

BACHELOR THESIS

Relationship between Organizational Culture and Organizational Performance

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1. Introduction

1.1 General Introduction

Culture is omnipresent, and one of the most crucial aspects that has to be considered. But it is something that also shapes, among other factors, the viability and effectiveness of organizations. It is, in general, described as “self-sustaining” in terms of behaving, feeling, thinking, and believing. In other words, it is the way of doing things. Without a healthy corporate culture, productivity can suffer, causing reductions in commitment, which all lead to overall reductions in success over the long term. Many studies explain the relationship between organizational culture and performance. Researchers like Hofstede (1980) or Kotter and Heskett (1992) have argued that organizational culture can be essentially used to measure performance—for instance, a company’s economic performance. Owing to differences among companies, there are also variations in cultural traits that are mostly used to gain competitive advantage. All in all, organizational culture should be considered an important concept as long as businesses want to succeed in the long term.

1.2 Main Problem Statement

According to *Harvard Business Review*, culture and leadership are clearly linked to each other; these are shaped by conscious or unconscious practices. As Groysberg et al. (2018) stated, the most efficient leaders “are fully aware of the multiple cultures within which they are embedded.” Nevertheless, it is also essential to recognize whether a cultural change is required within an organization. Though organizational culture should be considered a primary indicator of business growth and stability, many managers see that aspect as a task for the Human Resource Department and, so, as something secondary.

1.3 Need and Justification for the Study

In general, culture is unmanaged and not understood well, which result in inefficiency when the focus is just on making strategic plans and other organizational practices. In recent years, there have been failures in terms of reputation—Volkswagen, for instance, suffered the diesel scandal that was caused by, among others, an especially weak culture. There is so much competition and the business environment is so complex that the aspect of culture should be taken into consideration as a primary management activity. It is important to be aware of the implications that corporate culture has for the overall organization. Hence, it is beneficial to be aware of the linkages.

1.4 Research Aim

The main aim of my thesis is to research the significance of organizational culture and organizational performance by understanding these two terms—“organizational culture” and “organizational performance”—while examining the impact of organizational culture on performance, entitled leadership styles, and challenges, and identifying possibilities to change a culture to better the organization’s achievements.

1.4.1 Research Questions

According to my research aim, I will focus on the following research questions in my thesis:

1. How can organizational culture and organizational performance be defined?
2. How does organizational culture influence performance?
3. How is it possible to change culture within an organization to improve performance?

1.4.2 Research Objectives

To answer these research questions, I have created the following research objectives, which will help answer my research questions:

1. Critically review literature on organizational culture.
2. Identify models of organizational culture.
3. Identify case studies.

1.5 Structure of the Thesis

In my paper, I will start a review of my academic resources, based on the ones most relevant for my research in terms of organizational culture, organizational performance, and their relationship with each other. Afterward, I will state the limitations of current studies and demonstrate my conceptual framework. Next, I will describe my research approach (methodology) and data collection and analysis. After explaining organizational culture models and their relationship with performance, I will continue with a sample of culture stories of failed and successful organizations. Lastly, I will make a conclusion and sum up my results.

2. Literature Review

2.1 Introduction

A lot of studies revolve around organizational culture and its effects on organizational performance. In the following, one can get insights into the findings of researchers in academic journals as regards these concepts.

2.2 Organizational Culture

2.2.1 Definitions and characteristics

“Organizational culture is one of the most popular concepts in the field of management and organizational theory” (Uddin et al., 2013). Culture is mostly described as intangible and also as something difficult to understand. Though there is not much evidence as to what culture really is, many authors agree that it is “holistic, inter-subjective and emotional, rather than strictly rational historically determined and needs to be taught to new members as the ‘correct way’ to perceive things; related to anthropological concepts; a collective phenomenon, socially constructed and shared by members of groups; primarily ideational in character, having to do with meanings, understandings, beliefs, knowledge and other intangibles which govern people’s lives and behavior patterns” (Zakari and Poku, 2013). In the literature, there are different models of organizational culture—for instance, those of Denison (1990), Schein (1992), Kotter and Heskett (1992), Hofstede et al. (1990), and Cameron and Quinn (1999).

According to Schein, three levels of culture exist: He explains that one of them describes values that drive behaviors, the second level is about assumptions that refer to solutions to specific problems, and, finally, the most visible level is “its artefacts and creations, consisting of its constructed physical and social environment.” While Schein spoke about three cultural levels, Kotter and Heskett (1992) underscored two different levels: in terms of visibility and resistance to change. Culture is shared within the members of groups that are changing because of changes in e.g. group members. Additionally, it shapes behavior patterns. In 1990, Hofstede et al. clustered culture into four classes—symbols, heroes, rituals, and values—that are described as e.g. words for symbols; heroes as individuals who are alive or dead, or maybe even imaginary; rituals as “collective activities that are technically superfluous but are socially essential within a culture, and can be considered to be carried out for their own sake” (Hofstede, 1980), and

