Impact of organizational culture, structure and Knowledge Management System (KMS) on Employee Performance – SMEs Perspective

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Abstract

The main purpose of the study was to find out the individual and collective (to bring the novelty in study) impact of organizational culture, organizational structure and knowledge management system on employee performance. A sample of 500 SMEs working in Pakistan was taken which provided 222 usable responses. Descriptive statistics, Pearson's coefficient of correlation and regression models were used to analyze the data with the help of SPSS 20 version. It was concluded that organizational culture and KMS positively affect the employee performance and organizational structure has negative relationship with employee performance in the sampled SMEs. Moreover, all three variables have positive impact on the employee performance. It is recommended for future research perspective to enlarge sample size, target population i.e. sectors/clusters of SMEs in Pakistan and t measure the affects on other variables like organizational performance, turnover ratio etc.

Keywords*:* KMS, Organizational Culture, Organizational Structure, Social Interaction, Employee Performance, SMEs

1.   *Introduction*

Culture is a shared value, rituals, beliefs followed by individuals collectively in a given context. These values and beliefs collectively built and affect the personalities and behaviors of individuals living in a particular country, society or working in any organization. Organizational culture specifies the employee behaviors and affects the way they work, communicate and dress/appear. Organization culture can also be discussed in terms of climate/ environment that prevail within that specific organization. Dynamic or less rigid culture means that organization encourages supportive, cooperative, innovative, socially interactive organizational environment/climate. This study will discuss the impact of organization culture on employee performance, in terms of cooperative and innovative culture.

In this reference Stewart (2010) believed that the strongest element of the work culture is the beliefs and attitudes of the human resources. He also acknowledged that an organization's cultural custom powerfully have an effect on all who are concerned in the organization. Individual's norms are just about invisible, but if we would like to get better performance and profitability, norms are one of the primary places to come across. Together innovations and a consistent culture establish the correctness of a firm's behavior that can add to its performance. Actually, organizational culture is not just a significant cause of an organization; it is the essential driver of advanced business performance (Gallagher & Brown, 2007). According to Gupta & Govindarajan (2000), organizational culture engages six main kinds: information systems, people, procedure, management, reward system and organization formation. Every one of these kind comprise factors that come down from it.

Since for the connection between innovation and performance, Bowen et al., (2009) acknowledged that such a relationship has been unsure. There is changeability in the literature concerning whether innovation show the way to better performance or not. That is why this study emphasizes to find out the relationship between innovative culture and performance of employee.

Structure means the sculpture or in simple words a skeleton of the organization that illustrates the overall appearance and functionality of the organization. Structure pre-defines the pattern, rules & regulations, policies & procedures, tactics to be strictly observed, followed and carried out in order to perform any job or task within that organization. It determines the extent to which

- Rules and regulations or predefined SOPs are to be implemented i.e. flexibility or strict rule to be implemented.
- The locus of control / span of control / decision making power
- The extent to which all the departments are inter-related/inter-connected in order to work in collaboration with other departments.

Organizational structure can be described in terms of (1) formalization i.e. rules & regulations, predefined procedures, SOPs etc that guide the employee behavior to work accordingly, (2) centralization i.e. locus of control and decision making power and (3) integration i.e. inter-cooperation & inter-relatedness of different sub-divisions or department of an organization (Andrews & Kacmar, 2001; Sciulli, 1998; Robbins & Decenzo, 2001; Germain, 1996).

When raw data is processed it becomes information and when this information is further refined and processed it transforms into knowledge. Knowledge provides the meaningful insights about phenomena and proves to be helpful to make effective decisions. Knowledge does not exist physically rather it is intangible and resides in the minds of person. That is why it needs to be stored permanently so that it resides for longer time within organizations, even if the resource person/employee does not exist anymore.

