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Performance Management

How to Cultivate an Organizational Culture that Encourages Effective Performance

CQ Dossier | Evidence-based Management

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Executive summary

For organizations to have an effective performance system, they must cultivate a culture that encourages effective performance. This CQ Dossier describes those characteristics of organizational culture that promote effective performance and makes recommendations on how organizations can create interventions to promote a culture that values high performance.

Organizational culture is important for effective performance

Organizational culture is the pattern of shared values and beliefs that help employees understand how the organization functions and consequently provides them with norms for workplace behavior (Kotter & Heskett, 1992). These shared values enable employees to understand organizational functioning. Organizational culture has the potential to be a strategic asset for an organization because it increases the fit between an organization and its environment (Kotter & Heskett, 1992). Because employees continuously interpret the work environment, they are susceptible to cues that reward employee performance (Kotter & Heskett, 1992). In fact, research has shown that organizational culture has an impact on job efficiency, employee commitment, and employee decision making (e.g., Langan-Fox & Tan, 1997; O'Reilly et al., 1991).

Use the competing values framework for employee performance

The Competing Values Framework is one of the most influential models in organizational culture research. Developed by Cameron and Quinn (2005), the model (as shown in Figure 1) describes how firms operate through either an internal or external focus or through a flexibility or stability/control focus. These two dimensions form four quadrants that represent differences in organizational culture. These dimensions are contradictory in their characteristics yet each of the four quadrants can be used to enable effective performance management. Many leadership development experiences and executive education programs focus on the competencies for each of the four

quadrants of the Framework. The specific tools for each organization are determined by the organization's own culture and can be driven by the feedback that individuals receive through the performance management system (Cameron & Quinn, 2005). For example, the quadrant that emphases collaboration can utilize tools such as teamwork and empowerment to raise employee performance. The quadrant that focuses on competition (the opposite of collaboration) can emphases techniques such as goal achievement and driving through barriers to raise employee performance.

The competing value framework can be used to help organizations understand their existing and desired cultures. Through assessing the culture of the firm, the framework can be used as a tool to examine organizational gaps. For example, if an organization scores high on collaboration but is low on competition resulting in lack-luster performance, this assessment can allow organizations to create tools that increase performance through an emphasis on competition. The framework is an opportunity for firms to reflect and plan on how best to meet performance goals.

Leadership effectiveness and effective performance management

The aim of the competing values framework is not to be prescriptive but to be descriptive in assessing the culture of the organization and how this relates to effective performance management. Within the framework, there is an emphasis on leadership and most researchers believe that the effective leader is one who demonstrates effectiveness in all four quadrants (Melo, Silvo & Parreira, 2014). Figure one provides information on how the leader can promote effective performance through each of the four quadrants. The first quadrant (clan) that emphasizes flexibility and inwardness shows that the most effective leader is one who is a mentor and facilitator who involves subordinates and encourages participation in meeting the core values of the firm. This empathic approach is useful in performance management systems in showing consideration to employees when they are attempting to reach individual and organizational goals. In this role, the manager contributes to enhancing skills and planning the individual development of the subordinate (Melo et al., 2014). The adhocracy culture exists when organizations have adapted to living in an increasingly

rapid-changing environment. Within this culture, leaders should focus on innovation and adopt a visionary approach. Leaders can ensure that innovation is a key driver within a performance management system through including innovation benchmarks for individual employees and team members. Within a hierarchical culture, it is important that management focus on adherence to structures and rules within the organization. As part of a performance management system, management should emphasize stability and continuity when monitoring employees as part of a performance appraisal system.

The final quadrant (Market) focuses on the goals that the organization sets with regard to competition. In this quadrant, the manager focuses on planning and the establishment of goals and is task-oriented in motivating and empowering employees to excel. Accordingly, a management focus on goal-driven behavior is important in this type of culture. Performance reviews can reflect this emphasis on goals through establishing clear, difficult yet attainable goals for individuals and team members.

Building a high performance culture

In a report by the [Society of Human Resource Management](), organizational science researchers state that it is necessary to build a culture that promotes high performance through effective management practices. These practices include: creating a climate where management is committed to performance management; building high quality and trustful relationships between management and employees; and connecting successful performance management with business strategy. In the article, Pulatkos and colleagues (2012) provide four steps to building a high-performance culture including motivate change, lay foundation, sustain behavior and monitor and improve. To motivate change it is important to assess the current culture and shift performance management mindset. This can be done through utilizing the Organizational Culture Assessment Instrument (OCAI) which has been extensively used to measure the competing values framework (Cameron & Quinn, 2011). The second step to lay the foundation can be accomplished through the scaling back of burdensome demands and the introduction of new concepts. In sustaining behavior, organizations can provide

tools and resources to drive behavior and finally, in monitoring and improving, organizations can hold management accountable for changes in behavior.

This CQ Dossier provides an overview of the Conflicting Values Framework to demonstrate how organizations can assess their ability to promote high performance throughout the organization. The dossier suggests several ways in which organizations can build a culture that is supportive and emphasizes high performance to be successful.

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<h2 style="text-align: center; color: #a4c400;">Key take-aways</h2>

- For organizations to have an effective performance system, they must cultivate a culture that encourages effective performance
- Through assessing the culture of the firm, the Competing Values framework can be used as a tool to examine organizational gaps
- The effective leader is one who demonstrates effectiveness in all four quadrants of the Competing Values Framework
- Build a culture that promotes high performance through effective management practice

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