values as feelings of what is good and what is bad or beautiful and ugly. He explained that cultural differences are determined by different nations e.g. different values. While analyzing companies and their cultural differences, the basic thing to do is to look at practices. Hofstede added that they are more tangible as values and easier to analyze. Another definition of organizational culture is given as the core of organizations' actions that links to the entire effectiveness and the quality of products and services. In 1979, Gordon and Cummins defined organizational culture as a well-understandable way to understand how and what has to be achieved, the interrelation of targets, as also how employees have to accomplish goals. Martins and Terblanche (2003) believed that culture is mostly connected to values and beliefs shared by employees in organizations. In 1982, Tichy explained that organizational culture keeps the whole organization together. By being aware and acquainted with an organization's culture, employees can get a guide to the aspects of organizational culture as behavior or norms. It is very important for employees to have the knowledge of the companies' corporate culture to understand their working environment. If there is a commitment among employees, the results lie in sharing feelings and accomplishing common goals. Hence, organizations are more efficient by sharing organizational culture practices as values.

Daft (2010) described a strong organizational culture if an organization supports adaption and also enhances personnel performance by pushing their motivation to common aims and objectives, and also shapes employees' behavior in accordance with the direction of how strategies are determined. All in all, after plenty of research, it can be said that organizational culture has abundant linkages with organizational and employee performance as also productivity.

Today, researchers repose much trust in the point that organizational culture can be used, for among others, ensuring effectiveness in employee performance, productivity, and

competitiveness. "...Strong organizational culture is a primary determinant in creating better organizational performance and sustained competitive advantage" (Uddin et al., 2013). Schein explained that if organizations fail to manage culture, it would manage them, in terms of what would happen in that company (Ahmed and Shafiq, 2013).

2.2.2 Limitations of current studies

Organizational culture is, all in all, a complex issue for study. Unfortunately, a lot of inadequate amount of especially empirical data among topics exists, as far as organizational behavior and management are concerned. Another limitation is that there are differences among countries and within organizations, making it difficult to generalize on the basis of e.g. models. One of the models are based on Hofstede's work; some researchers criticize his work as being a non-exhaustive approach, covering only one company and one type of employees (IBM, about 50 different nations). Furthermore, results are time-dependent. According to Denison (1990), "practitioners and academics suggested that the performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared."

2.3 Organizational Performance

2.3.1 Definitions and characteristics

According to Uddin et al. (2013), performance can be defined as the ability to specifically operate tasks, which can be measured as high, medium, and low in scale. There are also different types of performances, such as organizational, personnel, or societal performance. The term "performance" implies efficiency and effectiveness to improve (Stannack, 1996). The financial situation is not the only aspect that has to be considered. Strategic well-being, competitiveness, and staying in the market also have to be kept in mind.

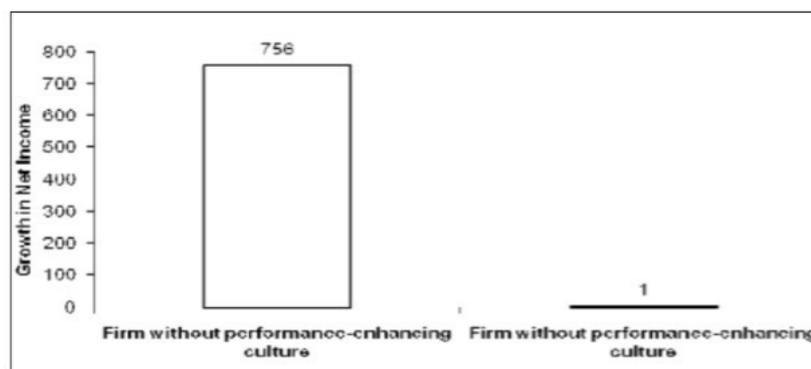
According to Argyris, the formula to being an effective organization is to achieve a positive environment within the organization, provide good communication, participation, and autonomy, and also—which is very important—mutual trust. Therefore, the effectiveness depends much on the performance of employees, who have to be satisfied to fulfill their work as efficiently as possible (McGregor, 1960). But how can organizational performance be measured? An example is to use balance score cards to determine perspectives related to finances, customers, internal business, and learning. It is an important tool, providing a support or framework (Kaplan & Norton, 1992). “This data makes the leadership capable to analyze whether the organization is on right track, and what, if there is need of any change. If there is need of change, these need to be in the definition of the objectives, the path of the journey, or rebuild the initiatives developed to enhance the capability” (Ahmed and Shafiq, 2014).

In addition, performance consists of, among other aspects, productivity or quality, as also behavioral measures (Ahmed and Shafiq, 2014).

2.3.2 Impact of Organizational Culture on Performance

The consideration of the impact of organizational culture is essential for organizational practices as performance, as without it, it could lead to less efficiency, caused by not considering the interdependency and their changes that would influence each other (Magee, 2002); by identifying the culture and achieving a better understanding, a better performance of organizations can be created. Ahmed and Shafiq (2014) explained that organizational culture is the most fundamental aspect affecting organizational performance. “Organization performance and organization culture are clearly affiliated, though the confirmation concerning the perfect nature of this relationship is miscellaneous.