Knowledge is the most valuable, intangible and cost free asset of any organization. Knowledge is in the minds of the employees and personnel's of the organization. It only requires managing and storing it in an efficient manner. This asset, if handled carefully, can also become a competitive advantage for the businesses. By managing this asset with great care, organizations tends to be more innovative, adaptive as well as they will be able to work in collaboration with larger organizations (Wong & Aspinwall, 2004). Knowledge Management System (KMS) is not only about creating knowledge. But it includes a whole process of acquiring, creating, codifying, recording, maintaining, interpreting, dissemination/sharing, exploiting, applying and updating of knowledge, formally(official communication, emails, memos etc.) or informally (social interaction of employees within organization) which is accessible to each and every person associated with organization at any time (Shaw & Edwards, 2005; Yang & Wan, 2004: pp. 595; Wong & Aspinwall, 2004). All the steps of KMS must be present at all levels of the organization (Malhotra, 2003) and needs to be up-dated/ up-graded on regular basis (Hamid, 2008; Weber, 2007).

Small and Medium Enterprise (SME) , as illustrated by name itself, are small or medium sized business that are different in structure, ownership, assets etc. from large organizations. As per SME Banking Regulatory Framework the Infrastructure, Housing and SME Finance Department of State Bank of Pakistan defines the SMEs as an entity or business that is not registered as public limited company and can be distinguished from large size organizations on the following basis:

1. Total number of employees - not more than 250 employees if business is of manufacturing concern and in case of service or trading business 50 or less employees
2. Total Assets (excluding Land and Building) – Rs. 50 million or less for trading or services business and Rs. 100 million or less for manufacturing concern business.
3. Net Sales – Rs. 300 million or less as per latest financial statements

Besides, Ownership and management differs from that in the large organizations. Usually, in SMEs, manager is the owner of the business. Fewer decision makers are in management and shorter the vertical line hence, communication is faster. Structure of SMEs is simpler and less complex, low degree of specialization. They possess a unified culture and employees know much about their colleagues. Simple planning and control system, flexible and adaptable processes also differentiate them from the larger businesses. Employees are more versatile, modest human resource possesses closer and informal working relationship. Their focus is on small markets. Normally they opt for niche markets (Wong & Aspinwall, 2004).

Employee performance can be measured in terms of Employee's job satisfaction, job commitment and his level of motivation. Job satisfaction is the level or extent to which

an employee is satisfied or pleased with the job/tasks assigned to him. And commitment deals with the degree to which an employee feels belongingness and involvement with his assigned tasks and organizations (Muthuveloo & Rose, 2005). More satisfied employees feel more sense of belongingness with their organizations hence they are more committed and perform well (Stup, 2006).The performance of an employee can be accessed through his level of job satisfaction and commitment. Numerous studies have proved that the terms like employee job satisfaction, motivation and commitment are interrelated and interdependent. Adding up these entire phenomenons, it directly affects and describes the overall employee performance.

Thus, this study mainly relies to find out the collective impact of organizational culture, structure and knowledge management system (KMS) on employee performance working in the SMEs of Pakistan.

2.   *Literature Review*

Very general terms that are considered as core ingredients of the culture include beliefs, values, attitudes behaviors etc. Culture is one of the characteristics that distinguish between countries, nations, states, societies or even organizations. Numerous authors have characterized organizational culture as unique style, quality, property/attributes, practices of the organization that provides paradigm for people, associated with those organizations; particularly employees, to behave or act in certain way and specified manners. Culture gives a clear snapshot of how things are supposed to be done in that particular organization (Kilman et al., 1985; Deal & Kennedy, 1982). Same was the idea of Hofstede (1980) about organizational culture as he described culture in terms of collective programming, of human minds, that draws boundaries that clearly distinguishes on organization from others, and their members as well, as they behave. Sometimes, culture proves to be unspoken but convincing ways for employees to act and deal with routine life, normal activities as well as problems or conflicts. Thus, it prescribes priorities to solve any kind of organizational problems and conflicts (Christensen, 2010).

Cultures vary from country to country and organization to organization. Organizations can be categorized as large, medium or small sized based on the number of employees; permanent or paid, profit and loss statements etc. and they can be easily differentiated on the basis of organizational structure, culture, environment etc. Oparanma (2010) concluded that culture affects the employee performance in Nigeria and it also creates opportunities that help the employees to improve their performance. And certain shared values and beliefs, inside as well as outside the organization, also have impacts on the decisions made by Managers.

