

INTERLINK BETWEEN ORGANIZATIONAL CULTURE AND EMPLOYEE PRODUCTIVITY: AN EMPIRICAL STUDY

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Abstract - It is essential for managers and leaders to develop and maintain a strong organizational culture to be able to increase the employee productivity vis-a-vis overall performance of the organization. Culture is a key ingredient that not only helps achieve the organizational goals and success, but also for attracting and retaining the required talents, creating a positive public image, and building a healthy relationship with stakeholders. A strong culture supports team work, innovation, commitment and loyalty in the organization. But a weak culture results in low organizational performance, ethnocentrism, informal grouping and conflict within the organization. Prior studies have indicated the existence of a strong association between organizational culture and employee productivity. This study, undertaken on 30 Indian organizations with 600 respondents, have led to the corroboration with the earlier findings that there exists a strong and statistically significant relation between organizational culture and employee productivity in the Indian context too.

Key Words: Organizational culture, employee productivity, ethnocentrism, innovation, loyalty, revenue, PAT

1. INTRODUCTION

It is essential for managers and leaders to develop and maintain a strong culture in the organization so as to be able to improve the overall performance and productivity of the employees and that of the organization. Culture is a key ingredient not only for achieving the organizational goals and success, but also for attracting and keeping the required talents, creating a positive public image, and building a healthy relationship with stakeholders. A strong culture supports teamwork, innovation, commitment and loyalty in the organization. But a weak culture results in low organizational performance, ethnocentrism, informal grouping and conflict within the organization. Although, the talk about the importance of organizational culture began years back such as with the debate between Blake and Mouton (1969) that there is a link between culture and excellence; it came to the limelight in the eighties with the work of Allen and Kraft (1982), Deal and Kennedy (1983), and Peters and Waterman (1982).

It has been claimed through prior research that organizational culture helps organizations create policies and assignments to increase profitability and respond to market demands. For instance, a study conducted by O'Reilly (2001) revealed that companies that display specific

faces of corporate culture grew 10 times faster than companies that didn't. The average net sales growth for the high-culture companies was 141%, compared to a meagre 9% growth of 'low-culture' companies, the study revealed. A similar study undertaken by Kotter and Heskett (1992) found that 'organizational performance increasing culture' or 'strong culture' raised the income of the organizations by about 765% between 1977 and 1988, compared to the firms without having performance enhancing culture where the increase was only 1% over the same period.

Some of the other studies, as quoted below, having established the interrelationship between organizational culture and employee productivity, have also indicated that a better organizational culture results in higher employee productivity. For instance, Marcoulides and Heck (1993) have found that organizational culture has a strong and direct effect on organizational performance. Also, organizational culture is related to organizational performance and long term effectiveness (Ahmed, 1998; Cameron and Quinn, 2006; Saffold, 1988; Zheng et al., 2010). Similarly, Kim et. al., (2004) observed that organizational culture impacts a variety of organizational processes and performance. So also, Oparanma (2010) states that organizational culture is an important variable to be considered when organizational performance is in consideration.

It is against the above backdrop that the present study has been undertaken with the broad objective to examine if there exists any significant relationship between organizational culture and employee productivity in the Indian context.

2. Data source and methodology

In order to fulfill the above stated broad objective, data for the study have been taken from both primary and secondary sources. The primary data has been collected for determination of organizational culture by using structured questionnaires. The secondary data, namely, revenue, profit before tax, and profit after tax has been collected from the sample companies' annual reports for the 10 years period 2007-08 to 2016-17.

The questionnaire consisted of 14 statements to measure to overall organizational culture. A 5-point Likert scale with values 5-if strongly agree; 4-if agree, 3-if neutral, 2-if disagree, and 1-if strongly disagree was used to collect the primary data. The questionnaire was validated by calculating

Cronbach's alpha value for each of the statements. A total of 600 responses, collected from 15 Public and 15 Private sector organizations in India, were used in the study for determining the organizational culture.

'Employee productivity' has been taken in three formats, namely, (i) Revenue per employee, (ii) Profit before tax (PBT) per employee and (iii) Profit after tax (PAT) per employee. Calculation of employee productivity based on financial performance of the organizations as mentioned above is considered both logical and scientific as it reflects the total organizational performance translated into a single parameter such as sales or revenue, PBT or PAT which have their own process of being determined. Calculation of productivity on the above line is also in conformity with the observations made by Katzell and Yankelovich(1975) that productivity on technical level involves the ratio of output (e.g., the ratio of units produced or man-hours); but on a non-technical level it may be viewed as 'performance'.

The important tools used in the study are ANOVA and F-test. Statistical package SPSS 22.0 has been used for all computational purposes.