Research shows that the relations between many cultural qualities and high performance are not persistent over time” (Ahmed and Shafiq, 2014). For instance, Magee (2002) argued that both organizational culture and its practices are “inherently connected” to each other. Peters and Waterman (1982) analyzed several organizations and showed that a successful culture in an organization contributed to the success of its financial performance. For instance, one can see in Figure 1 the effect of culture on growth in net income which—according to Gallagher et al.’s study (2008) of the performance of employees—increased it.



Source: Sean Gallagher et.al (2008)

Figure 1

Unfortunately, many organizations have their focus on activities rather on their organizational culture, which results in lower levels of success, or even no effect on the output (Davidson, 2003).

According to Thompson and Strickland (2001), among others, it is essential to reach a level of financial results that is sufficient. Without this, a company’s vision, long-term health, and survival would be in danger. “Unless a company’s performance reflects improving competitive strength and stronger long-term market position, its progress is less than inspiring and its ability to continue delivering good financial performance is suspect. The central issue associated with organizational culture is its linkage with organizational performance” (Denison and Fey, 2003). Kotter and Heskett found that organizational culture has an essential impact on long-term economic performance. Moreover, they identified that organizations that have a culture

fulfilling all “the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels” (Zakari and Poku, 2013) show a better performance than those with fewer cultural traits. In addition, they believe that culture will influence the successes or failures of companies more and more in the next few years.

In 1990, Denison introduced his model of culture and effectiveness that represented the relations between an organization’s culture, management practices, its performance as also its effectiveness. Denison’s research was based on 34 big companies in the US. He explained that companies with an efficient culture resulted in doubled higher return on investment (ROI) than those with an inefficient organizational culture. Denison’s study also emphasized, through empirical evidence, that cultural and behavioral issues are mostly linked to short- as well as long-term viability. On the one hand, some researchers like Peters and Waterman (1982) found clear linkages between organizational culture and performance (cultural values fit the strategies chosen) while others have concerns about the relationship. Hence, some researchers like Gordon and DiTamosa (1992) argued that cultural aspects may affect the performance of an organization but these are, in a way, limited to certain contexts. Culture should, therefore, fit the changes in external factors that would refer to higher outcomes. All in all, researchers argued that every culture is determined within an organization, and it is not possible to copy it, which may refer to a source of sustainability. Nevertheless, sustainability depends on the specific values and rarity, which contribute to sustainability (Uddin et al, 2013).

In 2009, Hellriegel and Slocum argued that organizational culture can improve long-term performance if culture is sustainable. According to Ferris et al. (1998), a healthy culture in an organization contributes directly to the positive impact on the attitudes and behavior of employees which, on the other hand, boosts the company’s performance. Furthermore, the researchers Mercer and Bilson found out the correlation between

organizational culture and employees' performance; this also translates into the overall organization's wellbeing in terms of outcomes as also satisfied customers (Schmidt et al., 2001). "From numerous 'culture surveys,' it have been claimed that employee performance can be improved by developing and creating certain kinds of organizational cultures" (Sackman and Bertelsman, 2006 and Denison, 1990, as cited in Uddin et al., 2013). Among other researchers, Renn and Vandenberg (1995) also found a conceptual linkage between organizational culture and performance. Most organizations believe that performance is a dependent variable "which seeks to recognize other independent variables that produce variations in its performance" (March and Sutton, 1997).

Another argument from two other researchers was that organizational culture is theoretically related to performance, which influences it in a positive way (Martin and Siehl, 1990). Bowen et al. (1989) observed that the "role of culture is very vital in nurturing, sustaining and enhancing the performance of organizations." Apart from this, Kopelman et al. (1990) pointed out that the "cultural system of any organizations add to the coordination of assignments and minimizes inefficiency, employee efforts and firm's resources."

In 1997, Tushman and O'Reilly stated that creativity and innovation are the results of personnel performance, achieved through organizational culture. They described the issue as follows: "(...) organizational culture lies at the heart of organizational norms that reflects the influence of organizational culture on creativity and innovation. Accordingly, an "organizations culture can play an important role in creating such an environment that enables learning and innovative response to challenges, competitive threats, or new opportunities" (Tushman and O'Reilly, 1997, as cited in Uddin et al., 2013).

Furthermore, competitive advantage—"the unique selling point of companies' performance"—which is also connected strongly to organizational culture (Uddin et al., 2013)—is one of the most important components in respect of organizational performance. For Kotler and Keller

(2006), competitiveness is based on the creation of a healthy organizational culture to ensure employees understand its significance (Schein, 2004). According to Kandula (2006), a strong culture contributes to a good performance. On the other hand, a weak one can demotivate employees and lead to worse outcomes. Differences in organizational cultures means that not every strategy is fitted to every company in the same branches.