Shah, et al. (2011) concluded that organizational culture in public sector universities of Pakistan has negative impact on faculty members' job satisfaction. Innovation & risk taking has insignificant results in this context. So, this study will measure this impact in the SME sector of Pakistan. Using Organizational Culture Assessment Instrument, another research conducted in Pakistan's SME Sector using questionnaire concluded that culture of SMEs in Pakistan is less creative, innovative and risk taking (Zaheer, Rehman & Ahmad, 2006).

More organically structured organizations i.e. organizations that imply more flexible, more integrated and less formalized & less centralized structure, enjoys the commitment of more satisfied employees with high employee performance. According to Kessler (2007) it was concluded that faculty members that work in more organically structured academic departments have higher level of job satisfaction and job performance. The said study also determined that organizational structure moderates the relationship between the employee job performance and employee abusive behaviors, this hypothesis was validated from evidences that employee working in such context will commit less abusive behaviors and their performance will be optimized.

Based upon Literature Review Wong & Aspinwall (2004) mentioned that previous studies were aiming at the practices of larger businesses and SMEs were ignored. However, SMEs are not negligible; they all together made up the larger share of tier market for larger businesses. Some SMEs operate independently, while others work as suppliers, in alliances with larger businesses. So, they need to be updated in their practices and systems to work in collaboration with larger organizations. Uncountable studies have focused to determine the competitive and success factors of Small and Medium Sized organizations. And most of the key factors determined by that literature are intangible (Grant, 1991); such as organizational structure, culture, organizational change (Feigenbaum & Karnani, 1991), HRM (Bacon et al., 1996), Technological resources and innovation (Hitt, Hoskisson & Ireland, 1990) etc. Similarly, Pederson and Sorensen (1989) conducted research for the high technological SMEs and found out some of the commonly shared values of those organizational cultures.

SMEs have more organic, flexible and fluid culture as compared to large sized organizations. Usually they have a handful number of employees than do the larger organizations have. So, it becomes quite easier for SMEs to adapt changes, encourage innovativeness, and share common beliefs and values as well as complying with those beliefs and attitudes/behaviors. They tend to have a simpler, less complex and rather flatter structure that enriches the cultural attributes such as organic environment and flexibility. It helps them to adapt up-to-dated practices and changes to motivate, satisfy their employees, to compete in market by achieving some competitive advantage as well as to create maximum value for the organization itself and for all the stakeholders. They also contribute to create more employment opportunities, increase competition in the market by offering lower prices incase larger organizations starts charging higher prices (Wong & Aspinwall, 2004).

Due to all these factors, it has becomes easier for SMEs to adapt the practice of implementing Knowledge Management Systems (KMS) (Gupta & Govindarajan, 2000). KM is been in practice in large organizations and almost all of previous researches are regarding the KMS in larger organizations. If knowledge is handled carefully it can also become a competitive advantage for the businesses. By managing this asset with great care, organizations tend to be more innovative, adaptive as well as they will be able to work in collaboration with larger organizations (Wong & Aspinwall, 2004; Harrison & Leitch, 2000). Most of the SMEs lack the understanding of the KM. They have limited vocabulary of knowledge, less systematic approaches for gathering and sharing knowledge. Lim & Klobas (2000) concluded that large and small organizations value KM in different way. According to Matlay (2000a, b) learning did occur in the majority of SMEs but only a few of them managed this knowledge to get a competitive advantage.

KM is still treated as a new concept in the context of Asian and Arabian countries and few studies have been conducted in the same context as compared to Western countries (Alali et al., 2006; Hassan & Alsae'd, 2005; Obaisat, 2005).

But sometimes it creates problematic situations for SMEs to make investment on intangible assets or projects related to them because they are mostly short of the resources and have shortage of time to focus on efficiency and productivity (Pil & Holweg 2003). Thus, alliances, collaborations, mergers or acquisitions allows SMEs to enjoy the status quo of being a part of large organizations as well as to enjoy the benefits of SMEs i.e. being flexible, cost reduction, less complex organizational structure, adaptive to changing environment and being specialized in certain field/industry (Pil & Holweg 2003; Fernández, Montes, & Vázquez 1996; Wong & Aspinwall, 2004). As SMEs might face less complexities and technical problems to carry out changes or set up new projects, technologies and methods, so, it is easier for them to adopt the KM practices.

