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**Strong and Balanced Organizational Culture and Organizational  
Performance: Focusing on Mediating Effects**

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## **Abstract**

The purpose of this study was to identify the relationships between strong and balanced organizational culture, overall attitudes, organizational competencies and organizational performance. We hypothesized the effects of strong and balanced organizational culture on organizational performance. And we hypothesized the mediating effect of organizational competencies and overall attitudes between strong and balanced organizational culture and organizational performance. In addition, this research hypothesized the dual mediating effect of organizational competencies and overall attitudes between the two variables.

This research data was collected through Korea Research Institute for Vocational Educational & Training's panel survey of 2013. To avoid problems of common source variance, this research obtained data from multiple sources for each variable. Independent variable was measured by 3,530 employees of 163 companies. Overall attitudes and organizational competencies were measured by 1,167 managers of 163 companies. The dependent variable was measured as the log of per capita sales of 163 companies.

Regression analysis showed that the strong and balanced organizational culture had significantly positive effect on organizational performance, organizational competencies, and attitudes. Also our research suggested that attitudes of satisfaction and commitment mediated the relationship between the strong balanced organizational culture and organizational performance. And this research showed double mediating effects of organizational competencies and attitudes between the two variables.

The findings suggest that management should strive to form the strong balanced organizational culture concurrently reflecting flexibility and stability.

**Key Words:** Organizational Culture, Organizational Competency, Organizational Attitude, Job Satisfaction, Organizational Commitment, Organizational Performance

## **1. Introduction**

In recent years, the dynamics and uncertainties of the global business environment have been steadily increasing through globalization and innovative technology changes. Therefore, it is important for companies to respond effectively to environmental changes. In particular, recent Korean companies are experiencing a lot of difficulties between the fast follower strategy of emerging industrialized countries like China and the first mover strategy of developed countries. Also, in knowledge information society, companies should focus on the current business and also require exploration for the future business development in order to succeed in the long-term.

In this situation, organizational culture has been the important factor for achieving organizational performance (Booth & Hamer, 2009). Organizational culture is an important organizational context that influences performance (Denison & Mishra, 1995). The relationship between organizational culture and organizational effectiveness is a major research topic. Organizations will not maintain performance over long periods unless they

operate in a strong culture to adapt to a changing environment (Kotter & Heskett, 1992).

Organizational culture means values and beliefs that present the norms of behavior that members should follow in an organization. Organizational culture has an informal and powerful impact on the behavior of members beyond formal control systems, procedures, and powers (O'Reilly & Chatman, 1996). Although organizational culture is invisible and informal, it is recognized as a social force that exerts a powerful influence on the behavior of its members (Schein, 2004). In order to gain a competitive advantage, it must have attributes that other companies do not have. A culture that can gain competitive advantage should be a culture that is rare, difficult to imitate, and worthy of (Barney, 1986).

The formal control system relies on compensation to monitor performance. Social control like organizational culture forms the intrinsic value of the members of the organization (O'Reilly & Chatman, 1996). As the competition between companies becomes more intense, members' attitudes and organizational competencies becomes increasingly important. When the organizational culture functions effectively for the response to the external environment and for the integration of the internal members, the organizational culture will increase the level of attitude and organizational competency. It will lead to organizational performance. In other words, the process by which organizational culture affects organizational performance can be explained through organizational competencies and members' attitudes. If members agree strongly about the balanced direction and goals of the organization, they will continue to make efforts to achieve this. In this process, competencies and attitudes of the members will endeavor to increase organizational performance.

The research about the relationship between culture and performance has been insufficient. This study analyzed the relationships between strong and balanced organizational culture, overall attitudes, organizational competencies, and organizational performance at the organizational level. To this end, we hypothesized the effects of strong and balanced organizational culture on organizational performance and the mediating effect that strong and balanced organizational culture influences the organizational performance through organizational competencies and overall attitudes. The purpose of this study was to identify and examine the process between strong and balanced organizational culture and organizational performance at the organizational level.

## **2. Theoretical Backgrounds and Hypotheses Setting**

### **2.1 Strong and Balanced Organizational Culture**

Organizational culture is a pattern of shared basic assumptions that the group learns as it addresses the problems of external adaptation and internal integration. This pattern is sufficient for new members to be perceived, thought, felt, and educated in relation to the problems they present (Schein, 2004). There is no consensus on cultural definition, but culture is holistic, historically determined, related to anthropological concepts, socially constructed, soft and difficult to change (Hofstede et al., 1990). Organizational culture is a shared, stable belief and value pattern that is historically developed within a company (Gordon & DiTomaso, 1992), also organizational culture is a widely shared and strongly held value (O'Reilly et al., 1991). Culture is an open, collectively accepted semantic system that

works for a particular group at a particular time. The system of terms, stories, or images allows people to interpret situations related to themselves (Pettigrew, 1979). First, Culture provides an interpretation of history about how an organization should act in the future. Second, it creates a commitment to the values or business philosophy of a company that employees believe. Third, it acts as an organizational control device that informally approves or forbids behavior. Fourth, some forms of organizational culture are associated with high productivity and profitability (Martin & Siehl, 1983).

Companies with the necessary cultural attributes create sustainable performance from their culture. Many researchers view the organizational culture as a unique social creation of a company like a person with a unique personality. This creates characteristics that are difficult to imitate (Barney, 1986). Peters & Waterman (1982) described the cultural characteristics of an excellent company as follows. An excellent company means an organization that actively collects anecdotes, myths, and legends. It spreads them widely to create the foundation of the company's basic beliefs. It also allows its members independence, entrepreneurship, and innovation.

