

Research Article

EFFECT OF EXTERNAL ENVIRONMENT AND ORGANIZATIONAL CULTURE ON PERFORMANCE MANAGEMENT

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ABSTRACT

Manpower has been regarded as a factor affecting survival of organizations drawn into attention by authorities and managers within organizations. An overview on history of development in industrial communities indicates that manpower has had an inevitable effect in the process of development from traditional community to industrial community, such that manpower has been regarded as the most important factor contributing in development of communities and organizations. Major aim of this research is to examine effect of external environment and organizational culture on performance management. The present research is an applied research type in sake of aim, because it can use the results of this study to improvement performance management within organizations. Since the present research has been conducted in Lorestan Electric Power Distribution Company, thus all the staffs (238) working in Lorestan Electric Power Distribution Company have been considered as the statistical population. Results indicate that: 1-there is a direct significant relationship between external environment and organizational culture and performance management, 2- there is a direct significant relationship between external environment and performance management by means of organizational culture, 3- there is a direct positive relationship between organizational culture and performance management, 4- there is a direct positive relationship between external environment and performance management.

Keywords: *External Environment, Organizational Culture, Performance Management*

INTRODUCTION

Contemporary organizations require those staffs that connect with their jobs from psychological status, achieve higher performance standards and dedicate themselves to their jobs, deducing that such staffs involve in their jobs properly (Simpson, 2009). Indeed, the staffs with high performance might help for profitability within organization, because the individuals' motivation keeps increasing when they involve in their jobs, and this might have a positive effect on their job performance and performance management (Mantler and Murphy, 2005). In general, performance management has been regarded as one of the most important management processes, mentioned as one of the four major stages of control including determination of control standards, comparison of results of performances with determined standards, detection of extent of deviations and overview of the causes for emergence of such deviations. In other words, performance management refers to supervision, analysis and use of information on performance of a program that is considered as a data-based and systematic approach for management of staffs and other organizational resources, striving to maximize performance of staffs and organization through positive enhancement via stimulants. Performance management believes that there is a huge gap between what staffs can conduct and what can be conducted in a better way, thus it makes an attempt to diminish this gap through proper planning (Brown, 2005). Performance management has been regarded as one of the most important management tools and processes to move towards optimal point and detect strengths and weaknesses within any organization. Therefore, performance management seeks to represent the gap between what is conducted and what the individuals seek to conduct and to make motivation in the individuals so as to let them to achieve a favorable level. This process requires paying attention to different factors so as to be successful that such factors include a wide range, yet this research has considered two issues of external environment and organizational culture due to significance of executive infrastructures of performance management (Sohrabi and Khan, 2007). Indeed, overview of external environment and external parameters is one of the important factors in performance management that

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affect it. In other words, it should take this point into consideration that the organizations do not live in vacuum and their relationship is mainly with the outside world that gives them identity. Outside world includes numerous factors and elements of which it can refer to economic, technological, legal and social factors (Kargar, 2006). Further, organizational culture as a representative of intra-organizational identity affects performance management. Organizational culture refers to a series of traditions, customs, ethics and values that differentiates the organizations from each other and gives a unique personality to the organization. In this regards, organizational culture determines social identity of each organization. Hence, organizational culture must be recognized by the managers and members of organization and considered in performance management and strategic programs of organization (Haghighi *et al.*, 2003). Indeed, it must pay a particular attention into this point that managers must examine their organizational culture and external environment via proper, scientific and applied methods and evaluate the factors contributing in them and specify the opportunities and threats that they expect in the organization so as to fulfill the performance management programs. In this regards, managers at Lorestan Electric Power Distribution Company should pay a particular attention into this point that performance management and programs at this area are under influence of intra-organizational and inter-organizational factors that influence existing changes. The present research seeks to give a response to this question that to which extent external environment and organizational culture affect performance management?

Literature Review

Chaploghian (2010) conducted an article entitled "overview of necessity of performance management and theoretical background of performance management" and conducted that performance management as a strategy can result in intensification of competitive advantage within organizations.