All in all, according to academics and practitioners, the performance depends on the intensity to which culture is shared within the organization. For instance, a study had the aim of analyzing the relationship between organizational culture and performance management practices. The researchers collected primarily data (questionnaires) focusing on 140 employees working at COMSATS Institute of Information Technology. “The regression and correlation statistical analysis were used. The results from the statistical analysis show that, involvement is highly correlated with consistency and adaptability. Similarly, the other dimensions of organizational culture have a positive significant relationship with the performance management practices” (Ehtesham et al., 2011).

2.3.3 Limitations of current studies

All in all, the argument that organizational culture enhances organizational performance is very much supported and has been researched well. Nevertheless, according to Ehtesham et al. (2011), studies identified the relationship between the two both concepts, which are defined as either positive or negative performances. HRM practices may affect organizational culture and these, in turn, performance. Some researchers argued that it would be possible that some other organizational aspects comprises a linkage of HRM and organizational performance, but, unfortunately, there are not enough studies that can be derived from the causality relationship. Furthermore, outcomes of some researches are based on observation, as also the thoughts and perceptions of specific companies.

2.4 Conceptual Framework

According to the Literature Review, a conceptual framework can be recognized in the cultural aspects of organizations, such as values, beliefs, norms, principles, rituals, and behavior, which influence organizational performance in terms of effectiveness and resistance to change. All these have connections with different cultural models, dimensions, and levels (Hofstede, Denison and Schein).

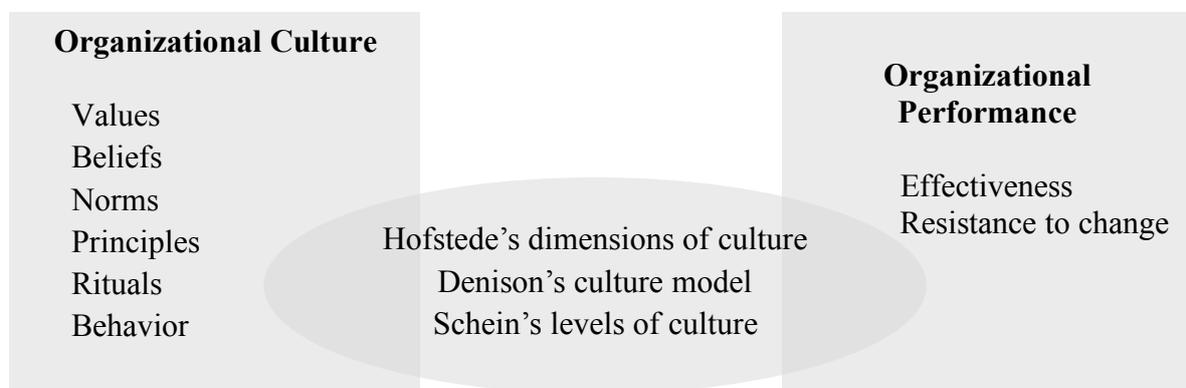


Figure 2

3. Research Approach

3.1 Research Strategy

For my thesis, I have used—apart from the journal articles, which have already provided a review of the literature—business magazines such as *Forbes*, *Harvard Business Review*, and *Entrepreneur*, to additionally analyze the two following cases relating to the scandals of Volkswagen and Uber. Overall, the strategy is based on archival research, dealing with only qualitative research, which support my research questions: **How** can organizational culture and organizational performance be defined; **How** does organizational culture influence performance; and **How** is it possible to change culture within an organization to improve

performance. Furthermore, the research will overall be an inductive research characterized by, among others, studies already published to conduct analyses.

It uses research questions to narrow the scope of the paper, rather than make experiments, dispose of hypotheses, or consider the causality that would otherwise be a form of quantitative (deductive) research.

Given my research questions, the method of qualitative research definitely fits the theme, because I first of all require text-based data to research the significance of organizational culture and organizational performance, identify the impact of culture on performance, and identify ways of changing cultures; secondly, I need to focus on the meanings and seek inductive implications. An important advantage is that there are different methods that can be used, which result in higher validity and create access to more supportive data. On the other hand, it is difficult to be sure whether the qualitative data is fully valid and accurate.

The main sources are listed in the table in Figure 3.

4. Data Collection and Data Analysis

The archival and inductive research I am using for my studies is based on data through content analysis, findings from business magazines and newspapers, especially to answer the last two research questions, by researching the impact of organizational culture on performance, and the process of changing a negative culture into a positive one. I additionally emphasize real business cases through journal articles, while these are generally used to answer the question of how both the concepts are defined and to examine their relationship. Content analysis is both descriptive and interpretative, which basically describes what the data is and what meaning it has. All in all, the majority of the paper comes from business magazines apart from journal articles, and supports academic research. I have some main sources for the research questions taken into consideration and have selected a couple of cases that are more or less up-to-date.

Last but not the least, my sampling procedure is based on a convenient one, which results in a wide range of availability of data and efficiency in terms of time savings and speed, while, on the other hand, the theories of researchers and models are especially difficult to generalize.