Cameron & Quinn (1999) set the organizational culture as one dimension of flexibility and stability focus, and internal and external as another dimension. If both are high, a strong culture exists (Chatman & Cha, 2009). Strong and balanced culture of flexibility and stability, internal and external focus can satisfactorily meet the needs of both internal and external environments. Organizational culture can be strengthened when flexibility and stability are balanced. Flexibility culture with internal and external focus emphasizes innovation, new ideas, and trust and cooperation among members. Stability culture with internal and external focus emphasizes competition, achievement of goals, stable operation, and rule (Cameron & Quinn, 1999).

In general, most organizations have some flexible and stable cultural characteristics at the same time. However, the intensity and relative weight of cultural combinations varies from organization to organization (Cameron & Quinn, 1999). Organizational culture with a balance of competing values can be strong. According to Quinn (1988), top managers want their organization to be flexible, but they want to be stable at the same time. Flexible and stable cultural characteristics reflect a consistent pattern for the behavioral areas allowed for members. Organizations with a strong and balanced culture have many advantages in responding to the environment. It has been shown to be beneficial in meeting the requirements of the environment. Thus, it can achieve a high level of effectiveness (Gregory et al., 2009).

## **2.2 Strong and Balanced Organizational Culture and Organizational Performance**

The research about the relationship between culture and effectiveness is important in organizational studies (Denison & Mishra, 1995). The important reason for studying organizational culture is that organizational culture can explain organizational performance (O'Reilly & Chatman, 1996). Organizational culture affects organizational performance through various factors. First, culture may have effects on efficiency through shared values, beliefs and norms. Second, culture may influence the priority of organizational strategy. Third, culture may influence the overall economic and social objectives that an organization

pursues. Finally, corporate culture may encourage relationship among internal and external members (Jacobs et al., 2013).

Many high performing organizations simultaneously emphasize the flexibility and stability of organizational culture (Cameron & Quinn, 1999). If an organization has a strong and balanced culture, then it holds the values necessary to manage in flexibility and stability. The dynamics of environments suggests that all firms will need to operate in flexibility and stability. Too much emphasis on any one cultural domain at the expense of the others can have a negative impact on the organization (Gregory et al., 2009).

Many studies on the relationship between organizational culture and performance show that cultural orientation and type contribute to performance (Valmohammadi & Roshanzamir, 2015). Organizational culture influences organizational performance because it is based on the value system that members share with the organization. Values provide direction and indicators for goals, strategies, and all forms of behavior that are formed within an organization. Kotter & Heskett (1992) analyzed the relationship between organizational culture and economic performance over the past decade. In a strong culture, almost organizational members share organizational core values. Strong cultures generally had greater average levels of return on investment, net income growth, and change in share price. Strong culture elevates organizational performance because they create motivation for the organization.

Four corporate culture variables were found to be statistically significant predictor variables of sales level (Booth & Hamer, 2009). Strong cultures minimize uncertainty in the state of the environment and enhance internal reliability (Sørensen, 2002). Marcoulides & Heck (1993) attempted to examine and emphasize how organizational culture affects performance. The fit of the model was proved and organizational culture was directly or indirectly related to performance. Organizational culture has a positive effect on organizational effectiveness perceptions such as overall success, market share, profitability, growth rate, and innovation (Zheng, Yang, & McLean, 2010).

At the highest level of TQM, the cultural level was highest (Zeitz, Johannesson, & Ritchie, 1997). In addition, organizations with strong supportive cultural characteristics have significantly increased information sharing and lower turnover rates (Chow & Liu, 2009). The dominant value of a particular culture type is related to a specific area of high performance (Jacobs et al., 2013). Organizational culture was closely related to profitability (Denison & Mishra, 1995). Balanced cultures achieved in higher levels of service quality than unbalanced cultures (Gregory et al., 2009)

This study focused on strong and balanced organizational culture. Strong and balanced organizational culture will increase the level of organizational competency and attitude, which will again appear as organizational performance. This study will contribute to understanding the relationship between strong and balanced organizational culture and organizational performance. Based on the theoretical backgrounds and previous empirical research, this research sets the following hypothesis.

*Hypothesis 1: Firms with strong and balanced organizational culture will be positively related to organizational performance.*

### 2.3 Strong and Balanced Organizational Culture and Organizational Competency

A strong and balanced culture can be a powerful social control because it provides agreed-upon standards that members may use to assess the appropriateness of actions or beliefs. It can emphasize divergent thinking and actions (O'Reilly & Chatman, 1996). In addition, organizational culture has a positive effect on learning organization, which is a predominant activity of capacity building. Culture shapes assumptions about which behavior is worth managing. And culture forms the context for social interaction (De Long & Fahey, 2000).

Organizational culture researchers recognize employees to be strategic partners of the organization. It can improve employees' effectiveness by the way of human capital, communication and teamwork (Deal & Kennedy, 1982; Peters et al., 1982). It is believed that effective organizations embrace a culture which encourages employees' development and involvement that ultimately leads to employees' productivity (Fareed et al., 2016b). Employees willingly involve in strong organizational culture where decision-making, goal setting and problem resolving activities have continuously been motivated. It leads to superior employees' performance.

