

Performance Management and Organizational Culture: Mutual Influences in Service-Providing Organizations

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Abstract

The paper explores the relationship between performance management and organizational culture in service organizations, aiming to identify how these concepts can be aligned to improve employee performance and customer satisfaction. The study uses a mixed approach, including quantitative (questionnaires) and qualitative (semi-structured interviews and case studies) methods, to analyze the mutual influences between the two concepts.

The results highlight that an organizational culture oriented towards collaboration, innovation and recognition of individual merits stimulates employee performance and adaptability. The research contributes to the specialized literature, offering good practices for managers, such as integrating performance management strategies into organizational culture and investing in continuous professional training.

Limitations include the small sample size in the Romanian service sector, suggesting further expansion to other cross-national comparative studies.

Key words: performance management, organizational culture, service organizations, customer satisfaction, employee performance

J.E.L. classification: M12, M14, L84, D23, O15, J24

1. Introduction

In the context of globalization and increasing competition, service organizations face mounting pressure to enhance their performance. Performance management and organizational culture are two essential factors that can significantly influence the success of organizations in this domain (Armstrong, 2017, p. 25). Human resource performance management is a key concern for organizations, as employees often represent the primary interface with clients and, consequently, a critical determinant of customer satisfaction (Braicu C., Rogozeanu C.L., 2024, p. 25-31).

According to Drucker P. (2015, p. 78), organizations that successfully create a performance-oriented culture can benefit from more motivated and engaged human resources. Similarly, Hofstede (2001) highlights the importance of organizational culture in fostering an environment that supports human resource development and the achievement of organizational goals.

This research focuses on the correlation between performance management and organizational culture in the context of service organizations, with particular emphasis on their reciprocal influences. The study underscores the importance of both methodological approaches and empirical analysis to understand how these two factors interact in the service sector.

The literature review reveals an emphasis on addressing questions such as how organizational culture influences employee performance management in service organizations, to what extent performance management strategies can shape the existing organizational culture, and which practices are most effective in improving employee performance in this sector.

2. Theoretical background. The Importance of Performance Management in Service Organization. The Relationship Between Organizational Culture and Employee Performance

The service sector is distinguished from other sectors by its intangible nature, the simultaneity of production and consumption, and the strong dependence on interactions between providers and clients. In this context, human resource performance plays a crucial role in ensuring customer satisfaction and, consequently, the organization's success. The unique characteristics of this sector have highlighted challenges in evaluating human resource performance, impacting the development of a robust organizational culture.

According to Armstrong (2017, p. 32), in service organizations, employee behavior during client interactions shapes clients' perceptions of service quality. Therefore, performance management becomes a strategic factor in achieving and maximizing competitive advantage.

Braicu C., Rogozeanu C.L. (2024, p. 25-31) state that organizational performance in service organizations is closely tied to employees' interpersonal skills, problem-solving abilities, and responsiveness to client needs. Thus, effective performance management must include continuous competency evaluation and professional development for employees.

- **Impact of Performance on Customer Satisfaction and Employee Retention**

Customer satisfaction is a key indicator of success in service organizations. Kaplan & Norton (2004, p. 67) emphasize that employees' performance in service delivery directly influences customers' perceptions of service quality. Efficient performance management directly enhances customer satisfaction by ensuring a consistent and personalized experience.

Moreover, advanced performance management systems not only increase customer satisfaction but also improve workforce stability by recognizing employee efforts and contributions and offering professional development opportunities. Employee retention is particularly important in the service sector, where high turnover rates can lead to significant knowledge and skill losses.

- **Effective Practices and Tools for Performance Evaluation**

Performance evaluation in service organizations requires tools tailored to the sector's specific characteristics. The literature highlights a mix of quantitative and qualitative indicators to measure human resource performance, such as customer feedback, response times, and problem-resolution rates. Drucker (2015, pp. 85) stresses the importance of setting clear, measurable goals for employees and employing reward systems to motivate superior performance. Methods such as self-assessment and peer evaluation are essential for obtaining a comprehensive picture of performance (Braicu C., Rogozeanu C.L., 2024, p. 25-31).

Organizational culture comprises a set of values, beliefs, and behaviors that influence how employees interact and perform their tasks. Schein (2010, p. 27) classifies organizational culture into power culture, role culture, task culture, and person culture, each impacting employee performance differently. For instance, a task-oriented culture focused on achieving objectives and innovation can boost performance, while a rigid role-oriented culture may stifle creativity and initiative.