5. Organizational Culture Models and Relationship with Performance

5.1 Hofstede's organizational cultural dimensions

“There is no good or evil. Performance depends on the fit between strategy and culture. First you need to know where you want to go but where you want to go has to fit with your culture. Both depend on each other. You cannot generalize it” (Hofstede).

Apart from the six cultural dimensions that Hofstede has developed—consisting of “power distance; individuality vs. collectivity; uncertainty avoidance; masculinity vs. femininity; long-term vs. short-term orientation and indulgence vs. restraint”—he focused on organizational culture by defining it as “the way in which members of an organization relate to each other, their work and the outside world in comparison to other organizations. It can either enable or hinder an organization's strategy” (Hofstede).

The so-called “multi-focus model of organizational culture” is a method to improve the effectiveness by considering the extent to which the employees are included within the organizational culture; whether a company is willing to change by considering, among other aspects, trust; the measurement of the present culture with the aim of the culture that is required connected to the culture that fits the companies' strategy the best by considering resourcing and time; whether the management is “able to use its behavior to set the example (walk the talk),” etc. The model is based on six dimensions and helps “provide insights on the fit between the actual culture and any strategic direction.”

The first dimension differentiates between means-oriented and goal-oriented companies, which is close to the effectiveness. In highly means-oriented cultures, people avoid risks and the

working days are similar to each other, goal-oriented cultures are firstly aimed at achieving internally specified objectives, no matter how intensive the risks are. Secondly, the next dimension emphasizes whether the company is internally driven, and focuses on the world outside the company, based on ethical actions and with the aim of knowing what the best is, and what is good for the customers and the company worldwide. An externally driven firm foregrounds fulfilling customers' desires, by not focusing on ethical behavior.

Moreover, Hofstede found that an organizational culture can be based on less predictability, less control, and also discipline, which refer to unpredictability, called "easygoing work discipline." On the other hand, it is based on people who have, among other characteristics, strict cost-consciousness—"strict work discipline." The fourth dimension consists of local vs. professional companies. Local companies are based on employees who identify themselves with their boss, while professional ones are employees whose identification is determined by their professions. Furthermore, the next few dimensions relate to the accessibility of organizations. An open culture welcomes new employees immediately and are open to insiders as well as outsiders, while closed systems shows the opposite. The last dimension differentiates between organizations that are employee- or work-oriented. While employee-oriented organizational cultures take personal problems and the wellbeing of employees into consideration, work-oriented ones care only for achievement while neglecting the welfare of employees.

In conclusion, Hofstede wants to show that organizational cultural aspects play a crucial role, depending on how the attitudes of organizations are determined by each company.

According to the dimensions described above, he developed diagrams showing the effects of organizational culture on performance (Fig. 4)

D1 ORGANIZATIONAL EFFECTIVENESS



Figure 4

This sample diagram explains that the more an organization is means-oriented and the personnel compete with each other, executing tasks without considering their aim, or employees do not inform management of their mistakes, then effectiveness declines.

5.2 Denison's culture model

With the help of Denison's culture model, it is possible to analyze organizational culture by taking this aspect into account. That model illustrates the linkages between organizational culture and performance e.g. efficiency. It is based on four criteria: Involvement, adaptability, mission, and consistency, with three sub-aspects for each.

This model is very often used in studies because it is one of the most famous models for analyzing companies' organizational culture. Firstly, involvement is a criterion that describes the feeling of employees belonging to the organization i.e. their tasks shall be connected to the organizations' goals, teamwork is valued, and the primary consideration would be the capabilities of the personnel.

Secondly, adaptability refers to the flexibility in the manner in which a company is able to fulfill customer requirements, take risks, be less resistant to change, and also reviews mistakes to learn from them. Next, the mission is to describe the organization's goals and strive strategically for its development. Finally, consistency is stated as required for high integration and coordination in organizations. All of them comprise different characteristics: involvement is based on e.g. team orientation; adaptation ability, for instance, in creating change or organizational learning; mission e.g. goals and objectives; and finally, consistency as core values.

In conclusion, according to Denison, the factors that are external or internal, and stable or flexible, clearly affect organizational culture (Kokina and Ostrovska, 2013).

5.3 Schein's levels of culture

Similar to Hofstede and Denison, Schein is one of the most influential and important researchers who has developed the three levels of culture, with which cultures can be analyzed. At the top, there is the level of artifacts and symbols, consisting of the visible organizational structures and processes, which can be seen, felt, and heard. For instance, language, dress codes, or rituals and ceremonies exist, which are visible. Furthermore, it describes the overall climate under the employees. Visibility here is defined internally as well as externally.

The second level—"espoused values"—consists of values that have to be followed as well as standards. For instance, it describes a way of transmitting strategies, goals, and the overall philosophy by additionally considering ways of making them official. Limitations can arise if the ideas of the management level do not fit with those of the company.

