

## The impact of organizational values on employee performance, an empirical study on banking industry in Kurdistan Region

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### ABSTRACT

The aim of this study was to test the impact of organizational values on employee performance in banking industry in Kurdistan region. Four groups of organizational values are identified in this study based on a study accomplished by Woodcock and Francis (1989) [Woodcock & Francis, 1989). *Unblocking organizational values*. 1<sup>st</sup> ed., USA.]; namely managing tasks values, managing environment values, managing organization values, and managing relationship values. These were determined as independent variables and employee performance was considered as a dependent variable. Researchers assumed there is a statistically significant correlation between organizational values and employee performance. The primary data used in this study were collected from a sample of 75 employees in different banks in Kurdistan region. The data were analyzed by using correlation and multiple regression analysis by using SPSS software. The results illustrate that organizational values were significantly and positively associated with employee performance in banking industry in Kurdistan region, and the strength of the correlation coefficient vary from one variable to another. Managing tasks received the highest value, with a correlation coefficient of 0.636 when the level of significant was one percent.

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## 1. Introduction

The study of organizational behavior is one of the most important topics that have attracted the interest of researchers and specialists considering that the behavior of the individual is one of the most influential elements of production in different organizations. The human factor and available human resources are the most decisive factors in achieving the efficiency and effectiveness of the targeted performance. The organizational values used in any organization play an important role in maintaining it, it is the main direction of its members in the performance of their functions both individually and collectively and it contributes to the formation of individuals' attitudes. Knowledge of organizational values has become a requirement for successful organization. Values are not merely intellectual believes but affirmation not characterized by individual actions, positions and decisive decisions. The importance of this study stems from the vitality of the subject, which is organizational values and their role in the performance of employees through the efforts of organizations that seek to establish strong organizational values that contribute to improve performance and improve productivity. The study also contributes to increase

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knowledge accumulation through the results that give an overview on the role of organizational values and the requirements to support organizational values.

This study will also form the framework for the regulatory values prevailing in the banking sector in Kurdistan region, therefore providing good inputs and information regarding the prevailing organizational values of employees, which enables banks management to promote positive values in order to reflect performance and developing it, and to improve performance, and ultimately achieve strategic objectives of banks. The banking sector is considered as one of the main pillars in the structure of the national economy and has become increasingly important with the great development witnessed by the banking sector in Kurdistan region as a result of tangible technological developments. As a result of the limited studies dealing with both organizational values and job performance in the banking sector, this study highlights the organizational values and their role in performance in the banking sector in Kurdistan region.

## **2. Literature review**

### *2.1 Organizational Values*

According to Kenny (1994), each person has his/her own value system and similarly organizations also have their own value system. Values are defined by Thomas (2013) as what is desirable and valuable, both socially and personally. Values hold a judgmental element in that they bear a person's thoughts as to what is good, right, or desirable (Robbins & Judge, 2015). It is important to know a person's values as they are explaining attitudes, behaviors, and perceptions (Thomas, 2013; Robbins & Judge, 2015; McShane & Von Glinow, 2013). So understanding of an individual's value system can afford insight into what makes the individual "tick" (Robbins & Judge, 2015). Values according to McShane and Von Glinow (2013) are essential manners of behavior that affect employees' behavior. Organizational values according to some researchers are different from those of the environment, but these kinds of values can be made and transformed more easily and to a larger scope. Organizational values are defined by Toliver (2013) as a set of principles that express to employees what is essential to the organization, and informs the organization's actions and the behavior of its employees. Organizational values are something that came out from an organization or are they basically transferred from an individual level to the organizational level through its employees. Organizational values are considered as what individuals within organization believe is good for organization, what needs to occur within organization and in the future what might be needed within organization (Gorenak & Suzana, 2012). Boštjančič (2009) classified values in organizations to explicit values and implicit values. Explicit values are written and cognizant, albeit weaker, while implicit values are internal and stronger. On the other hand, Rokeach (1973) classified values into Terminal values and Instrumental values. Terminal values are an individual's preferences regarding the goals that he/she wants to achieve. Instrumental values reflect the way or means for achieving these goals (Schermerhorn et al., 2012). Organizational values influence significantly on work processes within the workplace, and if these values are not developed, ratified, and executed properly, they stand little chance of impacting employees' practices and behaviors (Thomas, 2013). Similar to all beliefs, organizational values have emotional, cognitive and behavioral components that are constantly interact and are shown in the practices and behaviors of employees in an organization (Rokeach, 1973). All organizations are guided via a set of values. It is these "organizational values" that determine how an organization believes and what it decide to be essential (Seevers, 2000). An indication of a successful and productive organization is congruence between the organizational values and the behaviors of employees (Seevers, 2000).