Lopez et al. (2004) studied the impacts of organizational culture on KM, learning environment and overall performance of organization and employees. Similar to this study was the research conducted by Vazquez et al. (2009), Long & Fahey (2000), with some additional aspects of organizational cultural barriers that might affect the knowledge creation and dissemination process among employees and how might they affect their performance. The organizational cultural dimension such as formalization, centralization, innovation, autonomy, capability etc. leads to the successful implementation of KMS in SMEs that ultimately affect the employee performance (Alavi et al., 2006). Hence, Organizational culture can be described as one of the prominent variables within an organization that can easily allow as well as easily obstruct or tend to be redundant to KM (Cummings, T., 2005; Iftikhar, Z., I. Eriksson, and G. Dickson, 2003).

Hussain et al. (2011) demonstrated that support from top management, organizational culture and organizational technical infrastructure are key capabilities for the organization to be linked with Knowledge Management for successful implementation of overall Knowledge Management System.

The significance of knoelwdge sharing intentions by peers is also of highest inmporatnce factor that leads to the affectiveness of KMS implementation along with percieved Task Technology Fit (Ghada, 2015). Furthermore it is also empirically proved that Employee Ignorance on Knowledge Sharing are negatively associated hence leading to poor peer knowledge sharing environment that will ultimately lead to poor organizational performance as it will be less likely to cop with external and internal issues (John Israilidis, 2015) .

Employee performance can be measured in terms of Employee's job satisfaction, job commitment and his level of motivation. Sometimes these terms are considered as different items, but researches have proved their direct impacts, positive relations and interdependence, so satisfaction, commitment and motivation of employee can be used to measure the overall performance of employee. Job satisfaction is the level or extent to which an employee is satisfied or pleased with the job/tasks assigned to him. And commitment deals with the degree to which an employee feels belongingness and involvement with his assigned tasks and organizations (Muthuveloo & Rose, 2005). More satisfied employees feel more sense of belongingness with their organizations,

hence they are committed (Stup, 2006).The performance of an employee can be accessed through his level of job satisfaction and commitment. Numerous studies have proved that the terms like employee job satisfaction, motivation and commitment are interrelated and interdependent. Adding up this entire phenomenon directly affects the overall employee performance.

After studying the critical success factors, Chong & Choi (2005) concluded that participation of employees in decision making process, their training & development, job security, empowerment, compensation and other HR practices are crucial for achieving optimum level of employee performance that directly affects the organizational performance and attainment of long-term/short-term goals.

Pushpakumari (2008) concluded that High satisfaction level of employee's leads to low absenteeism, less turnover within organization, excellent and high level of performance and more commitment to their respective organizations.

Elding (2005) conducted the study to determine a model with the help of which employee motivation and performance could have been measured/accessed up to optimized level. The research conducted by Chen & Haung (2007) ,in Taiwan, determined how the organizational climate and structure affects the Knowledge Management (KM) with the social interaction perspective and the mediating effects of social interaction on organizational climate, structure and KMS relationship. Whereas, Wong & Aspinwall (2007) conducted the research to flourish the Pro's & Con's, Significance & issues of characterizing knowledge management in small business environment. This study is offspring of these two studies in Pakistan's context differing in population (target respondents), sampling method (stratified random sampling used by Chen & Haung (2007)), and nature of variable (KMS as dependent variable used by Chen & Haung (2007)) etc.

Many separate researches have been conducted to make assessment of organizational culture on SMEs, Organizational structure on SMEs, Knowledge Management Assessment and mediating roles in other sectors etc. The level of research contributions made in this regard for SMEs in Pakistan is low. Research gap still existed in Pakistan's context.

To bring the novelty in this study, KMS will be used as independent variable in the social interaction perspective and different SMEs sectors will be sampled for data gathering, as most of prior researches gathered data from sample having geographical constraints (from a limited number of major cities of same province in Pakistan) this study aims to target respondents from different SMEs sectors wherever available in Pakistan. Thus, this study aims at contributing to the literature by determining the collective impact of organizational culture, structure and KMS on Employee Performance in SMEs perspective in the Pakistan's context.