Organizational contexts, such as organizational culture, have the effect of increasing organizational competency (O'Reilly & Tushman, 2008; Raisch & Birkinshaw, 2008). Organizational culture should be shaped to emphasize efficiency and new attempts at the same time. Many high performance organizations have contradictory cultural characteristics at the same time (Cameron & Quinn, 1999; Saffold, 1988).

Organizational culture, which means shared values, beliefs, and practices, is an organizational context for organizational capacity building (Wang & Rafiq, 2014). Because organizational culture includes a broad organizational phenomenon, it is directly or indirectly related to most organizational activities (Smircich, 1983). Organizational culture forms a comprehensive organizational context that has a broad impact on the behavior of members (Schein, 2004; Schultz, 1995). In order to increase organizational competency, Organizational contexts, including organizational culture, enable members to simultaneously consider exploration and exploitation (Simsek, 2009).

The previous researches have included trust, support, extension goal, and discipline as context factors that can form organizational competency. The key to achieving short-term performance is expansion goals and discipline. And adaptation to the external environment in the long run requires the support and trust of the organization (Gibson & Birkinshaw, 2004). The context emphasizing goals and discipline and the support and trust have both positive effects on organizational competency (Gibson & Birkinshaw, 2004; Wang & Rafiq, 2014).

A strong and balanced organizational culture is that flexibility and stability appear at the same time. Flexibility culture emphasizes trust among members, participation in human relations, new ideas and suggestions, innovation, and tolerance for mistakes. Stability culture stresses formalization, regulations, procedures, hierarchy, profitability, competitiveness, achieving goals, and securing and retaining sufficient customers (Cameron & Quinn, 1999).

Organizational competency includes managerial, input-based, transformational, output-based competencies (Lado & Wilson, 1994). This research focused on input-based competencies encompassing human resource and customer service competency. Strong organizational culture gives employees an opportunity to develop core competencies. Strong

organizational culture encourages employees' development for gaining sustainable competitive advantage. Strong culture is reflected to be a motivational tool which endorses the individuals to perform efficiently and makes sure the superior productivity (Fareed et al., 2017). Also, in the Nummi case, a strong belief in improvement in organizational culture has reduced organizational resistance to change. In addition, in this way, the case organization was able to actively exploit for innovation and utilize for efficiency (Adler, Goldoftas, & Levine, 1999).

Organizational culture was significantly and positively related to market orientation (Felix & Mark, 2003). Organizations must do so in a way that meets customer expectations and perceptions (Horst, 2000). Customer service competency consists of technical, human and conceptual category, which usually includes the acquisition of knowledge and soft skills related to human, personal and interpersonal behaviors (Wu et al., 2015). Culture is reflected in values. If a firm has a value that customer is important, then particular behaviors relating with customer can be expected. Employees will be more likely to deal with customers respectively, to ask about the product, to listen carefully to their requirements, and to develop a mutual relationship. Values that inspire individuals to treat customers sincerely are more likely to motivate behaviors that increase competency about customers.

Flexibility culture induces members to generate new ideas and encourage cooperation with members. Stability culture induces members to strive for ambitious objectives and endeavor to increase market share (Khazanchi et al., 2007). The following hypothesis was set through this discussion.

*Hypothesis 2: Firms with strong and balanced organizational culture will be positively related to human resource competency.*

*Hypothesis 3: Firms with strong and balanced organizational culture will be positively related to customer service competency.*

## **2.4 Mediating Effects of Organizational Competencies**

The reason why a strong organizational culture that exhibits heterogeneous characteristics enhances organizational performance can be explained through the organizational competency. Organizational ambidexterity competency mediates between organizational context that has a similar meaning to organizational culture and performance (Gibson & Birkinshaw, 2004). The organization's two-sided competencies are necessary for companies to improve innovation and efficiency (Simsek, 2009).

Organizational competency is difficult to imitate. Thus, organizational competency is positively associated with outcomes and can significantly account for performance (Lubatkin et al., 2006). Innovation strategies using complex competency have a positive effect on sales growth, and the imbalance between the two has a negative effect (He & Wong, 2004). In addition, more than 90% of organizations with organizational competencies have achieved performance gains with new product development objectives (O'Reilly & Tushman, 2004).

Bank management should develop competences for human resource as a strategic tool to enhance organizational performance. Organizational competency can be help to improve the



effectiveness of organizational performance (Jabbouri & Zahari, 2014). Organizational ambidexterity competency has a positive effect on firm performance and mediates between organizational context and business unit performance (Gibson & Birkinshaw, 2004; Junni et al., 2013). In order to achieve innovation in new product development and technological change, harmonization of exploration and exploitation competency is needed (Taylor & Helfat, 2009).

Organizational competencies strengthen firm's competitiveness. Organizational competency characteristics are associated with higher performance (King, Fowlei, & Zeithaml, 2001). High-performing firm's managers tended to share competencies that contribute to high performance (Marino, 1996). Contextual ambidexterity competency mediates the relationship between organizational culture and firm performance (Ikhsan, Almahendra, & Budiarto, 2017). The following hypotheses were set through this discussion.

