$ ,  $p<.01$ ) and masculinity ( $r=-.238$ ,  $p<.01$ ) are negatively correlated with employee performance while uncertainty avoidance ( $r=.78$ ,  $p<.01$ ) and collectivism ( $r=.754$ ,  $p<.01$ ) are positively correlated with employee

job performance. Thus, an organizational culture characterized with less power distance, high uncertainty avoidance, high collectivism and less masculinity leads higher employee job performance in the insurance industry.

Regression result in Table 2 reveals that power distance has a negative and significant effect on employee job performance ( $\beta = -.269$ ,  $p < .05$ ). Moreover, both uncertainty avoidance and collectivism show the positive effect on employee job performance ( $\beta = .425$ ,  $p < .05$ ), ( $\beta = .244$ ,  $p < .05$ ). However, masculinity has no any significant effect on the employee job performance ( $\beta = -.062$ ,  $p > .05$ ). This result further confirms the importance of organizational culture formed with less power distance, high uncertainty avoidance and high collectivism to ensure higher employee job performance.

**Table 2** Result of regression analysis

Adjusted R <sup>2</sup> = 0.66		F value = 49.157		Sig F = 000	
Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.338	.719		3.253	.002
Power Distance	-.269	.105	-.265	-2.551	.012
Uncertainty Avoidance	.425	.125	.376	3.396	.001
Collectivism	.244	.122	.226	1.992	.049
Masculinity	-.062	.071	-.052	-.864	.390

These results revealed that organization culture has a significant effect on employee job performance. In fact, cultural dimensions of uncertainty avoidance and collectivism have a positive influence on employee job performance, whereas power distance and masculinity have a negative influence on employee job performance.

### Conclusion

This study mainly investigated the relationship between organization culture and employee job performance. Organization culture was measured by using Hofstede's cultural dimensions namely; power distance, uncertainty avoidance, collectivism and masculinity. The result shows that power distance has a significant negative effect on employee job performance while uncertainty avoidance and collectivism have a positive effect on it. Thus, insurance companies should build a culture characterized with less power distance, high collectivism and high uncertainty avoidance to ensure better employee job performance in their organizations.

**Keywords:** *Collectivism, job performance, power distance, organizational culture, uncertainty avoidance.*

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