On the basis of this literature following research objectives and research questions are formulated for this study.

3. *Research Objectives*

- To determine the impact of Organizational Culture on Employee performance.
- To determine the impact of Organizational Structure on Employee Performance.
- To determine the impact of Knowledge Management System (KMS) on Employee Performance.
- To determine the overall impact of Organizational Culture, Organizational Structure & Knowledge Management System (KMS) on Employee Performance.
- To provide recommendations and future guidelines for further studies

4. *Theoretical Framework*

Organizational culture is to be measured by two items or elements that are Cooperative and Innovative culture their impact is more likely to be positive on employee performance. Organizational structure in terms of formalization, centralization and integration will be measured in this study. The social interaction perspective of Knowledge Management System (KMS) is chosen for this study. Social interaction is to be accessed by the elements of trust factor, communication and relational learning among employees.

Schematic Diagrams and Proposed Hypotheses:
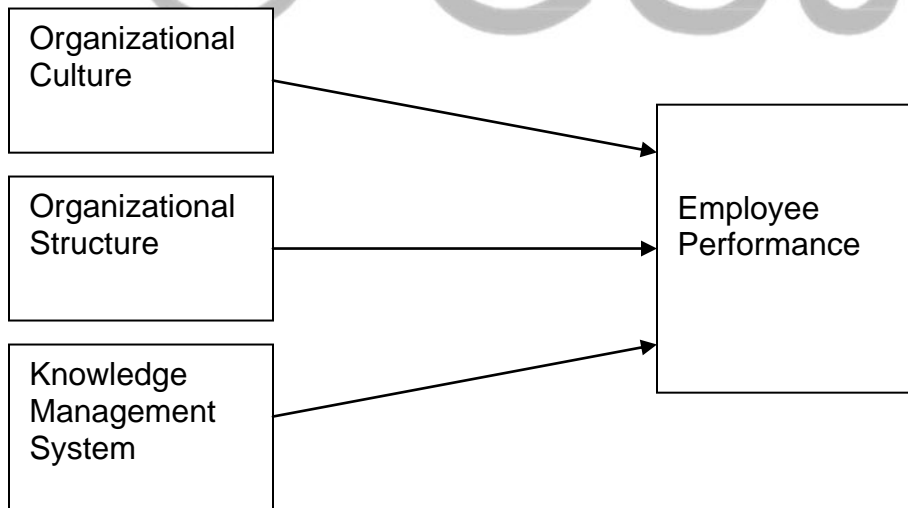
4.1   Organizational Culture and Employee Performance

As illustrated from the literature review. It is obvious that weak culture and dynamic (innovative, flexible and cooperative) organizational environment has positive impact on employee performance on the other hand, rigid organizational environment and strong organizational culture create negative impacts on employee performance. So, in the context of this study, these relationships will be measured for the SMEs in Pakistan.
Oparanma (2010) concluded that culture affects the employee performance in Nigeria. According to Shah, et al. (2011) there was insignificant result about the innovative cultural impacts on employee job satisfaction in faculty members of public sectors universities of Pakistan. Thus, following hypothesis will be tested.

> *Hypothesis 1:*
> Organizational Culture has positive impact on Employee performance

4.2   Organizational Structure and Employee Performance

Low levels of Formalization, Centralization and High level of Integration in the Organizational Structure are positively related to the overall employee performance. Kessler (2007) concluded that faculty members that work in more organically structured academic departments have higher level of job satisfaction and job performance. So, in the context of this study, following hypothesis is formed.

> *Hypothesis 2:*
> Low level of Formalization & Centralization and High level of Integration of Organizational Structure have positive impact on Employee Performance

4.3   Knowledge Management System (KMS) and Employee   Performance

Knowledge Management System, in terms of Trust factor, communication and Relational learning among employees boosts up their performance. Thus, it is positively related to the Employee performance. Kiessling et al. (2009) conducted a research using survey research method in Croatia and concluded that Knowledge Management positively affects the overall organizational performance as well as it also helps to improve and enhance the employee development/improvement and the job performance.