The last level represents the "basic underlying assumption." These are the ones stuck in the deepest area of the organization, referring to "self-evident and unconscious behavior," very much based on the diagram above. One can see the levels as an onion, and so this is also used

in practical terms as the “onion model.” The idea behind that comparison is obvious. While artifacts and symbols are easy to adapt and change, it gets more and more difficult when one goes in deeper.

In the middle are espoused values e.g. heroes, who are described as “people who play or have played an important role in the organization and who are admired” (Schein). The core part of the onion (assumptions): “These are about ‘how the world works’ according to all the people who belong to the organization and stem from experiences and perception” (Mulder, 2013).

According to Schein, that model can also help organizations change culture through good communication by the management with employees to identify current aspects of the culture within the organization. Furthermore, he explains it is crucial for the personnel to understand that the change process in culture is seen as a transformation i.e. that e.g. the existing behavior has to be understood before it is going to be changed. Beside good communication, it is fundamental to consider results that should be measurable and a good performance that should be rewarded.

6. Examples of Organizational Cultures

6.1 General Information

In general, it is important to recognize problems within an organization. Therefore, companies should ask themselves questions like: Do we have the feeling that our firm is inactive, uninspired, unreconstructed, and weak? Are employees mostly resistant to change and are for stability? Are there many actions in the organizational and is it never going to be calm? Does the company focus on activities and financial performance?

All of these are examples of bad corporate culture. Sick cultures are characterized by managements that develop lavish strategies, a strong hierarchy, where employees are

subordinated, cultures are self-centered, personnel are bored and pressured, and there are also bulk structures.

The impact of organizational culture can be measured in the range of low collectivistic to a high individualistic culture on organizational performance and also as low to high. Very low and strong cultures are less competitive than a healthy organizational culture that is characterized by a feeling of a community, diversity, respect, or a common vision.

6.2 The Volkswagen Scandal: Description

In September 2015, the U.S. Environmental Protection Agency declared that Volkswagen has cheated in terms of its CO₂ emissions by manipulation its software of diesel vehicles. Models between the years 2009 and 2015 were affected. The reason this was that VW's diesel vehicles were not showing the emission results that were acceptable and emissions were higher than permitted. "The software switches the engines to a more clean emissions mode while testing, but then after testing switches off again, thereby enabling the vehicle to drive more powerfully on the road, but by emitting as much as 40 times the legal pollution limits, particularly emitting nitrous oxide, a pollutant connected to lung ailments" (Cavico and Mujtaba, 2016). All in all, someone in the company had decided to cheat. After the publication of the scandal, Martin Winterkorn, the former CEO of VW, immediately apologized to customers as also to the general public and the government. He explained that the malpractice was the result mistrusting customers and the public and "it would be wrong to place the hard and honest work of 600,000 people under general suspicion because of the grave mistakes of the few". Another spokesperson of the company stated that the company "does not tolerate any kind of violation of laws whatsoever" (Cavico and Mujtaba, 2016).

6.2.1 Connection with Organizational Culture and Performance

“Apparently, at some level or levels in VW, ‘failure was not an option’, and thus cheating and deception became scandal and concomitant harm and loss of reputation to the company were, and still are, severe, and acutely so, since these cheating actions amounted to intentional deception and wrongdoing” (Cavico and Mujtaba, 2016). The management could not have been unaware of the happenings because they are basically responsible for everything that happens in the organization. VW recognized the need to change, and especially its culture.

Cavico and Mujtaba recommend VW among others for creating a full transparency, accepting the malpractice, and taking full responsibility at only the management level; change the climate and show efforts on sustainability; establish a positive organizational culture by taking not only the law into account and ethical behavior into consideration but also a commitment toward employees e.g. their education and well-being.

All in all, VW had to consider cultural aspects—morality toward its employees and acting in connection with a social, moral, and legal matter.

That diesel scandal showed VW to different sources that the cause was, in the first place, the outcome of a pressure to expand, and of costs that shaped the organizational culture negatively. According to Zeit Online (2015), Volkswagen was described as having a military corporate culture, where individual thinking, self-responsibility, and teamwork were prevented. So it was obviously not a surprise that employees followed the order to cheat though they knew of the unethical practice. This can be described as a frightening culture.

6.3 The Uber Scandal: Description

Uber is the largest private tech company, and is well known worldwide. According to the business magazine *Entrepreneur*, however, the biggest problem with Uber is that the company has serious culture problems.

According to Deb Gabor (*Fortune*), “corporate culture is indelibly linked to an organization’s brand (...) when your culture is in distress, so is your brand. It’s been well acknowledged that Uber has a sick corporate culture that’s persisted unchecked by leadership for many years” (Medal, 2017). As observed in the past, Uber suffers from a sick culture, which is often under pressure.

6.3.1 Connection with Organizational Culture and Performance

Uber recognized the need to change its culture, or rather establish a positive organizational culture, to resolve these problems. Hence, the company decided, among others, to develop an education program, described as a rare way of resolving such a crisis. This has the advantage of creating a culture that is celebrated rather than inspiring fear. The result of this activity was an efficiency in culture i.e. e.g. avoiding strict dress codes, and wearing just Uber t-shirts; or focusing on the positive relationship with employees to boost their wellbeing, which again resulted in effectiveness.