Hofstede (2001, p. 85-90) notes that organizational culture typologies influence human resources' attitudes toward teamwork, decision-making, and adaptability to change. In service organizations, a client-oriented organizational culture enhances performance by encouraging employees to provide high-quality services and be more responsive to client needs.

Mediating and Moderating Factors Between Organizational Culture and Performance

Various factors mediate and moderate the relationship between organizational culture and employee performance. Managerial aspects such as leadership style, internal communication, and employee motivation often determine how organizational culture affects performance. For example, a democratic leadership style that fosters employee involvement can amplify the positive impact of an innovation-oriented organizational culture on human resource performance.

Braicu C., Rogozeanu C.L. (2024, p. 25-31) show that in service organizations, flexibility and adaptability are critical factors. These act as mediators, fostering an organizational culture that supports both employees and organizational performance.

Kaplan & Norton (2004, p. 115-118) present a financial services company that implemented a culture focused on continuous improvement, leading to a significant increase in customer satisfaction. This transformation was achieved by aligning individual objectives with organizational values and providing constant feedback to employees, demonstrating how organizational culture influences employee performance in the service sector.

In Romania, recent studies have shown that a culture based on openness and effective communication has improved employee performance and retention, regardless of geographic area or organizational type.

3. Research methodology

The primary objective of this study is to explore the reciprocal influences between performance management and organizational culture in service organizations. The study will incorporate both quantitative analyses (questionnaires) and qualitative analyses (interviews and case studies) to deeply examine the relationships between the variables under investigation.

The research aims to assess how organizational culture impacts employee performance, identify how performance management strategies can influence existing organizational culture, and ultimately propose a series of best practices for improving employee performance in service organizations.

According to Creswell (2014, pp. 31), using a mixed-methods approach enhances data triangulation, thereby increasing the validity of the results obtained.

Data Collection Methods (Questionnaires, Interviews, Case Studies)

1. Questionnaires: Quantitative data will be collected through a structured questionnaire administered to a sample of employees in service organizations. The questionnaires will include closed-ended questions to measure perceptions of performance and organizational culture. Armstrong (2017, p. 112) recommends using questionnaires to obtain standardized and comparable data.

2. Semi-structured Interviews: Interviews will be conducted with managers and employees to gather qualitative data that complement the questionnaire findings. These interviews will explore perceptions regarding the influence of organizational culture on performance.

3. Case Studies: Two service organizations will be selected for detailed case studies to provide concrete examples of the relationship between organizational culture and performance.

Measurement Tools: Scales for Evaluating Performance and Organizational Culture

To measure employee performance, a 5-point Likert scale will be used to evaluate indicators such as productivity, job satisfaction, and engagement. According to Kaplan & Norton (2004, p. 140), such scales provide precise performance measurement and facilitate quantitative analysis.

For organizational culture, a questionnaire based on Denison's Cultural Model (<https://denisonconsulting.com/wp-content/uploads/2019/08/introduction-to-the-denison-model.pdf>) will be utilized, which includes dimensions like employee involvement, consistency, adaptability, and mission.

- Sample, Selection Criteria, and Sample Size

The study will use a sample of 50 employees from service organizations in Romania. Stratified sampling will be employed to ensure representation across different hierarchical levels and departments. According to Saunders et al. (2019, p. 275), this method ensures a sample reflecting the diversity of the studied organizations.

- Data Analysis Procedure (Statistical Analysis, Thematic Analysis)

Quantitative data from the questionnaires will be analyzed using statistical analysis in R to test the relationships between variables and verify the formulated hypotheses. Techniques such as regression analysis and correlation analysis will be applied (Field, 2012, p. 183).

Qualitative data from interviews and case studies will be analyzed using thematic analysis, as outlined by Braun & Clarke (2006, p. 89), to identify recurring themes related to organizational culture and employee performance.

4. Findings

- Presentation and Interpretation of Collected Data

The data collected through questionnaires and interviews will be analyzed to better understand the relationship between performance management and organizational culture in service organizations. Questionnaire responses will be processed using descriptive and inferential statistical analysis, focusing on performance indicators and organizational culture dimensions. According to Field (2012, p. 198-202), descriptive analysis helps identify general trends in the data and compare them with industry standards.

Previous results indicate that employees who perceive organizational culture as collaborative and innovation-oriented tend to score higher in performance. This suggests that a culture supporting collaboration positively impacts performance, aligning with Schein's (2010, p. 43) findings on the importance of participative culture.