> *Hypothesis 3:*
> Social interaction perspective of Knowledge Sharing in KMS has positive impact Employee Performance.

> *Hypothesis 4:*
> Collectively, Organizational Culture, Organizational Structure and KMS have positive impact on Employee Performance.

5.   Research Methodology

This section is further divided into three subsections describing briefly and separately the target population & sample, data collection methods and measurements used in this study.

5.1   Instrument Development

The research model of this study comprises of total four variables. Three of them, organizational culture, organizational structure and knowledge management system are independent variables whereas employee performance is dependent variable.

All of the studies referenced below against each element are valid thus, the developed instrument can also be considered as a valid instrument for this study.

Variables	Elements / Items	Operational Definition	References
Organizational Culture (I.V.)	Cooperative	Employees are cooperative and support each others at all level of organization and same practice is encouraged	Organizational Culture: The FOCUS Questionnaire (1999) Chen & Haung, (2007)
	Innovative	Coming up with new, unique, genuine, practicable ideas are welcomed, considered & appreciated from all level of organization	Organizational Culture: The FOCUS Questionnaire (1999) Chen & Haung, (2007) Shah, S.M.A.,et. al., (2011)
Organizational Structure (I.V.)	Formalization	The extent to which rules & regulations, procedures & policies are implemented, followed and monitored	Chen & Haung, (2007)
	Centralization	The extent to which the power of decision making is assigned at different organizational levels. The degree of span of control	Chen & Haung, (2007)
	Integration	The extent to which different division, departments work together and their interrelatedness	Chen & Haung, (2007)
Knowledge Management System	Trust	The level of confidence, trust among peers at all organizational levels	Chen & Haung, (2007)
	Communication	The easiness and accessibility of means or channels of	Chen & Haung, (2007)

(I.V.)		interaction/communication among different organizational levels, formal or informal	
	Relational Learning	The extent to which an organization encourages relational learning i.e. guiding, training, helping, mentoring peers or subordinates	Chen & Haung, (2007)
Employee Performance (D.V.)	Motivation	Some action that persuades affects or influences someone to perform a specific task with willingness as well as enhances one's self confidence about performing certain tasks.	Elding, D.J. (2005)
	Satisfaction	If one is happy with something, one is satisfied with it. Satisfaction is sort of feeling that emerges within someone when things become as per his expectations and fulfills his respective needs	Pushpakumari (2008)
	Commitment	When someone feels sense of belongingness and moral obligation to stay with that particular thing/entity/person, he is committed towards it.	Pushpakumari (2008)

5.2   **Data Collection Method**

Overall Small and Medium Enterprises working in Pakistan is the target population in this study. From the list of SME Sectors/Clusters provided by SME Finance Department of State Bank of Pakistan, Agro-based industry, Cotton Ginning, Dairy & Livestock and Marble & Granite Sectors are targeted for this study and then by using random sampling, a group of respondent SMEs is chosen from different provinces of Pakistan. Persons/Individuals/Professionals employed within these SMEs are the respondents/sampling units for this study.

500 Questionnaires were distributed to different respondents through personal visits and through mails/e-mails depending upon the geographical and time constraints. Out which 243 questionnaires were returned within the time period of one week. 21 questionnaires were not properly filled and were considered invalid for further data codification and analyses. A total of 222 questionnaires were used to empirically test and validate the mentioned objectives and hypothesis of the study.

5.3   Data Analysis Method

In order to describe the basic characteristics i.e. demographic or job related characteristics, the descriptive statistics like mean, standard deviation, frequencies, minimum & maximum value, pie diagrams and bar charts are used.

The hypotheses of this study are relational hypothesis in nature. To check the impact of organizational culture, organizational structure and KMS on employee performance separately, linear regression model is used. And then multi regression model is used to check collective impact of these three independent variables on employee performance. Thus following model equations will be formulated respectively.

