Chapter 62
Organizational Culture and Effect on Organizational Performance:
Study on Jordanian Insurance Sector

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ABSTRACT

Organizational culture is an important part to be considered by dynamic organizations in order to develop some competitive advantage to ensure enhanced organizational performance. This study aims to close the gap between understanding the role of organizational culture and the effect on organizational performance among the employees in insurance companies. The objective of this study is to examine the relationship between the dimensions of organizational culture and organizational performance among insurance companies operating in the Jordanian market. A sample of 240 respondents that were selected randomly from insurance companies participated in this study. Data were collected by survey questionnaire. Both descriptive and influential statistic namely frequency, mean, and multiple regression were used to analyze the data. The result shows that there is limited significant relationship between organizational expectations, encourage development, behavioral styles, and stability and communication and organizational performance. The results also showed that a significant relationship exists between policies and procedures and organizational performance. This study explored the results of the effect of organizational culture dimensions on organizational performance and to assess which organizational culture dimensions have a larger marginal impact on organizational performance. This study improved the managers' understanding on a way to improve organizational culture dimensions that have a vital impact on overall performance.

INTRODUCTION

Recent literature proved that management of human resource in company has become an increasingly important for organizational performance and business vision attainment. Employees are considered as valuable assets to an organization, which require effective management of these employees in firms. A lot of research in organizational theory has focused on developed countries; 95% and whereas only 5% of the studies testing organizational theories are found to be done in developing countries (Farashahi et al., 2005) in spite of the highly dynamic environment.

Organizational culture has been an important factor that powerfully influences the performance of any organization. Within the past decades, an analysis has been done on the relationship between the organizational culture and performance (Anne & Maaja, 2007; Ogbonna & Harris, 2000; Murugan, 2010; Rousseau, 1991). The organizational culture is a complex phenomenon, which is characterized by many dimensions (Marcoulides & Heck, 1993).

Organizational culture is that the assortment of operational principles that verify how people behave among the context of the company (Khan, 2005). Organizational culture is considered a vital theme in management and business research for the past few decades as results of its potential impact on the preferred and expected outcomes organizationally and individually such as commitment and loyalty (Chow et al., 2001). Organizational culture research can be divided into three groups. The first group embraces scientific works, in which culture is only described (Schein, 1992; Nahav & Malekzadeh, 1993; Spivak, 2001). The second one includes works, in which dimensions are picked out (Van der et al., 1997; Veiga et al., 2000; and Sarros et al., 2005). Their influence on success is validated theoretically or empirically in the third group of works (Ogbonna & Harris, 2000; Child, 1974; Olie, 1994; Denison & Mishra, 1995; Larson & Finkelstein, 1999; Kangis et al., 2000; Howitz et al., 2002; Nahm et al., 2004). The further dimensions of the analyzed phenomenon will be disclosed, the more clearly it will be perceived (Ginevicius & Vaitkunaite, 2006).

Scholars, who analyze organizational culture, present a different number of dimensions. Furthermore, some of them are very similar by their content (meaning), i.e. they are components of each other. Not all researchers examine the link between dimensions and organizational outcomes (Ginevicius & Vaitkunaite, 2006).

People are the most vital resource of an organization, and that the management of people makes a difference to firm performance (Patterson, West, Lawthom & Nickell, 1997). Many studies have been brought up to study the effectiveness of people management and business performance, but very few studies were conducted on the cultural impact on performance management. Every nation has a varying effect of cultural dimensions in organizations and the employees working over there. It is important to consider the cultural dimensions before creating strategies and objectives in organizations as this helps he management in effective performance (Patterson et al., 1997).

Thus, this research tries to focus on this issue and studies the impact of culture and cultural dimensions on organizational performance especially in Jordanian insurance companies. This research intends to bring about awareness in the readers and to make them learn the importance of focusing on cultural dimensions. Insurance in the Middle East region, especially in Jordanian case has traditionally lagged in growth and development relative to other elements of the region's financial services sector. This is evidenced by the low level of demand as measured by penetration and density levels, undercapitalized supply, and generally underdeveloped legal and regulatory environments (Vayanous & Hammoud, 2007).

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