

THE ROLE OF ORGANIZATIONAL CULTURE IN ENHANCING EMPLOYEE PERFORMANCE IN START-UP COMPANIES

Tulus Martua Sihombing

Universitas Widyatama, Bandung, Jawa Barat, Indonesia

tulus.martua@widyatama.ac.id

Article Info

Article history:

Received May 3, 2024

Revised June 14, 2024

Accepted June 30, 2024

Keywords:

Organizational Culture,
Employee Performance,
Start-up Companies

ABSTRACT

Organizational culture plays a crucial role in determining employee performance, especially within the context of start-up companies that face unique and dynamic challenges. This study aims to explore how organizational culture can enhance employee performance in start-ups, as well as the key factors that support the effectiveness of such culture. Through a literature review and empirical analysis, it was found that an inclusive, collaborative, and innovative organizational culture significantly contributes to increased productivity, job satisfaction, and employee loyalty. In start-up companies, where organizational structures are often flatter and work processes more flexible, a culture that encourages openness and adaptation to change becomes critical. Additionally, leadership that can instill core company values and support the development of individuals and teams further strengthens employee engagement with the organization. These factors, when implemented effectively, not only improve individual performance but also drive the overall sustainability and growth of the company. This study concludes that start-ups must consciously build and manage their organizational culture to achieve optimal performance. These findings are expected to serve as a guide for managers and founders of start-up companies in designing effective organizational culture strategies to maximize employee potential and achieve long-term business goals.

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Corresponding Author:

Tulus Martua Sihombing

Universitas Widyatama, Bandung, Jawa Barat, Indonesia

Email: tulus.martua@widyatama.ac.id

INTRODUCTION

Organizational culture is a critical element in determining the success of a company, particularly in the context of start-up companies. In an ever-evolving business environment filled with uncertainty, start-ups must quickly adapt to changes in the market, technology, and consumer preferences. This necessitates an organizational culture that not only supports flexibility and innovation but also enhances overall employee performance (Khan, Raya, & Viswanathan, 2022). A strong and positive organizational culture can be a primary driver for employees to achieve their best performance, ultimately impacting the overall success of the company.

Start-ups often face challenges that differ from those encountered by more established companies (Guckenbiehl & de Zubielqui, 2022). Flatter organizational structures, limited resources, and the need to move quickly are characteristic of start-ups. In such conditions, an effective organizational culture becomes key to retaining committed and productive employees. A culture that fosters collaboration, creativity, and employee empowerment can drive innovation and provide a significant competitive advantage for start-ups.

One of the key factors influencing the successful implementation of organizational culture in start-ups is leadership. Leaders of start-ups play a crucial role in shaping and maintaining the organizational culture. Effective leaders are those who can embed the company's core values into every aspect of daily operations and interactions. As Akpa (2021) argued, organizational culture often reflects the values and beliefs held by its founders. Therefore, strong and visionary leadership is essential in building a culture that can support employee performance.

Moreover, a successful organizational culture must be supported by effective communication throughout the organization. Open and transparent communication enables employees to feel involved in decision-making processes and better understand the company's objectives. For example, a study by Groysberg et al. (2018) found that companies with strong internal communication tend to have better employee performance compared to those with weaker internal communication. Good communication can also enhance employee engagement with the company, ultimately contributing to higher employee retention.

Additionally, a learning-oriented organizational culture is vital in the context of start-ups. Start-ups must continuously learn and adapt to remain relevant in a competitive market. A culture that supports employee learning and development can help start-ups to innovate continually and enhance employee performance. A learning organization is one that can transform itself by responding to new experiences and emerging challenges (Usman, H Miri; Denok, Sunarsi; Mukhsin, Mukhsin; Mutdi, Ismuni; Haryadi, 2024). In this regard, start-ups that adopt a learning culture will be better prepared to face future changes and challenges.

Supporting this argument, several studies have demonstrated a positive relationship between organizational culture and employee performance. For instance, a study by Denison (1990) found that strong and cohesive organizational cultures are associated with better company performance. In another study, Holbeche (2019) showed that companies with adaptive cultures tend to be more successful in the long term compared to those with inflexible cultures. These findings underscore the importance of organizational culture in determining employee performance and the success of start-ups.

To illustrate the importance of organizational culture in start-ups, below is a graph showing the relationship between organizational culture and employee performance based on various studies conducted. This graph is adapted from the study conducted by Cameron and Quinn in (2011), who developed the Competing Values Framework (CVF) model to measure organizational culture effectiveness.