“The new leadership team must be comfortable playing at the edge, making calculated tweaks to make Uber a more inclusive workplace as well as one that embraces independence, initiative and innovation. It is not the only tech company navigating that minefield. Succeeding will necessarily include changing the conversation and casting a vision for a new future that the whole team can create together” (Medal, 2017). According to Jon Katzenbach—the founder of the Katzenbach Center—it is much better to not change the culture, but rather focus on changing the behaviors, because these are more tangible as well as measurable in organizations. Therefore, it is a good strategy to find some things that positively impact the performance of the business by doing e.g. weekly meetings or ways of interacting with customers.

If the issues are connected to the companies' overall strategy, managers should verify whether employees are likely to accept these things to do, in order to drive emotional commitment.

6.4 Success stories

According to *Entrepreneur*, some companies like Zappos, Southwest Airlines, or Twitter have awesome cultures. Patel (2015) explained that having a good culture is not an option anymore but a compulsive necessity. For instance, Zappos is well known for its culture. Because it cares so much about culture that during the interview it checks whether an employee fits the company. Zappos focuses on 10 core values, which are, among others, “embrace and drive change,” “build open and honest relationships with communication,” and “build a positive team and family spirit” (Zappos). “Great benefits and a workplace that is fun and dedicated to making customers happy all fit in with the Zappos approach to company culture—when you get the company culture right, great customer service and a great brand will happen on its own” (Patel, 2015).

Another example of a successful culture is represented by Southwest Airlines, with its characteristics of employees being friendly toward customers. For the company, it is important to share visions and goals as also objectives with the employees; this gives them a feeling such that they imagine they feel part of a community. The organization is also giving personnel the “permission” to go that extra mile to make customers happy, empowering them to do what they need to do to meet that vision” (Patel, 2015).

Twitter and Facebook, too, have good reputations in terms of corporate culture. While Twitter's work environment is characterized by “rooftop meetings, friendly coworkers and a team-oriented environment in which each person is motivated by the company's goals have inspired that praise,” Facebook has a unique organizational culture in terms of more possibilities for

employees in the form of stock options, open office spaces, open communication, and no hierarchy; as long as the CEO, Mark Zuckerberg, is working with other employees in one place. Nevertheless the author explains that “focusing on company culture to the exclusion of other workforce considerations (safety, laws, regulations) can lead to abuses or create situations where employees aren’t comfortable. Even the best examples of culture on this list have detractors.” (Patel, 2015)

It is also interesting to see what other CEOs think about organizational culture.

Tesla: “I’m interested in things that change the world or that affect the future and wondrous new technology where you see it and you’re like ‘Wow, how did that even happen?’”

—Elon Musk, cofounder and CEO; **Whole Foods** “most of the greatest companies in the world also have great purposes....having a deeper, more transcendent purpose is highly energizing for all of the various interdependent stakeholders.”—John Mackey, founder and CEO; **Disney:**

“It is incredibly important to be open and accessible and treat people fairly and look them in the eye and tell them what is on your mind.”—Bob Iger, CEO; **Huawei**

“We have a ‘wolf’ spirit in our company. In the battle with lions, wolves have terrifying abilities. With a strong desire to win and no fear of losing, they stick to the goal firmly, making the lions exhausted in every possible way.”—Ren Zhengfei, CEO; and **Zappos**

“Have fun. The game is a lot more enjoyable when you’re trying to do more than make money.”—Tony Hsieh, CEO (Groysberg et al., 2018)

7. Conclusion

Today, the world is changing more and more, and expectations and wellbeing are changing at the same time. Organizational culture, therefore, has to adapt to these rapid changes. According to Ritchie (2000), a culture that supports all that is healthy is seen as a tool for motivation, leading to increased and improved performance.

Researchers in the field of culture focusing on organizations mostly share the definition of organizational culture i.e. the definitions are going in a similar direction, expressed with different degrees of importance. It is, for instance, known that it is intangible, and very difficult to understand among organizations (Peters and Waterman, 1982).

Other authors describe it as “holistic, inter-subjective and emotional, rather than strictly rational historically determined” (Christensen and Gordon, 1999). Furthermore, it needs to be taught to new members as the “correct way” to perceive things. Others describe it as values that drive behaviors; assumptions that refer to solutions to specific problems and that the most visible level is “its artefacts and creations, consisting of its constructed physical and social environment” (Schein). Davis (1984); Sergiovanni and Corbally (1984) stated that culture is a collective phenomenon, socially constructed and shared by members of groups.

Furthermore, Hofstede (1980) defines organizational culture as a “clustered culture into four classes—symbols, heroes, rituals and values—that are described as e.g. words for symbols; heroes as individuals that are alive or dead or even imaginary; rituals as “collective activities that are technically superfluous but are socially essential within a culture, and can be considered to be carried out for their own sake.” All in all, all of them agree that especially organizational culture shapes the behavior patterns in firms.