-Sheikh (2009) in his study entitled "a conceptual model for performance management in mission-based organizations" deduced that integration of Balanced Scorecard and Excellence Models can provide a suitable framework for performance evaluation, because these two models despite important similarities have different points enabling to build a suitable overlapping.

Yilmaz and Ergan (2008) in their research examined effect of dimensions of Denison organizational culture model on performance of organizations under study; they have specified in their research that the least score has been obtained for the dimension of adjustment. Further, results from their research indicate that dimension of mission has the highest effect on increasing performance of manufacturing companies, so that ability of company in producing new products is severely under influence of dimension of adjustment.

Gillespie (2008) examined the relationship between organizational culture and customer satisfaction in construction industry. They have used Denison model to understand organizational culture, which the results from their study indicated that the highest score in construction industry associates to the dimensions of involvement in job and mission and the least score associates to adjustment.

MATERIALS AND METHODS

Research Method

The present research is an applied research type in sake of aim, because it can use the results from this research to improve performance management within organization. Descriptive research has been used as the research method in sake of nature of subject of research, because the researcher measures variables without manipulation in descriptive studies. Researcher describes and interprets what exists and pays attention to existing relations and conditions, common beliefs, current processes, tangible effects or expanding processes. Further, survey has been used in this study because pooling has been used. Since the present research has been conducted in Lorestan Electric Power Distribution Company, thus all the staffs (238) working in Lorestan Electric Power Distribution Company have been considered as the statistical population.

Research Hypotheses

Major Hypothesis

External environment and organizational culture affect performance management.

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Secondary Hypotheses

- external environment affects performance management.
- Organizational culture affects performance management.
- external environment affects performance management by means of organizational culture.

Testing Research Hypotheses

After getting information on value of central and dispersion indicators concerning the major research variables and frequency value of demographic variables, the research hypotheses are examined via regression analysis method and structural equation modeling.

The first secondary hypothesis: external environment affects performance management.

The first secondary hypothesis is written in form of a statistical hypothesis as follow:

H0: external environment does not affect performance management.

H1: external environment affects performance management.

Result of simple linear regression for such analysis has been proposed in table 1.

Table 1: Result of simple linear regression for the first secondary hypothesis

Coefficients		Correlation	Determination	Statistics	Sig
Independent	Regression	coefficient	coefficient	value	
2.149	0.584	0.559	0.312	41.784	0.000

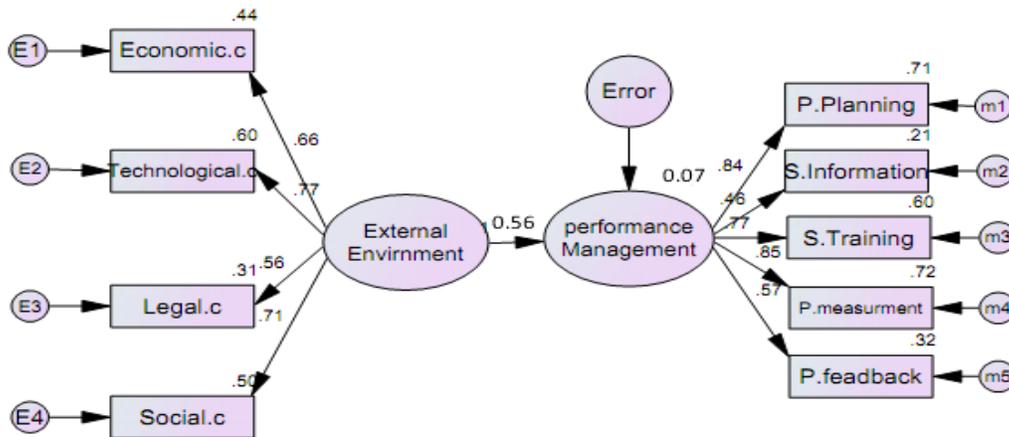
In table 1, the information shows approval of this hypothesis. Indeed, severity of external environment on performance management has obtained equal to 0.584, thus the regression equation will be as follow:

$$Y = 2.149 + 0.584 x$$

Y =performance management

X =external environment

In following, analysis of the first secondary hypothesis through structural equation modeling has been represented in figure 1.



