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ORGANIZATIONAL CULTURE REFLECTS ORGANIZATIONAL PERFORMANCE

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ABSTRACT

Culture reflects human civilization, as well as Culture in an Organization. How essential are employees in a company organization to stick to the Organizational Culture? With Structural Equation Modeling (SEM) and with respondents as many as 100 company employees. The study's results show that organizational culture positively and significantly affects organizational Performance. The study's results carry theoretical implications, such as how important it is for an organization to have a culture with noble values to improve organizational Performance. Company owners can also use research to create a culture in their organization to realize and achieve planned Organizational Performance.

Keywords: Organizational Culture, Organizational Performance, Structural Equation Modeling.

1. INTRODUCTION

Edward B, "a complex whole that includes knowledge, beliefs, arts, laws, morals, customs." and all other abilities and customs that man acquires as a member of society.".

According to (Morgan, 2022), Organizational culture is a powerful dynamic for the Company. Employees in their work and keeps them motivated and inspired to do their best. Culture is a set of beliefs and attitudes about things in the workplace. A recent study reports that 35% of American workers would not take a job. The organizational culture clashed with their values. 91% of managers consider a candidate's alignment with the company culture to carry as much or more weight than their skills and experience. Another study indicates that 71% of employees would look for new opportunities elsewhere if the culture deteriorates. A company focused on building culture and creating a clear mission stand.

2. LITERATURE REVIEW

There is still a Research Gap in the influence of Organizational Culture on Organizational Performance. According to (Tang, 2017), organizational culture and Performance have a significant positive relationship. According to research by Mamik (2020), Organizational culture does not significantly affect employee performance. Different research by Al-Hakimi (2022) examines the positive and significant effects of an environmentally friendly Organizational Culture on the Company's sustainable Organizational Performance. This study has valuable contributions to sustainability and green literature and has managerial implications for companies looking to develop effective, sustainable Performance.

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3. CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESIS

The Conceptual Framework of the Research Model can seen in Figure 1.



Figure 1. Conceptual Framework and Research Hypothesis

Description of Notation:

Organizational Culture (OC)

- OC1: Everyone believes strongly in a shared set of values about how people should work together to solve problems and achieve common goals.
- OC2: Employees who do the best job serving customers are more likely to be recognized or rewarded than other employees.
- OC3: People believe in teamwork, a "what is in it for us" approach rather than "what is in it for me."
- OC4: People are flexible and adaptable when change is necessary.
- OC5: People appreciate and utilize each other's unique strengths and different abilities.

Organizational Performance (OP)

- OP1: The organization has put knowledge and skills to good use in finding ways to become more efficient.
- OP2: In the last two years, the productivity of the work unit has increased.
- OP3: The work unit's work gives the public a valuable return on their tax dollars.
- OP4: We continue to expand our goals to improve Organizational Performance continuously.
- OP5: Managers at all levels work as a team to achieve quotient results for the organization.

Hypothesis 1 (H1): Organizational Culture positively and significantly affects Organizational Performance.

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4. STRUCTURAL EQUATION MODELING (SEM)

Structural Equation Modeling (SEM) can seen in Figure 2.



Figure 2. Structural Equation Modeling (SEM)

Notations used in Structural Equation Modeling (SEM):

ξ: Exogenous Latent Variables (Organizational Culture).

η: Endogenous Latent Variables (Organizational Performance).

 δ : Measurement error on the Exogenous latent variable.

ε: Measurement error on the manifest variable for latent variable Endogene.

γ: Coefficient of influence of exogenous variables.

β: Coefficient of influence of endogenous variables on endogenous variables.

Outer Model Equation: Organizational Culture (OC) or (ξ): OC₁ = $\lambda_{OC1}\xi + \delta_1$ OC₂ = $\lambda_{OC2}\xi + \delta_2$ OC₃ = $\lambda_{OC3}\xi + \delta_3$ OC₄ = $\lambda_{OC4}\xi + \delta_4$ OC₅ = OC $\xi + \delta_5$

Organizational Performance (OP) or (η) :

 $\begin{array}{l} OP_1 = \lambda_{OP1}\eta + \,\epsilon_1 \\ OP_2 = \lambda_{OP2}\eta + \,\epsilon_2 \\ OP_3 = \lambda_{OP3}\eta + \,\epsilon_3 \\ OP_4 = \lambda_{OP4}\eta + \,\epsilon_4 \\ OP_5 = \lambda_{OP5}\eta + \,\epsilon_5 \end{array}$

Inner Model Equation: Organizational Performance (OP) or $(\eta) = \gamma \xi + \beta \eta +_{\xi 6}$

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5.METHODS

This study describes the causal relationship between variables (explanatory research), which is a study to know and explain the influence between existing variables and continues with the testing of 1 hypothesis. This research is also affirmative to test conceptual models of theoretical and empirical research.