1. $Y = \beta_0 + \beta_1 X_1 + e$

2. $Y = \beta_0 + \beta_2 X_2 + e$

3. $Y = \beta_0 + \beta_3 X_3 + e$

Where,

Y is dependendt variable i.e. Employee Performane

X_1 is independent variable i.e. Organizational Culture

X_2 is independent variable i.e. Organizational Structure

X_3 is independent variable i.e. KMS

6. *Findings of the Study*

6.1 Descriptive Statistics

Data from 222 respondents was gathered through structured questionnaires. These respondents belonged to SMEs working in the Agro-based industry, Cotton Ginning, Dairy & Livestock and Marble & Granite Sectors of Pakistan. 204 of the respondents were males and 18 were females comprising 91.9% & 8.1% of overall sample respectively. 15.3% of respondents (34 respondents) were 26 years old, 13.1 % (29 respondents) were 28 years old and so on. Minimum age of respondent was 22 years and maximum age was 56 years. Most of the respondents fall in between the range of 24-34 years old.

107 of these SMEs were of Manufacturing/Processing by nature i.e. manufacturing by itself or processing raw materials/grains/corps/goods into some finished goods, 109 were doing Trading concern business whereas only 6 were having Services nature of business i.e. consultancy or other outsourcing services. 52 of respondents belonged to SMEs working in the cotton ginning sector comprising 23.5% of overall respondents in this study. Similarly 89 respondents belonged to Agro-Based Industry (40.3%), 57 belonged to Dairy & Livestock SMEs cluster (25.8%) and 23 of respondents were from Business operating in Marble & Granite sector of Pakistan (10.4%).

6.2 Reliability of the Scale

Reliability of the scale was tested by chronbach's alpha (α). The value of α was 0.674 for the items measuring the organizational culture. Similarly value of α was 0.856 for the items measuring the Organizational structure, the value of α for the items measuring the social interaction perspective of KMS was 0.628 and the value of α was 0.710 for the items measuring the employee performance. When overall reliability of the scale was checked, the value of α was 0.778, showing that scale used for this study is reliable.

6.3 Correlation

Pearson's Coefficient of Correlation was used to measure the relationship among variables. The value of correlation between organizational culture and organizational structure is 0.291(significance level 0.000) which shows there is weak positive relationship among these two variables for the sample taken in this study. 0.845 (significance level 0.000) correlation values indicate that organizational culture and KMS are strongly positively correlated. The correlation value of 0.404 (significance level 0.000) of organizational culture and employee performance shows the positive but not strong enough relationship among these two variables. Organizational Structure is having weaker positive correlation, with value 0.129 (significance level 0.055), with KMS and it is negatively correlated with Employee Performance for the said study with correlation value of -0.655

(significance level 0.000). KMS is also having correlation value 0.479 (significance level 0.000) showing positive relationship between KMS and Employee Performance.

6.4   <u>**Regression Analysis**</u>

Regression Analysis was used to find out the extent to two variables are related to each other i.e. it shows the extent to which a dependent variable changes (increases/decreases) with the unit change in independent variable.

For Organizational Culture and Employee Performance the *Linear Regression Model* equation $Y = \beta_0 + \beta_1 X_1 + e$ becomes after analysis as:

Employee Performance = 0.627+ (0.373) Organizational Culture + e

This indicates that with the 100% change in organizational culture, at significance level 0.000, employee performance is increased by 37.3% only. Other 62.7% change in employee performance occurs due to factors, other than organizational culture, not considered but they are affecting employee performance. Whereas the values of R^2=0.163 and F=42.600 ($p<0.01$) shows that model is acceptable. Durban Watson test has resulted in 3.031 indicating that moderate level of negative auto-correlation exists. Hypothesis 1 is accepted.

For Organizational Structure and Employee Performance the *Linear Regression Model* equation $Y = \beta_0 + \beta_2 X_2 + e$ becomes after analysis as:

Employee Performance=0.654+ (-0.346) Organizational Structure + e

This indicates that with the 100% change in organizational structure, at significance level 0.000, employee performance is decreased by 34.6% only. Other 65.4% change in employee performance occurs due to factors, other than organizational structure, not considered but they are affecting employee performance. Whereas the values of R^2=0.429 and F=163.646 ($p<0.01$) shows the overall goodness of model. Durban Watson test has resulted in the value of 2.462 showing that no auto-correlation exists for this model. Thus, Hypothesis 2 is not accepted.