*Hypothesis 4: Human resource competency will mediate relationship between strong and balanced organizational culture and organizational performance.*

*Hypothesis 5: Customer service competency will mediate relationship between strong and balanced organizational culture and organizational performance.*

## **2.5 Strong and Balanced Organizational Culture and Overall Employee Attitudes**

The relationship between strong and balanced organizational culture and employees attitudes is based on Quinn (1988). He proposed that balanced culture is the preferred culture type. The social control system like the organizational culture that induces satisfaction and commitment implies a continuous signal to members about what attitudes and behaviors are important to the organization. The social control system functions as a comprehensive reward system that sends consistent information and signals on what is important in the organization (O' Reilly & Chatman, 1996). Organizational cultures provide group members meaning to their daily lives, behavior guidelines and rules (Schein, 2004). Strong cultures can enhance employees' motivation because they perceive that their actions are freely chosen (Sørensen, 2002).

Job satisfaction and organizational commitment which originate in individuals become shared by employees in organizations. Organizational members are likely to be exposed to same organizational culture which differentiable from other organizational culture. Thus, attitudes are likely to be influenced by culture that is shared across an organization. When an employee has a relationship with coworkers in organization, this interaction may create similar attitudes (Nishii et al., 2008). Organizational culture enhances affective commitment (Neelam et al., 2015).

Three of the cultural dimensions in the fitness industry significantly influenced job satisfaction (MacIntosh & Doherty, 2010). Using the Organizational Culture Profile (OCP), this research investigated that fit between individuals and groups (P-G fit) and the organization (P-O fit) were related to job satisfaction (Adkins & Caldwell, 2004). Based on the discussion so far, the following hypotheses were set.

*Hypothesis 6: Firms with strong and balanced organizational culture will be positively related to overall employee job satisfaction.*

*Hypothesis 7: Firms with strong and balanced organizational culture will be positively related to overall employee organizational commitment.*

## **2.6 Mediating Effects of Overall Employee Attitudes**

We hypothesize mediating effects of overall employee attitudes between strong balanced organizational culture and organizational performance. Organizational level satisfaction and commitment will be positively associated with organizational performance. According to social exchange theory, if employees are experiencing high level satisfaction and commitment, they will have a greater motivation to contribute to the organization (Gregory et al., 2009). As a result, overall job satisfaction and organizational commitment enhance organizational performance.

Attitude-performance relationship at the organizational level may be stronger than relationship at the individual level. Satisfaction-performance relationships have been discussed by human relation school theorists. Organizations that have many alienated workers will be less effective. According to human relations, organizational performance is achieved by satisfaction to worker's need. Job satisfaction and organizational commitment are important factors in determining employee behavior. Accordingly, organizational performance may be a function of these attitudes (Ostroff, 1992).

The research found that job satisfaction has a significant and positive effect on employee performance (Syahrums, Brahmasari, & Nugroho, 2016). Harter et al. (2002) conclude that employee satisfaction and engagement are related to meaningful business outcomes and that these relationships generalize across companies. Organizational commitment partially mediates between the organizational culture and organizational performance (Al-Matari & Omira, 2017). Factors that can increase employee performance is the organizational commitment. Organizational commitment is a psychological bond of employees in an organization characterized by the trust and acceptance of the strong over the goals and values of the organization, willingness to striving for interests of the organization, a strong desire to maintain a position as a member of the organization (Syahrums, Brahmasari, & Nugroho, 2016). Employee and physician satisfaction mediates the relationship between organizational culture and hospital effectiveness (Gregory et al., 2009). Based on this theoretical background, we set the following hypotheses.

*Hypothesis 8: Overall employee job satisfaction will mediate relationship between strong and balanced organizational culture and organizational performance.*

*Hypothesis 9: Overall employee organizational commitment will mediate relationship between strong and balanced organizational culture and organizational performance.*

## **2.7 Double Mediating Effects of Organizational Competencies and Overall Employee Attitudes**

A strong and balanced organizational culture will be related to organizational competency. Organizational competency will affect organizational performance through overall job satisfaction and organizational commitment. Organizational competency is to describe capacity in employees related to knowledge, ability and experience that can make it able to meet what is required by the organization. Job satisfaction and organizational commitment is a reflection of an employee's feelings towards his work revealed through organizational competency. Therefore, an increase in organizational competency can make employees have an optimal level of satisfaction (Barasa1, Gunawan, & Sumali, 2018).

The relationship between these variables has been positive and significant, but the overall assessment of the link has not been strong. Thus, the increase in the general competency increases the opportunity to carry out tasks that are consistent with the employee's beliefs and to manage the work of others. The results increase satisfaction with company's policies and treatment of employees (Nikolajevaite & Sabaityte, 2016).

It was found that three employee competency factors predicted job satisfaction (Jeon, Lee, & Chen, 2014). Competency is a positive and significant effect on job satisfaction (Renyut et al., 2017). Also HR competency as an ability or capability can influence an individual's satisfaction. It is possible that a specified ability in terms of skills and knowledge might result in an employee's satisfaction (Setyaningdyah, Kertahadi, & Thoyib, 2013). Francis (2015) found that competency level did have an effect on job satisfaction for participants, with higher levels of competency resulting in higher levels of job satisfaction.

There is positive average relationship between teaching competency and organizational commitment of high school teachers (Raj & Verma, 2018). Competency has significant effect on civil servants commitment. The higher someone competency has, the bigger commitment will be (Lotunani et al., 2014). Also, the competency has positive significant effect to the organizational commitment, work satisfaction (Syahrums, Brahmasari, & Nugroho, 2016).