Chi-square = 146.229, Degrees of freedom= 145, Probability Level = 0.000, RMR = .964, GFI = .952.

Figure 1: Analysis of the first secondary hypothesis

The analysis made through structural equation modeling indicated that severity of effect of external environment on performance management equals to 0.56. Further, value of chi-square for the model equals to 156.229 that is confirmed based on significance level. Two indicators of RMR and GFI are greater than 0.95 that confirm that the proposed model represents a suitable view on the real conditions. Among four components of external environment, technological conditions with regression coefficient (0.77) and legal conditions with regression coefficient (0.56) have the highest and lowest effect on

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performance management, respectively. Further, among components of performance management, component of performance management (0.85) and performance information (0.46) are widely and rarely under influence of external environment, respectively.

The second secondary hypothesis: organizational culture affects performance management.

The second secondary hypothesis is written in form of a statistical hypothesis as follow:

H0: organizational culture does not affect performance management.

H1: organizational culture affects performance management.

Result of simple linear regression for such analysis has been proposed in table 2.

Table 2: Result of simple linear regression for the second secondary hypothesis

Coefficients Independent	Regression	Correlation coefficient	Determination coefficient	Statistics value	Sig
1.001	0.647	0.616	0.379	89.74	0.000

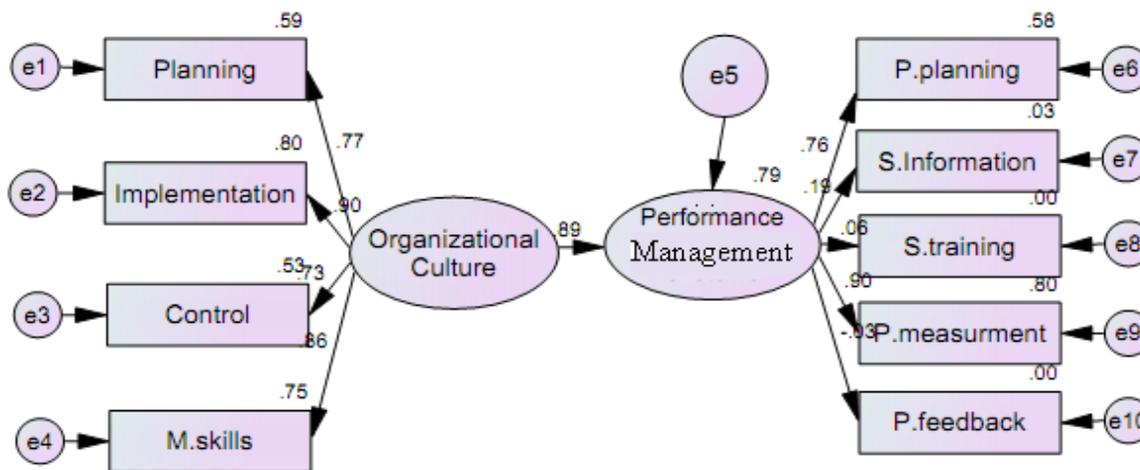
In table 2, the information shows approval of this hypothesis. Indeed, severity of organizational culture on performance management has obtained equal to 0.647 , thus the regression equation will be as follow:

$$Y = 1.001 + 0.647 x$$

Y =performance management

X =organizational culture

In following, analysis of the second secondary hypothesis through structural equation modeling has been represented in figure 2.



Chi-square = 151.771, Degrees of freedom = 146, Probability Level = 0.000, RMR = .949, GFI = .937.