In the concept of organizational performance, there again similarities among researchers in respect of the meaning of this word for as far as businesses are concerned. Some believe that the expression of organizational performance may be the ability to operate tasks specifically. These can be measured as high, medium, and low in scale; the performance can be organizational, personnel, or societal performance, consisting of efficiency and the measurement of how effective the improvements are (Stannack, 1996); idea of outcome, achieved goal, quality, and the economic aspects of efficiency and effectiveness. Furthermore, per Rolstadas (1998), complex relationship involve seven performance criteria that must be

followed: effectiveness, efficiency, quality, productivity, quality of work, innovation, and profitability. All in all, performance depends on the intensity in which culture is shared within the organization and is future-oriented, designed to reflect the particularities of each organization.

According to researchers like Hofstede, Denison, and Schein, and their models, it is possible to analyze organizations cultures by partly showing the linkages to organizational performance and possibilities and methods to improve the effectiveness of organizations.

The consideration of organizational culture is essential; it is one of the most fundamental aspects for the performance of businesses. Hence, there are characteristics that describe the relationship. For instance, there is an interdependency of both, such that at a time of change, each influences the other, if the corporate culture is understood within the corporation.

According to previous research, there is a clear relationship between many cultural qualities and high performance. By analyzing several companies e.g. Uber, it can be seen that establishing a positive corporate culture has a long-term impact on the performance e.g. in terms of reputation and finances. Moreover, through good communication, participation, and autonomy, as also mutual trust, better performance is achieved, as also more efficiency in organizations.

As previously mentioned, it is important to take action by recognizing a culture that suffers. Therefore, there are several tools for changing organization e.g. those offered by Hofstede or Denison. The biggest challenge is to change people's behavior. Culture consists of a set of goals, processes, values, good communication, attitudes and assumptions, etc.

Harvard Business Review, for instance described a four-phase approach: focusing on awareness—“The instructions are clear, we’re all grownups, so people just need to follow through;” learning—“people needed to see what success looked like, and they needed to get support along the way;” practice—“before, the organization rewarded you only for short-term results; now we need you to get sustainable success. It’s going to take real change for everyone;” and accountability—“managers’ bosses see the assessments and start to factor them into promotion and other considerations.”

According to DiDonato and Gill (2015) and their explanation, in “each phase, we’ve created more believers in the program and gradually built up a critical mass that can change the entire culture. That’s the ultimate goal, since the new behaviors will stick only when they become unconscious norms. Better management will mean better results for the long term. We’ll attract and retain more talented employees, and we’ll see fewer managers derail because of bad behaviors. Better people will also bring long-lasting competitive advantage in our industry.”

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9. Appendix

Figure 3: Main sources

Author	Year	Nature of source	Pages	Main finding category
Ahmed & Shafiq	2014	Journal Article	1 – 6	Hofstede; Importance of Organizational Culture and Performance; Measurement of Performance
Alvesson	2002	Book	47 – 55	Relationship of Organizational Culture and Performance
Cameron & Quinn	2006	Book	1 – 18	Definitions of Organizational Culture; Importance of Changing Culture
Cavico, F. J., Dr., & B. G. Mujtaba	2016	Journal Article	303 – 309	Scandal of Volkswagen
DiDonato, T., & Gill, N.	2015	Business Magazine	Full Article	Four-phase approach (Change), Changing Culture
Ehtesham et al.	2011	Journal Article	Abstract, Conclusion & 78 – 81	Definitions and analyses of Organizational Culture and Performance; Denison

Groysberg B., Cheng, J. Y., Lee, J., & Price, J.	2018	Business Magazine	Full Article	Examples of Organizational Culture; Improvement of Culture– Change
Kokina, I., PhD, & Ostrovska, I., PhD.	n.d.	Journal Article	364 – 367	Focus on Denison
Schein	2004	Book	3 –37	Concept of Organizational Culture; Levels of Culture
Shahzad et al.	2012	Journal Article	975 – 982	Definitions of Organizational Culture and Performance Link of Organizational Culture and Organizational Performance
Uddin et al.	2013	Journal Article	63 – 67	Literature Review about Organizational Culture and Performance
Zakari and Poku	2013	Journal Article	95 – 100	Definition and aspects of Organizational Culture; Models of Organizational Culture; Linkage between Organizational Culture and Performance

Declaration

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Course/Module/Thesis: Bachelor Thesis

Lecturer: Prof. Dr. Ritam Garg

Assignment/Title: Relationship between Organizational Culture
and Organizational Performance

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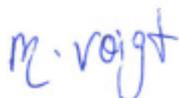
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I acknowledge that my works (texts, images, graphic materials, etc.) may be submitted to plagiarism software.

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“Relationship between organizational culture and organizational performance”

By

Laumer, Mira Berrak

Submitted in partial fulfillment of the requirements for the degree of

Bachelor in Business Administration

At Berlin International University of Applied Sciences

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