The ability to manage their employees well will lead to a strong commitment of employees to the company. These conditions are good in order to achieve company goals. High commitment to the organization should be supported also by the competencies of the employees. Organizational commitment without competency would lead to the failure to maintain a sustainable life of the organization (Sriekaningsih & Setyadi, 2015). Based on this theoretical background, we set the following hypotheses.

*Hypothesis 10: Human resource competency and overall employee job satisfaction will have a double mediation effect between strong and balanced organizational culture and organizational performance.*

*Hypothesis 11: Human resource competency and overall employee organizational commitment will have a double mediation effect between strong and balanced organizational culture and organizational performance.*

*Hypothesis 12: Customer service competency and overall employee job satisfaction will have a double mediation effect between strong and balanced organizational culture and organizational performance.*

*Hypothesis 13: Customer service competency and overall employee organizational*

*commitment will have a double mediation effect between strong and balanced organizational culture and organizational performance.*

<Figure 1 about here>

These hypothesized relationships are depicted in Figure 1. The conceptual model shows that strong and balanced organizational culture affects organizational performance. And it affects organizational competencies and attitudes. Specifically, organizational competencies and attitudes mediate relationship between strong and balanced organizational culture and organizational performance, and especially organizational competencies and attitudes have double mediating effects between the two variables.

### **3. Methods**

#### **3.1 Sample**

This study was conducted for Korean companies. Data of independent and mediating variables was collected from different sources. The independent variable (strong and balanced organization culture) data was collected from 3,530 employees of 163 companies. 21.66 responses per company were used for the analysis. The independent variable was measured mainly by employees. Among the 3,530 employees, 71% were male, 48.1% were in their thirties or forties, 57.7% less than 5 years of job tenure, 44.9% held undergraduate degrees.

<Table 1 about here>

The mediating variable data was collected from 1,167 supervisors of 163 companies. The mediating variables were measured mainly by managers. 7.15 responses per company were used for the analysis. Among the 1,167 supervisors, 95.7% were male, 59.2% were in their forties or fifties, 43.5% had 10 to 20 years of job tenure, 69.5% held undergraduate degrees.

<Table 2 about here>

The organizational performance was measured by the headquarters staff of 163 companies. In 163 companies, manufacturing industries were 82.8%, and non-manufacturing industries were 17%, including financial institutions. Organizational history with 20 to 40 years was 45.4%. Companies with less than 300 employees were 33.7%.

<Table 3 about here>

### 3.2 Measures

The organizational culture model used in this study is based on the competitive value model. Competitive value model sets cultural types with flexibility and stability. A strong and balanced organizational culture is that members concurrently and highly perceive cultural types of flexibility and stability to their organization (Cameron & Quinn, 1999; Quinn & McGrath, 1985). The flexibility-oriented culture is composed of 6 items such as encouragement of new initiative, compensation for innovation, treatment of employees with creativity, family atmosphere, emphasis on cohesion and unity and teamwork. An example is "our company encourages change and new initiatives." The stability-oriented culture focuses on control and formal procedures, rules, competitive atmosphere and performance. An example is "our company places an emphasis on formal procedures, rules and policies." (Cameron & Quinn, 1999; Quinn & McGrath, 1985). It was measured with 6 items.

The strong and balanced organizational culture was measured by a multiplicative model that was calculated by multiplying the flexibility-oriented culture and the stability-oriented culture. The multiplicative model refers to the method used by Gibson & Birkinshaw (2004).

The human resource competency was measured by the 5-point scale of the following five items, "the overall competency of human resources", "securing excellent manpower", "building trust community", "leadership of management", "employee productivity". King, Fowle, & Zeithaml (2001) conceptually explained these items.

Customer service competency was measured by the 5-point scale of the following five items, "ability to respond quickly to customer needs (delivery, A/S, etc.)", "variety of products (goods/services)", "new customer acquisition rate", "main customer retention rate" "improve and manage your brand image". Becker & Wellins (1990) and Horst (2000) used these items to measure customer service.

Job satisfaction was measured with 4 items used by Hills, Joyce, & Humphreys (2012). An example of an item is "I am satisfied with the contents of the present work". Organizational commitment was measured with 3 items used by Allen & Meyer (1990). An example of the items measured by Likert 5-point scale is as follows. "This company is worthy of my loyalty."

Organizational performance was measured with log value of per capita sales. Sales variable was used as a performance variable in previous studies related with organization (Batt, 2002; Comes et al., 2006)

Control variables in this study are size, organizational history, and industry. These variabl

es were used as control variables that can affect organizational performance (Jansen et al., 2009; Patel et al. 2013)

### **3.3 Validity and Reliability**

The study conducted exploratory factor analysis to assess construct validity of the measures. Strong and balanced organizational culture variables were extracted 2 factors in the study. Flexibility-oriented culture was 6 items. Stability-oriented culture was 3 items. 3 items were eliminated because of low factor loadings of less than 0.4. According to the value of Cronbach's alpha, reliability of flexibility-oriented culture was 0.878 and stability-oriented culture was 0.637. And 9 items were loaded above 0.6 on the two factors.

The mediating variables consist of organizational competencies and overall attitudes. Organizational competencies include human resource competency and customer service competency. Overall attitudes include job satisfaction and organizational commitment. Human resource competency and customer service competency were each composed of 5 items. Job satisfaction and organizational commitment were each measured with 4 items and 3 items. All questions were loaded above 0.6 on the four factors. Reliability of human resource competency, customer service competency, job satisfaction and organizational commitment, were .873, .859, .858, and .723 respectively.