Figure 2: Analysis of the second secondary hypothesis

The analysis made through structural equation modeling indicated that severity of effect of organizational culture on performance management equals to 0.89. Further, value of chi-square for the model equals to 151.771 that is confirmed based on significance level. Two indicators of RMR and GFI are greater than 0.90 that confirm that the proposed model represents a suitable view on the real conditions. Among four components of organizational culture, implementation with regression coefficient (0.90) and managers' skill with regression coefficient (0.66) have the highest and lowest effect on performance management, respectively. Further, among components of performance management, component of performance measurement(0.90) and feedback from performance (-0.03) are widely and rarely under influence of organizational culture, respectively.

The third secondary hypothesis: external environment affects performance management by means of organizational culture.

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The third secondary hypothesis is written in form of a statistical hypothesis as follow:
 H0: external environment does not affect performance management by means of organizational culture.
 H1: external environment affects performance management by means of organizational culture.
 Result of simple linear regression for such analysis has been proposed in table 3.

Table 3: Result of simple linear regression for the third secondary hypothesis

Coefficients Independent	Regression	Correlation coefficient	Determination coefficient	Statistics value	Sig
0.601	0.637	0.617	0.381	8.225	0.004

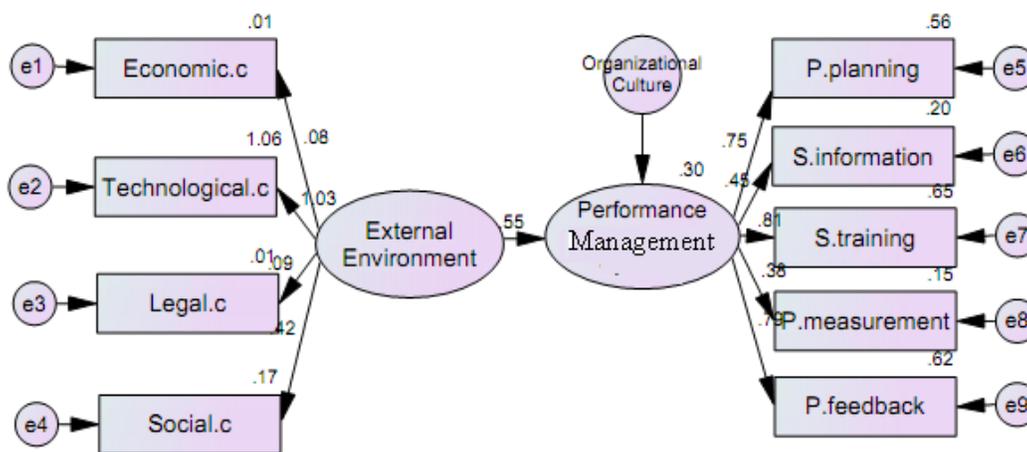
In table 3, the information show approval of this hypothesis. Indeed, severity of external environment on performance management by means of organizational culture has obtained equal to 0.637 , thus the regression equation will be as follow:

$$Y = 0.601 + 0.637 x$$

Y =performance management

X= external environment

In following, analysis of the third secondary hypothesis through structural equation modeling has been represented in figure 3.



Chi-square = 237.147, Degrees of freedom = 146, Probability Level = 0.000, RMR = .972, GFI = .943.

Figure 3: Analysis of the third secondary hypothesis

The analysis made through structural equation modeling indicated that severity of effect of external environment on performance management by means of organizational culture equals to 0.55. Further, value of chi-square for the model equals to 237.147 that is confirmed based on significance level.

Two indicators of RMR and GFI are greater than 0.90 that confirm that the proposed model represents a suitable view on the real conditions. Among four components of external environment, social conditions with regression coefficient (0.42) and economic conditions with regression coefficient (0.08) have the highest and lowest effect on performance management, respectively. Further, among components of performance management, component of standards (0.81) and performance measurement (0.38) are widely and rarely under influence of external environment, respectively.

The major hypothesis: external environment and organizational culture affect performance management.

The major hypothesis is written in form of a statistical hypothesis as follow:

H0: external environment and organizational culture do not affect performance management.

H1: e external environment and organizational culture affect performance management.

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Result of simple linear regression for such analysis has been proposed in table 4.