3. Hypothesis

In order to empirically test if there exists any significant relationship between organizational culture and employee productivity in the Indian context especially when the Indian environment in terms of policy, procedure, value system and culture has wide diversities, that the hypothesis H_01 : There is no significant relationship between organizational culture and employee productivity has been formed and tested in the study. Further, there were two sub-hypotheses such as $H_01(A)$: There is no significant relationship between organizational culture and employee productivity in the Public sector, and $H_01(B)$: There is no significant relationship between organizational culture and employee productivity in the Private sector have also been taken to represent the public and private sector, respectively.

4. Test of reliability

Before undertaking the analyses of the data and the testing of hypothesis that reliability and consistency of the data, used for both the public and private sector organizations, has been checked by calculating their respective Cronbach's alpha values through reliability statistics as has been displayed in Table 1.1.

Table -1.1: Reliability Statistics of Public and Private Companies

Sector	Cronbach's Alpha	Cronbach's Alpha based on standardised items	N of Items
Public sector companies	0.758	0.647	4
Private sector companies	0.613	0.843	4

It can be observed from Table 1.1 that the Cronbach's alpha value of all items put together, i.e., organizational culture, revenue, profit before tax (PBT), and profit after tax (PAT) are found to be 0.758 for the public sector and 0.613 for the private sector companies. As the Cronbach's alpha values for both public and private sector companies has been above 0.500, the data collected and used in the study is found to be reliable and consistent too.

5. Result and analysis

The results for $H_01(A)$ (for the Public sector companies) have been displayed in Table 1.2(a), Table 1.2(b) and Table 1.2(c). Similarly, and for $H_01(B)$ (for Private sector) have been displayed in Table 2.1(a) Table 2.2(b) and Table 2.2(c) where 'a', 'b', and 'c', represent employee productivity in terms of Revenue, PBT and PAT, respectively.

Table 1.2(a): ANOVA for Organizational Culture and Employee Productivity (measured in terms of Revenue) in the Public sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	407.802	13	31.369	3811.381	.013
Within Groups	.008	1	.008		
Total	407.810	14			

Table 1.2(b): ANOVA for Organizational Culture and Employee Productivity (measured in terms of PBT) in the Public sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.064	13	.159	56.156	.104
Within Groups	.003	1	.003		
Total	2.067	14			

Table 1.2 (c): ANOVA for Organizational Culture and Employee Productivity (measured in terms of PAT) in the Public sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.331	13	1.025	1482.029	.020
Within Groups	.001	1	.001		
Total	13.331	14			

As can be seen from Table 1.2(a), Table 1.2(b) and Table 1.2(c), the Sig.value is 0.103, 0.104, and 0.020, respectively. Since the Sig.value is less than 0.05 in all the three cases (of Revenue, PBT and PAT), the null hypothesis $H_01(A)$ is rejected. This leads to the conclusion that there exists a significant relationship between organizational culture and employee productivity in the Public sector.

Table 2.1(a): ANOVA for Organizational Culture and Employee Productivity (measured in terms of Revenue) in the Private sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	281.943	11	25.631	147.605	.001
Within Groups	.521	3	.174		
Total	282.464	14			

Table 2.1(b): ANOVA for Organizational Culture and Employee Productivity (measured in terms of PBT) in the Private sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	89.198	11	8.109	33.934	.007
Within Groups	.717	3	.239		
Total	89.915	14			

Table 2.1(c): ANOVA for Organizational Culture and Employee Productivity (measured in terms of PAT) in the Private sector

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.627	11	1.602	288.576	.000
Within Groups	.017	3	.006		
Total	17.644	14			

As can be seen from Table 2.1(a), Table 2.1(b) and Table 2.1 (c), the Sig.value is 0.001, 0.007, and 0.000, respectively. Since the Sig.value is less than 0.05 in all the three cases (of Revenue, PBT and PAT), the null hypothesis $H_01(B)$ is rejected. This leads to the conclusion that there exists a significant relationship between organizational culture and employee productivity in the Private sector.

It is therefore concluded that ' H_01 : There is no significant relationship between organizational culture and employee productivity' stands rejected. Hence, there exists a significant relationship between organizational culture and employee productivity.

Table 3.1 represents the summary of the hypothesis testes as above.

Table 3.1 Summary Statement of the Results of Hypotheses testing

Hypothesis No.	Hypothesis	Sub- Hypothesis	Mode of test	Status: Accepted/ Rejected
H_01	There is no significant relationship	$H_01(A)$: There is no significant relationship	ANOVA	Rejected

between organizational culture and employee productivity	between organizational culture and employee productivity in the Public sector		
	$H_01(B)$: There is no significant relationship between organizational culture and employee productivity in the Private sector	ANOVA	Rejected

3. CONCLUSION

The present study shows that there exists a significant relationship between organizational culture and employee productivity both in the Public and Private sector companies in India. This finding thus corroborates with the finds of prior researches. Therefore, it is concluded that organizational culture does have effect on the employee productivity. In other words, organizations need to improve upon 'culture' to raise employee productivity.

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