### *2.2 Employees performance*

Organizations in 21<sup>st</sup> century need highly performing employees to achieve their goals, as well as to offer the products and services they specialized in which a competitive manner, and lastly to attain competitive edge. Individual performance is significant for both employees and organizations alike. According to Sonnentag et al. (2013) employees with good performance when accomplish their tasks feel satisfaction

and self-efficacy. Furthermore, high performing employees honored, awarded, get promoted, and they have a better carrier opportunity. There is an agreement among researchers that performance has to be considered as a multi-dimensional concept. They distinguished the aspects of performance between process aspect which is mostly related to employees' behavior and an outcome aspect which refers to the result of the employee's behavior (Campbell et al., 1993; Borman & Motowidlo, 1993; Roe, 1999). Task performance and contextual performance are the two essential types of individual's behavior that are crucial for achieving organizational effectiveness (Borman & Motowidlo, 1993). Task performance according to them refers to job specific, predicted mostly by the ability, and it is in-role behavior which is directly related to the formal organization reward system. Contextual performance, on the other hand, predicted by personality and motivation, is an extra-role behavior and usually it is not rewarded by formal reward systems (Jankingthong & Rurkkhum, 2012). Campbell et al. (1993) illustrated that performance is not the result of behavior, but it is the behavior itself. It means that, performance consists of the behaviors that individuals actually engage in which can be observed (Cook, 2008). Sonnentag and Frese (2002) give more explanations about this and according to them not all behaviors included under performance concept, but only behaviors which are related to organizational objectives. Performance is defined by Mathis and Jackson (2009) as the collection of quantity, quality, and timeliness of output, attendance on the job, efficiency and effectiveness of work completed. Organizations must focus on how to improve their Individual performance as it is not constant over time. Employee's performance changes as a result of learning. Changeability in an employee's performance over time reflects learning processes and other enduring changes and short-term changes in performance. Employees' performance at workplace is a point of concern for every organization regardless of all the existing factors and conditions. As a result employees are determined to be fundamental asset for their organizations. A good performance of employees of an organization leads towards a good organizational performance hence ultimately let an organization to be more successful and effective and the opposite is correct. (Ashfaq & Ramzan, 2013)

### 3. Methodology

The purpose of this study is to examine the impact of organizational values on employee performance. Organizational values are determined as an independent variable and employee performance as dependent variable. The dimensions of organizational values are managing organization, managing the task, managing relationships, and managing the environment which are identified by Woodcock and Francis (1995). The questionnaire design is used to collect the data in order to establish the correlation between the variables of the study. The population of this study includes all employees in banking industry in Kurdistan region in Iraq. The sampling method of this study is based on the probability sampling which is the simple random sampling approach. By using simple random sampling, each employee has an equal opportunity of being chosen. The primary data carried out as a main source of data collection. Primary data were collected by using a questionnaire. The questionnaires have been administered and collected by researchers. Secondary data were mostly collected from journal articles and textbook which were presented in the literature review. In addition, the data and findings from earlier researches that were done in the same area have been served as a valuable basis of supporting material. Analysis of collected data will be performed using Statistical Packages of the Social Science (SPSS). Descriptive statistics will be used to describe the respondents' profile. Correlation will be conducted to determine the relationship between independent variables which are organizational values and dependent variable which is employee's performance. Multiple regression analysis will be conducted to determine the effects of independent variables on dependent variable.

#### 3.1. Research variables

The current study includes the following variables:

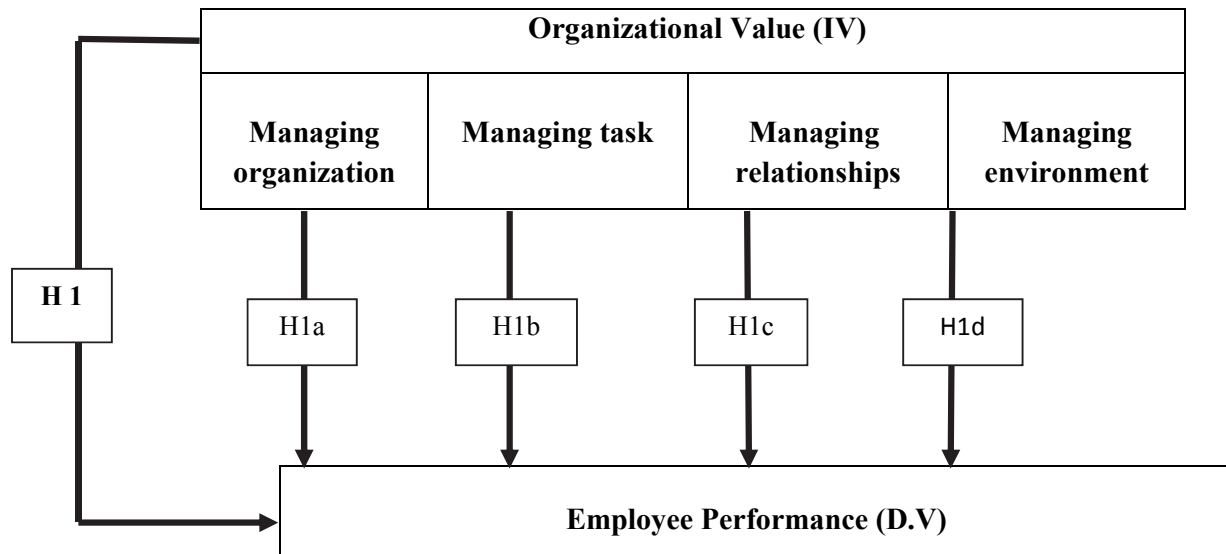
1. Independent variable: organizational values classified by Francis and Woodcock (1989) into:

- Managing organization values which include power, elitism, and reward;
- Managing task values which include efficiency, effectiveness, and economy;

- Relationships management values which include law and order, team works, and fairness;
- Environmental management values which include defense, competitiveness, and opportunism.

2. Dependent variable: employee performance, which is classified to quality performance, accuracy performance, quantity performance, and fast performance.

### 3.2. Research model



### 3.3. Research hypotheses

Based on the previous literature and studies on organizational values and employee performance, there is a statistically significant correlation between organizational values and employee performance in banking industry in Kurdistan region. This main hypothesis is divided in to the following sub-hypotheses:

- 1- H1a: There is a statistically significant correlation between managing organization values and employee performance in banking industry in Kurdistan region.
- 2- H1b: There is a statistically significant correlation between task management values and employee performance in banking industry in Kurdistan region.
- 3- H1c: There is a statistically significant correlation between relationship management values and employee performance in banking industry in Kurdistan region.
- 4- H1d: There is a statistically significant correlation between environmental management values and employee performance in banking industry in Kurdistan region.

## 4. Data analysis

### 4.1. Descriptive Analysis

The results from Table 1 show that there is somehow the equality of the respondents among males and females which is (50.7 % are male and 49.3 are female). This result can be good for this study for identifying the relationship between the chosen variables in terms of gender. The study found out that most of the respondents were between (31-35) years and the percentage was 38.7 % and the respondents between 25-30 years represent 22.7%. Those aged 20-25 represented only 2.7 percent. The results indi-

cated that 52% of employees who participated in this survey maintained Bachelor's degree, while respondents who hold Diploma represented only 33.3%, and only 5.3 percent of the respondents have had Master's degree of science. While employees who hold other certificates represented 9.3%, the results show that the majority of the respondents in this study had a good experiences in their field. 57.3% of respondents had some work experiences between (6-10) years. 18.7% maintained (11-16) years of work experience, 14.7% of respondents had more than 16 years of experience and only 9.3% of respondents had less than 5 years of work experience.

**Table 1**  
Descriptive Analysis

Descriptive	Frequency	percentage
Gender		
Male	38	50.7
Female	37	49.3
Age (years)		
20-25	2	2.7
26-30	17	22.7
31-35	29	38.7
More than 36	27	36
Education Level		
Diploma	25	33.3
Bachelor	39	52
Master	4	5.3
Others	7	9.3
Work Experience (years)		
1-5	7	9.3
6-10	43	57.3
11-15	14	17.7
More than 16	11	14.7

#### 4.2 Correlation analysis

**Table 2**  
Correlation Analysis

		Managing Organization	Man.Task	Man.Relations	Man.Environment	Org.Values	performance
Man.Org	Pearson Correlation	1	.618**	.596**	.612**	.845**	.439**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	75	75	75	75	75	75
Man.Task	Pearson Correlation	.618**	1	.639**	.656**	.873**	.636**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	75	75	75	75	75	75
Man.Relations	Pearson Correlation	.596**	.639**	1	.657**	.831**	.537**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	75	75	75	75	75	75
Man.Environment	Pearson Correlation	.612**	.656**	.657**	1	.847**	.548**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	75	75	75	75	75	75
Org.Values	Pearson Correlation	.845**	.873**	.831**	.847**	1	.636**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	75	75	75	75	75	75
performance	Pearson Correlation	.439**	.636**	.537**	.548**	.636**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	75	75	75	75	75	75

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results of Table 2 indicate a positive correlation between organizational values as independent variables and employee performance as a dependent variable, the correlation coefficient (total index) was (0.636) at a significant level (0.01). The results also indicate that there was a significant and positive correlation between organizational values and employee performance, and the strength of the correlation coefficient varied from one variable to another. Managing tasks variable obtained the highest value, with a correlation coefficient of 0.636 at a significant level (0.01). Managing environment has had significant and positive correlation with employee performance with a correlation coefficient of 0.548 at a significant level (0.01). The correlation coefficient between managing relations and employee's performance is 0.537. Although it obtained the lowest value among determined variables, but managing organization had significant and positive correlation with employee performance and the correlation coefficient is 0.439 at a significant level (0.01). Thus the main hypothesis is supported which states (there was a significant correlation between organizational values and employee's performance) and the sub hypothesis of this study also supported.