Table 4: Result of simple linear regression for the major hypothesis

Coefficients Independent	Regression	Correlation coefficient	Determination coefficient	Statistics value	Sig
1.536	0.316	0.677	0.655	0.429	54.849

In table 4, the information shows approval of this hypothesis. Indeed, severity of external environment and organizational culture on performance management has obtained equal to 0.316 and 0.677, thus the regression equation will be as follow:

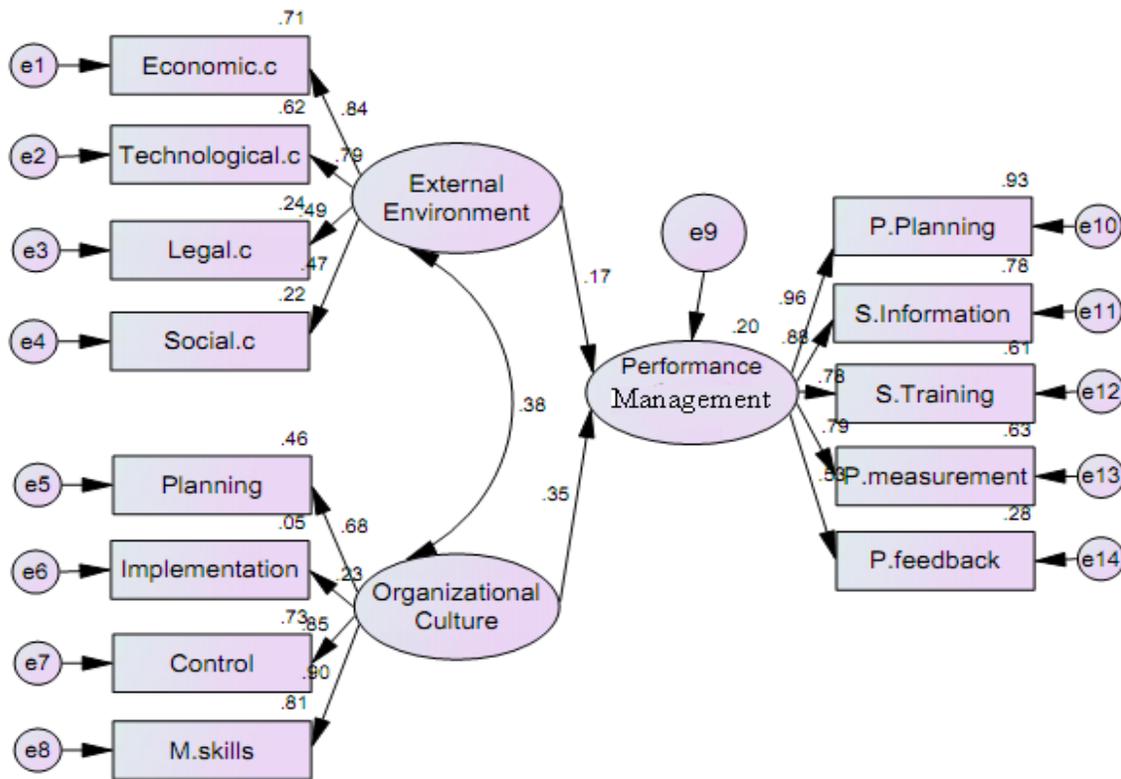
$$Y = 0.536 + 0.316 x_1 + 0.677 x_2$$

Y =performance management

X₁ =external environment

X₂ =organizational culture

In following, analysis of the major hypothesis through structural equation modeling has been represented in figure 4.



Chi-square = 210.101, Degrees of freedom = 146, Probability Level = 0.000, RMR = .984, GFI = .977.

Figure 4: Analysis of the major hypothesis

The analysis made through structural equation modeling indicated that severity of effect of external environment and organizational culture on performance management equals to 0.17 and 0.35. Further, value of chi-square for the model equals to 210.101 that is confirmed based on significance level.