In this study, aggregated values measured at the individual were used at the organizational level. This study adopts ICC(1), ICC(2)  $\eta^2$  to test reliability of aggregate variables. ICC(1) refers to the ratio of between group variance to total variance. ICC(1) was between 0.0 and 0.5 and intermediate value is 0.12 (James, 1982). Generally, the appropriate range is 0.05~0.20 (Bliese, 2000). Table 4 shows the results that ICC(1) is from 0.086 to 0.319 in this study. ICC(2) represents an estimate of reliability of group means. Table 4 shows the results that ICC(2) was between 0.586 and 0.837. Generally ICC(2)'s criterion is above 0.6 (Nishii et al., 2008). Furthermore, the range of  $\eta^2$  was from 0.128 to 0.413.

<Table 4 about here>

## **4. Results**

### **4.1 Descriptive Statistics and Correlation**

Table 5 shows the descriptive statistics. Strong and balanced organizational culture was positively correlated with job satisfaction, organizational commitment, human resource

competency, customer service competency and organizational performance. And Job satisfaction, organizational commitment and human resource competency were positively correlated with organizational performance. Correlations among all variables, means, and standard deviations are presented in Table 5.

<Table 5 about here>

## 4.2 Hypothesis testing

Hypotheses 1, 2, 3, 6, and 7 were verified by regression analysis. Hypothesis 1 states that strong and balanced organizational culture will be positively related to organizational performance. As shown in Table 6, strong and balanced organizational culture had a significant positive effect on organizational performance ( $\beta=.288$ ,  $p<.001$ ), thus supporting Hypothesis 1.

Strong and balanced organizational culture will be positively related to human resource competency (hypothesis 2), customer service competency (hypothesis 3), job satisfaction (hypothesis 6), and organizational commitment (hypothesis 7). As shown in table 7, strong and balanced organizational culture had a positive influence on human resource competency ( $\beta=.481$ ,  $p<.001$ ), customer service competency ( $\beta=.398$ ,  $p<.001$ ), job satisfaction ( $\beta=.417$ ,  $p<.001$ ), and organizational commitment ( $\beta=.374$ ,  $p<.001$ ). Thus, results support H2, H3, H6, and H7.

<Table 6 about here>

<Table 7 about here>

The mediating effects between strong and balanced organizational culture and organizational performance were examined with the Sobel test and bootstrap method (Preacher & Hayes, 2004; Zhao, Lynch, & Chen, 2010; Hayes, 2013).

Human resource competency didn't mediate the relationship between strong and balanced organizational culture and organizational performance (strong and balanced organizational culture → human resources competency → organizational performance; .0299, 95% bootstrap CI= -.0304LCI, .0907ULCI;

Sobel-Z=1.58, n.s. (.11417)). Customer service competency also didn't mediate relationship between the two variables (strong and balanced organizational culture→ customer service competency→ organizational performance; -.0033, 95% bootstrap CI= -.0525LCI, .0421ULCI; Sobel-Z=0.04, n.s. (.96439)). Thus, Hypothesis 4 and 5 were not supported.

Job satisfaction significantly mediated the relationship between strong and balanced organizational culture and organizational performance (strong and balanced organizational culture→ job satisfaction→ organizational performance; .0510, 95% bootstrap CI= .0107LCI, .1032ULCI; Sobel-Z=2.33,  $p<0.05$  (.01989)). Organizational commitment also significantly mediated the relationship between the two variables (strong and balanced organizational culture→ organizational commitment→ organizational performance; .0524, 95% bootstrap CI= .0131LCI, .1086ULCI; Sobel-Z=2.53,  $p<0.05$  (.0113)). Thus, Hypothesis 8 and 9 were supported.

The double mediating effects were examined with bootstrap method (Preacher & Hayes, 2004; Zhao, Lynch, & Chen, 2010; Hayes, 2013). Human resource competency and job satisfaction had a significant double mediating effect between strong and balanced organizational culture and organizational performance (strong and balanced organizational culture→ human resource competency→ job satisfaction→ organizational performance; .0300, 95% bootstrap CI= .0045LCI, .0907ULCI). Human resource competency and organizational commitment also had a double mediating effect between the two variables (strong and balanced organizational culture→ human resource competency→ organizational commitment→ organizational performance; .0223, 95% bootstrap CI= .0066LCI, .0439ULCI).

Customer service competency and job satisfaction had a significant double mediating effect between strong and balanced organizational culture and organizational performance (strong and balanced organizational culture→ customer service competency→ job satisfaction→ organizational performance; .200, 95% bootstrap CI= .00066LCI, .0439ULCI). Customer service competency and organizational commitment also had a significant double mediating effect between the two variables (strong and balanced organizational culture→ customer service competency→ organizational commitment→ organizational performance; .0084, 95% bootstrap CI= .0005LCI, .0290ULCI). Thus Hypothesis 10, 11, 12, and 13 were supported.

## 5. Discussion

This study comprehensively examined relationships between organizational culture, organizational competency, attitude and organizational performance at the organization level. Strong and balanced organizational culture has been shown to enhance organizational performance through attitudes of satisfaction and commitment. In particular, this study examined the double mediating effects of organizational competencies and attitudes between the two variables. Organizational competencies influenced the organizational attitudes and showed double mediation effects between the two variables.