### 4.3 Regression Analysis

**Table 3**  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change	Durbin-Watson
						F	df1	df2		
1	.636 <sup>a</sup>	.405	.397	4.67943	.405	49.655	1	73	.000	1.615

a. Predictors: (Constant), Org. Values

b. Dependent Variable: performance

For the regression results presented in Tables 3, the  $R^2 = 0.447$  shows that organizational values account for 44.7% variations in employee performance. This tells us that 44.7% of employee performance was explained by organizational values and 55.3% could be explained by other factors. The acceptable range of Durbin-Watson is between 1.5 and 2.5. A value less than 1.5 means a positive autocorrelation and a value higher than 2.5 represents a negative autocorrelation. The value of Durbin-Watson in this model is 1.615, which means there is no autocorrelation in our model.

**Table 4**  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1087.298	1	1087.298	49.655	.000 <sup>b</sup>
	Residual	1598.489	73	21.897		
	Total	2685.787	74			

a. Dependent Variable: Employees performance

b. Predictors: (Constant), Organizational Values

The results of ANOVA table show that p-value of this study is less than 0.05 ( $0.000 < 0.05$ ), which indicates that the level of significance is less than 0.05 and this points out that there was at least one (out of four organizational values) predictor in this study which can be used to model employee's performance.

## 5. Discussion and Conclusion

The study of organizational values and understanding it determined as the greatest factor of successes and as a strategic source for organizations especially in twenty-first century. When employees understand values and organizational culture, the overall performance of banks is certainly successful and they can achieve sustainable competitive advantage. Organizational culture is a challenge to any organization be-

cause of its impact in shaping the behavior of employees and their habits and expectations, which reflected negatively or positively on all activities of the organization in general. Attention should therefore be given to this important component of banking management and to know its most important components which is organizational values. Values are the foundation of any organizational culture and the essence of its philosophy of success. It is a sense of the common directions of all individuals within organizations. They are indicators of employees' daily behavior. Moreover, organizations undoubtedly gain great strength through shared values.

The statistical results expose the existence of significant correlation between managing tasks value and employees performance. This implies that the more organizations focus on efficiency and effectiveness in accomplishing tasks, the better employees' performance. This means that, focusing on the right issues, the right ways to accomplish tasks can be good indicators in performing well by employees in terms of quality, accuracy, quantity, and fast performance.

The findings depict the positive relationship between managing environment value and employees performance. It shows that if the organization strongly defends its interests and employees, they will perform better. On the other hand, if the organization promotes and disseminates the values of competition among employees and if employees are encouraged to be more creative and provide innovative ideas, they perform better.

The results show a significant relationship between managing relationships values and employees performance. It means that if organization gives fair opportunities to hear complaints from employees, the rights and duties are distributed equally among employees, if there is no distinction between employees on the basis of race or gender, these issues can guarantee a good performance from employees. On the other hand, if management shows interest in teamwork, and organizational rules and procedures are effective and contribute to facilitate the work employees will perform the best.

The results further indicate that significant correlation exists between managing organization and performance. This implies that if managers in organization have an influence on employees and have sufficient power to show they are in a responsible position, employees will perform well. Moreover if there is reward and punishment Principle in organization and having outstanding performance are the primary criteria for employee evaluation in organization and they can promote employees to work well.

Based on the results of this study, we can conclude that organizational values have a positive and significant correlation with employee's performance:

Thus the first main hypothesis is accepted which states (there is a significant correlation between organizational values and employee's performance) and is divided to the following sub hypothesis:

H1a: There is a significant correlation between managing organization and employee's performance: accepted

H1b: There is a significant correlation between managing tasks and employee's performance: accepted

H1c: There is a significant correlation between managing relations and employee's performance: accepted

H1d: There is a significant correlation between managing environment and employee's performance: accepted

The study recommended banking industry in Kurdistan region to:

- 1- Activate organizational values in practice in order to have a better performance of their employees.
- 2- Give more attention to managing organization (management) values which it obtained the lowest value among determined variables. By paying more attention to employees values and manager's values especially reward part as it is directly related to performance.

3- Create an appropriate work environment for employees based on trust exchange among workers and managers in order to contribute an efficient performance from employees resulting in achievement of organizations goals.

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