Two indicators of RMR and GFI are greater than 0.95 that confirm that the proposed model represents a suitable view on the real conditions. Among four components of external environment, social conditions with regression coefficient (0.84) and economic conditions with regression coefficient (0.47) have the highest and lowest effect on performance management, respectively.

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Further, among components of organizational culture, component of managers' skills (0.90) and implementation (0.23) are widely and rarely under influence of performance management, respectively. Among components of performance management, component of performance planning (0.96) and feedback from performance (0.53) are widely and rarely under influence of organizational culture and external environment, respectively.

Conclusion

The first secondary hypothesis: external environment affects performance management.

With regard to the information in the tables discussed in this research and analysis of structural equation modeling concerning this hypothesis, regression coefficient between two variables equals to 0.584 (simple linear regression) and 0.56 (structural equation modeling), whereby the hypothesis has been confirmed in both analyses, indicating a direct positive relationship between external environment and performance management. To justify this hypothesis, it must take this point into consideration the individuals in sample group believe that economic, technological, legal and social factors have affected process of planning and implementing programs and process of controlling the results from implementing programs and skills and characteristics of managers which have affected performance management. With regard to investigations, result of this research is consistent with the results of Shin (1991).

The second secondary hypothesis: organizational culture affects performance management.

With regard to the information in the tables discussed in this research and analysis of structural equation modeling concerning this hypothesis, regression coefficient between two variables equals to 0.647 (simple linear regression) and 0.89 (structural equation modeling), whereby the hypothesis has been confirmed in both analyses, indicating a direct positive relationship between organizational culture and performance management.

To justify this hypothesis, it must take this point into consideration the individuals in sample group believe that when managers attend in all the stages of formulation of strategic planning at company, major strategies of company must be clear for the managers, the process for formulation of budget must be fulfilled via participatory method with presence of senior managers, managers' executive activities must be fulfilled under the framework of approved budget, effective decisions with consultation by all the managers must be adopted, managers must be adhered to realization of aims of all the programs, managers must engage in necessary controls and supervisions, whereby this causes performance management is planned based on performance standards. With regard to investigations, result of this research is consistent with the results of Shin (1991).

The third secondary hypothesis: external environment affects performance management by means of organizational culture.

With regard to the information in the tables discussed in this research and analysis of structural equation modeling concerning this hypothesis, regression coefficient between two variables equals to 0.637 (simple linear regression) and 0.55 (structural equation modeling), whereby the hypothesis has been confirmed in both analyses, indicating that external environment affects performance management by means of organizational culture. To justify this hypothesis, it must take this point into consideration the individuals in sample group believe that economic, technological, legal and social conditions based on their effects on organizational culture through formulation of strategic planning at company, involvement of senior managers in organizational processes, managers' commitment to realization of aims of planned programs affect performance management. With regard to investigations, result of this research is consistent with the results of Shin (1991).

Major hypothesis: external environment and organizational culture affect performance management.

With regard to the information in the tables discussed in this research and analysis of structural equation modeling concerning this hypothesis, regression coefficient between two variables of external environment and organizational culture and performance management equals to 0.316 and 0.677 (simple linear regression) and 0.17 and 0.35 (structural equation modeling), whereby the hypothesis has been confirmed in both analyses, indicating that external environment and organizational culture affect performance management. To justify this hypothesis, it must take this point into consideration the

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individuals in sample group believe that economic, technological, legal and social conditions as well as organizational culture play a potential role in formulation of clear standards for staffs' expected performance, notification to staffs about performance evaluation program, staffs' involvement in defining their work program, acceptance of performance program by staffs, adjustment of performance with staffs' job nature, feedback from staffs' performance, considering required trainings to do job duties and so on. With regard to investigations, result of this research is consistent with the results of Shin (1991).

Suggestions for Future Studies

- expansion of statistical population to public and private organizations
- identification of other effective factors in performance management via exploratory methods
- conducting research at the area of detection of mediating factors at multiple levels to achieve a comprehensive view on factors affecting performance management
- detecting effect of external environment factors on performance management via mediating role of other factors such as management styles, organizational structure and organizational strategy and so on

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