### 5.1 Theoretical Implications

The theoretical implications of this study are as follows: First, this study addressed the balance of heterogeneous organizational culture dimensions. Most of the studies analyzing



the relationship between organizational culture and organizational performance focused only on specific dimension of organizational culture. Flexibility and stability have contradictory characteristics in the organizational culture. Organizations do not have to be dominated by a single cultural dimension. Many high-performing organizations simultaneously emphasize flexibility and stability (Cameron & Quinn, 1999). Organizations that have a strong balance of flexibility and stability can operate their organizations reliably and efficiently while effectively responding to environmental uncertainties.

Paradoxes may serve as useful conceptual tools that extend our formal logic (Lado et al., 2006). A strong and balanced organizational culture that stresses both flexibility and stability shows the paradox of organizational culture. This paradox enables us to have a new understanding of organizational culture from a resource-based perspective. Resource-based theory emphasizes that sustainable competitive advantage comes from unique bundles of resources that competitors cannot imitate (Barney, 1986; Coff, 1997). Organizational culture can be a source of firm's competitiveness. However, if many firms have similar cultures, a culturally-based competitive advantage cannot be expected (Barney, 1986). A strong and balanced organizational culture with paradox can be a source of competitiveness because it is difficult for other companies to imitate.

Second, the results of this study make attention to the theory of social information processing about attitudes. In this research, organizational competencies had no significant mediating effects between strong and balanced organizational culture and organizational performance. Accordingly, it is difficult to explain the relationship between the two variables by only competencies. However, organizational competencies mediated relationships between strong and balanced organizational culture and organizational performance through double mediating with attitudes. Generally, competencies are related to employees' intrinsic satisfaction (Grip, Sieben, & Stevens, 2009). These results show that organizational competency is important social information affecting organizational attitude..

The social information processing (SIP) perspective emphasizes the effects of social context, the individual's past actions and experience with the job (Pollock, Whitbred, & Contractor, 2000). According to the SIP model, attitudes are derived from relevant information. The information is often social. It has many sources and has various paths (Zalesny & Ford, 1990). Although organizational competency is important information that affects organizational attitudes, there has been a lack of research that recognizes organizational competency as an important information source on organizational attitudes.

Third, although job satisfaction and organizational commitment are variables at the individual level, this study showed that it was a meaningful variable that can explain organizational phenomenon at the organizational level. Because attitudes are transmitted and spread to the organization level, when analyzing the relationship between organization level variables such as strong and balanced organizational culture and organizational performance, it shows well the phenomenon at the organizational level.

Organizational culture as a social control system strongly influences the attitudes and behaviors of members. In particular, the organizational culture at the organizational level increased the overall job satisfaction and organizational commitment of the members, resulting in the improvement of organizational performance.

## **5.2 Practical Implications**

The implications of this study are as follows. First, managers should strive for a strong balance of heterogeneous cultural characteristics. To this end, flexibility and stability practices must be implemented at the same time. For example, organizations tries a variety of experiments, concurrently adhere to existing practices and quickly implement new practices.

For this purpose, it is also one of the ways in which the organization forms each subculture with strong flexibility and stability. For example, the sales department forms a flexible subculture and the production department forms a stable subculture in the organization. After forming a subculture, it is necessary to actively exchange the members of the two groups. When there is a lot of interaction between flexibility and stability subcultures, each unit can receive the pressure of change from the other side. The culture of the other group can be considered as a reference model. This provides an opportunity to learn the other's subculture. This allows cultural balance of flexibility and stability to spread throughout the organization.

Second, managers need to consider the organization's competency and attitude at the same time for the management. Managers should increase organizational competencies through strong and balanced organizational culture. And if employees form positive attitudes through competencies, managers will be able to improve corporate performance. To do this, managers should emphasize the link between organizational competency and attitude. In order to link two variables, it is necessary to consider evaluation and compensation, job design, organizational design, and team design focusing on the link two variables.

## **5.3 Limitations and Future Research**

The limitations of this study and the direction of future research are follows. First, it is necessary to improve conceptual and operational definition of strong and balanced organizational culture and organizational competencies. This requires related research for the conceptual and operational definition.

Second, the relationship between strong and balanced organizational culture and organizational performance can be not only one direction, but the opposite direction. In other words, organizational performance can have a positive impact on the strong and balanced organizational culture. Future research will need to be conducted.

Third, in future research, it is necessary to measure organizational performance more diversely. In the future, it is necessary to calculate the average per capita operating profit or net profit for several years. In addition, in future research, it would be desirable to measure organizational performance using balanced scorecard indicators such as customer, learning and growth, and internal process viewpoint in addition to financial performance.

