

Chapter 67

Organizational Culture and Organizational Performance

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ABSTRACT

Organizational cultures can have varying impacts on organization performance. Oftentimes, employees work harder to achieve organizational goals if they consider themselves to be part of the corporate culture. Different cultures operating in one company can also impact organization performance. 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 chapter aims to close the gap between understanding the role of organizational culture and the effect on organizational performance among the employees in insurance companies.

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

DOI: 10.4018/978-1-5225-8356-1.ch067

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; and 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 and Mishra, 1995; Larson and Finkelstein, 1999; Kangis et al., 2000; Howitz et al., 2002; and 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 the 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 (Vayanos & Hammoud, 2007).

Therefore the goal of this paper is to realize the conceptual of organizational culture dimensions, and measurement the link of organizational culture dimensions and organizational performance. The research methods, used in this work, are systematic analysis of scientific literature, content analysis, method of descriptive, correlation and regression.

Organizational Performance

Most studies on organizational performance use a variety of success measures each financial and non financial. Some specialists have examined the organizational performance theoretically and through empirical observation and the results show different measurement (Muafi, 2009; and Gary, 2009).

Performance indicates to the degree of accomplishment of the mission at the work place that builds up an employee job (Cascio, 2006). Different researchers have different thoughts concerning performance. Mostly researcher's used the term performance to express vary of measurements of transactional efficiency and input and output efficiency (Stannack, 1996). According to Barney (1991) performance is a continuous process to controversial issue between organizational researchers. Organizational performance does not solely mean to outline the problem, but it also for resolution of problem (Heffernan & Flood, 2000). Daft (2000), mention that organizational performance is the organization's capability to accomplish its

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