The respondents of this study were one hundred employees in a mining company in the city of Samarinda, East Kalimantan Province, Indonesia.

It is using Structural Equation Modeling. Interpretation of the comprehensive analysis results is in harmony with the nature that multivariate analysis already considers the relationship between variables. Using structural equation models (SEM), using the least-squares and factor-based methods. There is a ten model fit and quality index (Kock, 2010), as follows (refer to Table 1):

No	Model Fit & Quality Index	Criteria Fit
1	Average Path Coefficient (APC)	p < 0.001
2	Average R-squared (ARS)	p < 0.001
3	Average Adjusted R-squared (AARS)	p < 0.001
4	Average block Variance Inflation Factor	Acceptable if ≤ 5
	(AVIF)	Ideally ≤ 3.3
5	Avorage Full Collingerity VIE (A EVIE)	Acceptable if ≤ 5
	Average Full Confinearity VIF (AFVIF)	Ideally ≤ 3.3
6		$Small \ge 0.1$
	Tenenhaus GoF (GoF)	Medium ≥ 0.25
		Large ≥ 0.36
7	Simpson's paraday ratio (SDD)	Acceptable if ≥ 0.7
	Simpson's paradox ratio (SPK)	Ideally $= 1$
8	B accurated contribution notice (BSCB)	Acceptable if ≥ 0.9
	K-squared contribution ratio (KSCK)	Ideally = 1
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7
10	Nonlinear- bivariate causality- direction ratio (NLBCDR)	Acceptable if ≥ 0.7

Table 1. Model fit and quality index

6. RESULTS AND DISCUSSION

 Table 2. Composite reliability coefficients, Cronbach's alpha coefficients, and Average variances extracted (AVE)

Latent Variables	Composite reliability coefficients	Cronbach's alpha coefficients	Average variances extracted (AVE)
Organizational Culture (OC)	0.896	0.859	0.595
Organizational Performance (OP)	0.955	0.944	0.781

Table 3. Analysis Results Model fit and quality index

No	Model fit and quality Index	Criteria Fit	Analysis results	Remarks
1	Average Path Coefficient (APC)	p < 0.001	0.767 p < 0.001	Good Significant
2	Average R-squared (ARS)	p < 0.001	0.588 p < 0.001	Good Significant
3	Average Adjusted R- squared (AARS)	p < 0.001	0.587 p < 0.001	Good Significant
4	Average block	Acceptable if ≤ 5		
	Variance Inflation Factor (AVIF)	Ideally ≤ 3.3		Not available
5	Average Full	Acceptable if ≤ 5		
	Collinearity VIF (AFVIF)	Ideally ≤ 3.3	2.133	Ideally
	Tenenhaus GoF (GoF)	Small ≥ 0.1		
6		Medium ≥ 0.25		
		Large ≥ 0.36	0.636	Large
7	Simpson's paradox ratio	Acceptable if ≥ 0.7		
/	(SPR)	Ideally $= 1$	1	Ideally
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9		
		Ideally $= 1$	1	Ideally
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7	1	Accepted
10	Nonlinear- bivariate causality- direction ratio (NLBCDR)	Acceptable if ≥ 0.7	1	Accepted

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Table 4. R-squared coefficients, Adjusted R-squared coefficients, Q-squared coefficients

Latent Variables	R-squared coefficients	Adjusted R-squared coefficients	Q-squared coefficients
Organizational			
Performance (OP)	0.588	0.587	0.579

Results of Hypothesis Analysis (H1)



Figure 3. The best-fitting curve for a multivariate relationship between Organizational Culture (OC) and Organizational Performance (OP)

Influence Organizational Culture (OC) towards Organizational Performance (OP) is Positive ($\beta = 0.77$) and Significant (p < 0.001). This result can prove empirically and statistically that the greater the organizational culture given will lead to more excellent organizational Performance (OP) employees in a mining company in Samarinda, East Kalimantan Province, Indonesia.

7. CONCLUSION

The better a culture that exists in an organization, the more it can increase the Performance of the organization. The Research Model can produce a Coefficient of Determination of Organizational

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Performance of 0.588, which means Variable Organizational Culture can explain their Organizational Performance by 58,80%. The rest (41,2%) are variables outside the research and error factor. The theoretical implication of this study is that there are other factors besides Organizational Culture for Organizational Performance. The practical implications of this study are as a reference for policymakers in determining Organizational Culture Policies for employees to continue developing Organizational Culture to create Organizational Performance that continues to grow and is sustainable.

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