For KMS and Employee Performance the *Linear Regression Model* equation $Y=\beta_0 + \beta_3 X_3 + e$ becomes after analysis as:

Employee Performance = 0.587 + (0.413) KMS + e

This indicates that with the 100% change in organizational culture, at significance level 0.000, employee performance is increased by 41.3% only. Other 58.7% change in employee performance occurs due to factors, other than KMS, not considered but they are affecting employee performance. Whereas the values of

R^2=0.229 and **F**=64.923 (p<0.01) shows that model is acceptable. Durban Watson test has resulted in 2.954 indicating that moderate level of negative auto-correlation exists. Hypothesis 3 is accepted.

After applying simple Linear Regression model separately for all variables, Multiple Regression Model was then tested to check the collective effects of independent variables on dependent variable. Hence, for Organizational Culture, Organizational Structure & KMS and Employee Performance, all the independent variables were transformed into a dummy variables and their effect was multiplied then the effect of this variable named "All variables" was tested on dependent variable i.e. Employee Performance.

As the value of Beta is -0.002 at level of significance 0.206 (p>0.05) this indicates that when considering collective effects of these independent variables, they have no positive and significant impact on employee performance for the taken sample in this study. Same is clear from following two tables, Durbin-Watson Test Value indicates there exists moderate negative auto-correlation whereas the values of R^2 = 0.007 and **F**=1.611 at level of significance 0.206 that shows the least value of goodness of fit.

As collective impact of all these independent variables on employee performance is not significantly resulted, thus, Hypothesis 4 is not accepted.

7.   *Discussion & Conclusion*

Findings of the study indicate that overall scale used to measure said constructs and variables was reliable. Correlation and Linear Regression (Chen & Haung, 2007) was used to find the relationships and measure the impacts of independent variables on employee performance for this study.

 It is concluded for SMEs working in, Cotton Ginning, Agro-Based, Dairies & Livestock and Marbles & Granites Sectors, Pakistan that their organizational culture and KMS have positive relationship with Employee Performance i.e. more innovative, cooperative cultural aspects and more social interaction among employees to create/generate, share & implement knowledge affects the employee performance positively. Thus, Hypothesis 1 & 3 is accepted and it is concluded for the sampled SMEs in this study that their organizational culture and social interaction perspective of knowledge sharing (KMS) positively affects employee performance.

Whereas organizational structure has negative relationship with employee performance, it indicates that the sampled SMEs are having formalized, centralized and less integrated organizational structure that negatively affects the employee performance. It might also be possible that most of sampled SMEs were entrepreneurship concern businesses and that significant level of the decision making power and managerial control is limited to owner/only one person or two at all that makes the structure of these organizations more rigid. That is why the hypothesis 2 of the study is not accepted as the results show the overall negative impact of organizational structure on employee performance.

The last hypothesis, Hypothesis 4 was formulated to check whether organizational culture. Organizational structure and KMS collectively also positively affects the employee performance. But statistically this hypothesis was not supported. P>0.05 indicated that collectively there exists no significant relationship among these variables for the sampled SMEs. This might because of the negative impact of organizational structure, small sample size, sampled clusters of SMEs etc.

8. *Limitations & Recommendations*

One of the limitations of the study is that the sample size is small. Moreover, only two cultural dimensions are considered for the study and social interaction perspective is taken for the KMS that implies only creation/generation and sharing of knowledge. Other steps of KMS can be considered and are recommended for future research perspectives. Sample size can be increased, more systematic sampling technique can be used as well as only four sectors/industries/clusters of SMEs working in Pakistan was sampled for this study. Thus, it is strongly recommended for future research concern to empirically test the model on other clusters of SMEs either independently & detailed or collectively on all the SME sectors. Collective impact of these independent variables can be tested again using different sample group from different SMEs sectors, sample size, measurement tools & techniques or along with a different research methodology. Impact of these three variables is tested on employee performance. In future, the impact of these variables, or combined with other variables, can be tested on other dependent variables like employee behavior, employee retention, and organizational performance etc.

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