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Table 1: Sample distribution (independent variable data)

Variables	Division	Frequency	Ratio (%)
Gender	Male	2,507	71%
	Female	1,023	29%
Work experience	0-5years	2,037	57.7%
	6-10years	729	20.7%
	11-20years	547	15.5%
	21-30years	190	5.4%
	More than 30 years	27	0.8%
Education	Middle school degrees	54	1.5%
	High school degrees	1,085	30.7%
	College degrees	669	19%
	Undergraduate degrees	1,584	44.9%
	Graduate degree	135	3.8%
	Non-response	3	0.1%
Age	Under 20 years old	26	0.7%
	20's	1,137	32.2%
	30's	1,697	48.1%
	40's	444	12.58%
	50's	198	6%
	60's	4	0.1%
	Non-response	24	0.7%

Table 2: Sample distribution (mediating variable data)

Variables	Division	Frequency	Ratio (%)
Gender	Male	1,117	95.7
	Female	50	4.3
Work experience	0-5years	209	17.9
	6-10years	222	19.0
	11-20years	508	43.5
	21-30years	214	18.3
	More than 31 years	14	1.2
Education	High school graduate	69	5.9
	College degrees	131	11.23
	Undergraduate degrees	811	69.5
	Graduate degree	156	13.4
Age	20's	6	0.5
	30's	298	25.5
	40's	691	59.2
	50's	160	13.7
	60's	3	0.3
	Non-response	9	0.8

Table 3: Sample Distribution (company data)

Variables	Division	Frequency	Ratio (%)
Type of business	Manufacturing business	135	82.8
	non-manufacturing business	28	17.2
Organizational history	Not more than 20years	38	23.3
	20~40years	74	45.4
	41~60years	34	20.9
	Over 60years	17	10.4
Number of employees	Not more than 300 persons	55	33.7
	300~600 people	43	26.4
	600~1200 people	29	17.8
	1200 or more people	36	22.1

Table 4: ANOVA,  $\eta^2$ , ICC (1), ICC (2).

Variables	Variant	Sum of Squares	df	Mean Square	F	Sig	ICC (1)	ICC (2)	$\eta^2$
Flexibility-oriented culture	Between Groups	386.170	162	2.384	6.167	.000	0.192	0.837	0.229
	Within Groups	1301.410	3367	.387					
	Total	1687.580	3529						
Stability-oriented culture	Between Groups	176.314	162	1.088	3.030	.000	0.086	0.671	0.128
	Within Groups	1209.358	3367	.359					
	Total	1395.672	3529						
Human resource competency	Between Groups	193.569	162	1.195	4.198	.000	0.308	0.766	0.404
	Within Groups	285.764	1004	.285					
	Total	579.332	1166						
Customer service competency	Between Groups	202.515	162	1.250	4.357	.000	0.319	0.770	0.413
	Within Groups	288.073	1004	.287					
	Total	490.588	1166						
Job satisfaction	Between Groups	138.719	162	.856	2.859	.000	0.207	0.651	0.316
	Within Groups	300.657	1004	.299					
	Total	439.376	1166						
Organizational commitment	Between Groups	120.324	162	.743	2.409	.000	0.165	0.586	0.280
	Within Groups	309.616	1004	.308					
	Total	429.940	1166						

Strong and Balanced Organizational Culture and Organizational Performance

Table 5: Descriptive Statistics and Correlation

Variables	mean	SD	1	2	3	4	5	6	7	8	9	10	11
Size	2.75	.48	1										
History	1.49	.23	-.067	1									
industry	.83	.38	-.346**	.287**	1								
Flexibility-oriented culture	3.41	.34	.176*	-.028	.005	1							
Stability-oriented culture	3.43	.22	.180*	.081	.007	.407**	1						
Strong and balanced organizational culture	11.72	1.61	.200*	.027	.011	.901**	.759**	1					
Human resources competency	3.59	.40	.379**	-.118	-.132	.576**	.264**	.533**	1				
Customer service competency	3.64	.41	.288**	-.047	.025	.469**	.251**	.447**	.783**	1			
Job satisfaction	3.75	.34	.377**	-.030	-.072	.482**	.289**	.477**	.632**	.498**	1		
Organizational commitment	3.72	.32	.396**	.098	-.071	.417**	.321**	.443**	.499**	.322**	.686**	1	
Organizational Performance	12.98	1.05	-.055	.037	.141	.254**	.201*	.275**	.208**	.114	.257**	.267**	1

\*p<0.05, \*\*p<0.01

Table 6: Results of Regression Analysis for Organizational Performance

Independent variables.	Dependent variables: organizational performance	
	Model 1	Model 2
Size	-.007	-.074
History	-.003	-.008
Industry	.139	.114
Strong and balanced organizational culture		.288***
R <sup>2</sup>	.020	.099
ΔR <sup>2</sup>		.079***
F	1.075	4.340**
N	163	163

\*p<0.05, \*\*p<0.01, \*\*\*p<0.001.

Table 7: Results of Regression Analysis for Organizational Competencies and Attitudes

Independent variables.	(4) Dependent variable: Human resources competency, (6) Customer service competency, (8) Job satisfaction, (10) Organizational commitment							
	Model 3	Model 4	Model 5	Mode 6	Mode 7	Mode 8	Mode 9	Mode 10
Size	.383***	.271***	.339***	.247**	.401***	.304***	.417***	.331***
History	-.101	-.109	-.071	-.078	-.024	-.032	.114	.108
industry	.030	-.012	.162	.128	.074	.038	.040	.008
Strong and balanced organizational culture		.481***		.398***		.417***	.	.374***
R <sup>2</sup>	.153	.374	.105	.256	.146	.312	.173	.306
ΔR <sup>2</sup>		.221***		.151***		.165***		.133***
F	9.580***	23.577***	6.209**	13.592***	9.083***	17.886***	11.120***	17.439***
N	163	163	163	163	163	163	163	163

\*p<0.05, \*\*p<0.01, \*\*\*p<0.001.

Figure 1: Conceptual model

