

Course 10:
**Culture and performance: How Organizational
Culture Drives Organizational Performance**

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Lectures for first-year Master's students in Business Management.

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What Is Organizational Performance?

- Definition: the ability of an organization to achieve its objectives.
- Key components:
 - Financial performance (profitability, growth)
 - Operational performance (quality, productivity)
 - Employee performance (engagement, turnover)
 - Innovation and adaptability
 - Customer satisfaction

. How Culture Influences Performance

- **1. Culture shapes employee behavior**
- High-trust cultures → higher motivation and innovation.
- Fear-based cultures → low engagement, high turnover.

- **2. Culture guides decision-making**
- Example: Google's culture of experimentation → innovation.
- Example: Bureaucratic cultures → slow responses.

- **3. Culture influences communication and collaboration**
- Open communication → faster problem-solving.
- Silos → errors, delays, conflicts.

- **4. Culture drives strategy execution**
- Alignment: when people share values, strategies are implemented faster.
- Misalignment: even the best strategy fails.

- **5. Culture affects innovation and learning**
- Learning-oriented cultures (Toyota, 3M) → continuous improvement.
- Rigid cultures → decline.

. Case Studies

Positive Culture → High Performance

- **Toyota:** Kaizen, teamwork, discipline → world-class quality.
- **Zappos:** customer-first culture → high customer satisfaction.
- **Netflix:** culture of freedom + responsibility → agility.

Negative Culture → Poor Performance

- **Nokia:** fear culture; no one challenged leaders → missed smartphone revolution.
- **Uber (2017):** toxic culture → scandals, leadership change.
- **Enron:** aggressive, unethical culture → collapse.

. Cultural Strengths and Dysfunctions

- Signs of a healthy culture:
 - Trust, collaboration, innovation, transparency.
- Signs of a toxic culture:
 - Blame, fear, favoritism, unclear expectations, resistance to change.

. Measuring Culture and Performance

- Culture assessment tools:
 - OCAI -Organizational Culture Assessment Instrument (Competing Values Framework)
 - Denison Model
- Performance measurement: KPIs, employee surveys, turnover, customer feedback.
- Linking culture audit results to performance indicators.

The Six Dimensions of the OCAI Survey

- The OCAI assesses culture by asking employees to evaluate the organization on six dimensions:
- **Dominant Characteristics**
→ What the organization is like (family, dynamic, competitive, controlled)
- **Organizational Leadership**
→ Style of leadership (mentor, innovator, competitor, coordinator)
- **Management of Employees**
→ How employees are treated (empowerment, creativity, competitiveness, formal rules)
- **Organizational Glue**
→ What holds the organization together (loyalty, innovation, goals, policies)
- **Strategic Emphasis**
→ Main priorities (human development, innovation, market domination, efficiency)
- **Criteria of Success**
→ What is valued as success (teamwork, new products, wins in the market, stability)
- Employees divide **100 points** among the four culture types for each dimension—providing a quantitative cultural profile.

What the OCAI Measures

- The OCAI provides a **visual, easy-to-interpret cultural map**, showing:

A. Current Culture Profile

- How the organization actually operates today

B. Preferred Culture Profile

- How employees wish the organization would operate
- The **gap** between the two highlights areas for change and cultural intervention.

- The **Denison Model** provides a structured way to **measure, compare, and improve organizational culture** through four dimensions:
 - ✓ Involvement
 - ✓ Consistency
 - ✓ Adaptability
 - ✓ Mission
- Each dimension reflects essential behaviors that influence performance.
- It is practical, diagnostic, and widely used in consulting, change management, and organizational development.

. How to Build a High-Performance Culture

- Define and communicate clear values.
- Align strategy, structure, and behaviors.
- Encourage learning and feedback.
- Develop leaders who model the culture.
- Recognize and reward desired behaviors.
- Continuously assess and improve culture.

. Summary

- Culture is a strategic asset.
- Strong cultures create alignment, engagement, and innovation.
- Weak cultures damage performance and reputation.
- Leaders must intentionally design and reinforce culture.