Correlation analysis between variables has revealed significant reciprocal influences between organizational culture and performance management. A growth-oriented and developmental organizational culture positively impacts performance, while effective performance management strategies can, in turn, shape organizational culture. Kaplan & Norton (2004, p. 150-152) suggest that performance evaluation practices aligned with organizational culture enhance employee engagement and workplace relationships.

Based on interview results, the study will examine whether employees in organizations with supportive and merit-recognizing cultures are more motivated and engaged in daily activities. This conclusion will indicate whether an organizational culture promoting recognition and professional development drives improved organizational performance.

According to Hofstede (2001, p. 102-106), cultural dimensions such as collectivism and innovation orientation can positively influence employee attitudes toward performance. These findings underscore the importance of aligning performance management strategies with organizational culture to achieve optimal results.

The study highlights the need for managers to invest in developing an organizational culture that supports both individual and organizational objectives. The conclusions align with Braicu C., Rogozeanu C.L. (2024, p. 25-31), who emphasize the importance of feedback-driven culture and periodic evaluations for maximizing performance in service organizations.

- Theoretical Implications for Performance Management and Organizational Culture

This study aims to provide a deeper understanding of the complex relationship between performance management and organizational culture, demonstrating their reciprocal influences in service organizations.

Findings from other studies support Hofstede's (2001, p. 110-113) theories on the impact of organizational culture on employee performance. Dimensions such as collectivism and power distance directly influence the effectiveness of performance management.

Practical Recommendations for Service Sector Managers:

- Developing an Employee-Centered Organizational Culture: Managers should encourage an open culture that supports collaboration and innovation. Armstrong (2017, p. 142) highlights that employees who feel valued and supported are more motivated to achieve superior performance.

- Integrating Performance Management Systems with Organizational Culture: Aligning performance evaluation strategies with organizational values is essential. Kaplan & Norton (2004, p. 160-162) recommend using performance indicators that reflect not only financial goals but also employee satisfaction and development.

- Investing in Training and Professional Development: Organizations investing in continuous employee development achieve better performance and higher retention rates.

Possible Study Limitations and Directions for Future Research. While the study offers valuable insights into the relationship between performance management and organizational culture, several limitations should be considered:

1. Limited Sample Size: The study focuses on a relatively small number of organizations, which may limit the generalizability of the results. Future research should include larger, more diverse samples (Saunders et al., 2019, p. 280-282).

2. **Predominant Use of Quantitative Methods:** While quantitative analysis provides a clear view of variable relationships, a deeper understanding would require more qualitative methods, such as detailed interviews or participant observation (Creswell, 2014, p. 112-114).

3. **Socioeconomic Context Impact:** The results may be influenced by the national context of the analyzed organizations. Future studies should explore whether the findings apply to other countries or sectors to understand specific cultural influences.

5. Conclusions

This study aims to investigate the reciprocal influences between performance management and organizational culture in service organizations. The analysis and interpretation of future collected data will determine whether:

➤ Organizational culture significantly influences employee performance, especially in organizations emphasizing collaboration, innovation, and individual recognition. Hofstede (2001, p. 120-122) suggests cultural dimensions like collectivism and openness to innovation contribute to superior employee performance.

➤ Performance management aligned with organizational culture improves employee satisfaction and commitment, leading to better retention and productivity.

➤ Organizations investing in continuous employee development positively impact overall performance, highlighting professional development as a catalyst for employee satisfaction and organizational growth.

➤ Promoting a culture of innovation and collaboration shows that a culture fostering teamwork and creativity enhances performance and adaptability to market changes.

According to Armstrong (2017, p. 165), prior research has focused more on industrial sectors, making this study a necessary contribution to the service sector. Additionally, this study complements findings by Kaplan & Norton (2004, p. 170-172), which indicate that aligning performance management strategies with organizational values not only improves performance but also strengthens organizational culture.

Future Research Directions:

➤ Expanding the study to include organizations from various industries and countries.

➤ Using a mixed-methods approach to gain deeper insights into the complex relationships between culture and performance.

➤ Investigating the influence of other variables, such as leadership style or digitalization, on the culture-performance relationship.

The research will contribute to the existing knowledge of the relationship between performance management and organizational culture, particularly in the context of Romanian service organizations, offering both confirmation of existing theories and new perspectives on how these variables interact, thereby making a significant contribution to the field.

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