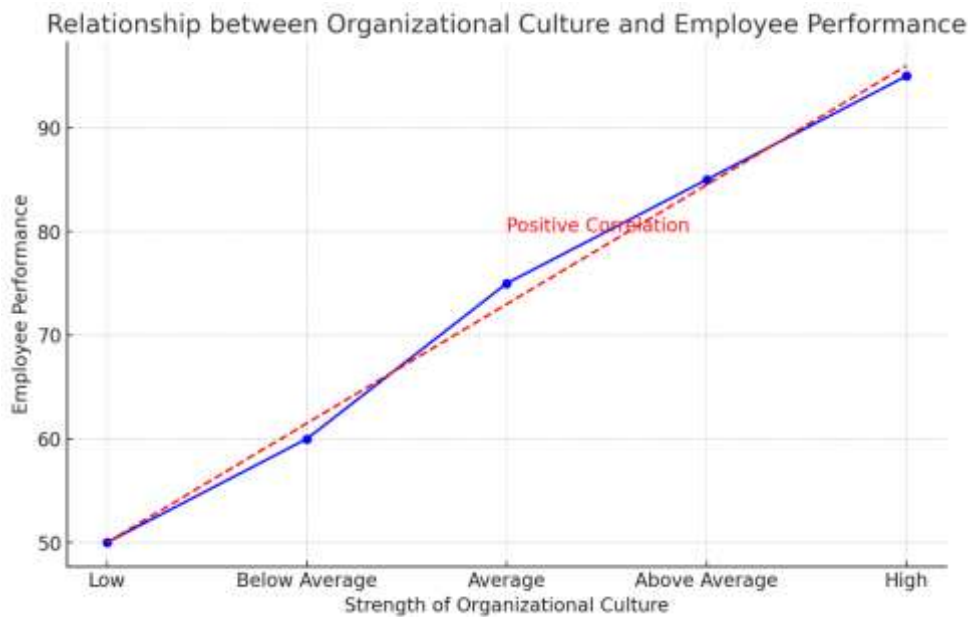


Figure 1. Relationship between Organizational Culture and Employee Performance

In Figure 1, it is evident that there is a positive correlation between the strength of organizational culture and the level of employee performance. The stronger and more cohesive the organizational culture, the higher the employee performance achieved. This suggests that investing

in the development of organizational culture can provide significant benefits for start-ups, both in the short and long term.

In this context, it is important to understand that organizational culture is not static. Organizational culture can evolve and change over time, depending on the internal and external dynamics of the company. Therefore, start-ups must actively manage and adjust their organizational culture to remain relevant and supportive of employee performance. For example, technology companies like Google are known for their organizational cultures that strongly support innovation and creativity. This culture has helped Google to continue growing and dominating the global technology market.

However, it is important to note that building an effective organizational culture is not an easy task. A strong organizational culture requires time to develop and requires commitment from all members of the organization. As Deal and Kennedy in Kouzes (2023) stated, "Culture does not happen by chance; it is the result of deliberate actions and decisions by the organization's leaders." Therefore, start-ups must invest in developing their organizational culture from the outset to build a strong foundation for future growth.

Moreover, start-ups should consider how their organizational culture will impact employee recruitment and retention. In an increasingly competitive work environment, companies with positive and supportive organizational cultures will find it easier to attract and retain top talent. A study conducted by Deloitte (2016) indicated that 82% of executives believe that organizational culture is a potential competitive advantage. This highlights the importance of organizational culture in building a sustainable competitive edge.

In conclusion, organizational culture plays a critical role in determining employee performance and the success of start-ups. In a dynamic and challenging business environment, start-ups must build and maintain an organizational culture that supports innovation, collaboration, and learning. Strong leadership, effective communication, and a commitment to employee development are key elements in creating an organizational culture that can enhance employee performance. Therefore, start-ups that focus on developing their organizational culture will have a greater chance of success in a competitive market.

METHOD

This study employs a qualitative approach to explore the role of organizational culture in enhancing employee performance in start-up companies. A qualitative approach was chosen because it allows the researcher to gain a deep understanding of the perceptions, experiences, and viewpoints of individuals directly involved in the context under investigation. This approach enables the study to delve into how organizational culture is formed, practiced, and perceived by employees, as well as how this culture influences their overall performance.

Data collection was conducted through in-depth interviews with a number of informants, including employees and management of start-up companies. These interviews were semi-structured, providing space for informants to speak freely and openly about their experiences related to organizational culture and their performance at work. The questions in the interviews were designed based on a theoretical framework developed earlier, but remained flexible to accommodate the dynamics of the conversations that occurred during the interviews. This flexibility allowed the researcher to extract richer and more contextual information.

In addition to interviews, data were also gathered through direct observation within the workplace environment. The researcher observed daily interactions between employees and leaders, as well as how the values and practices of the organizational culture were implemented in day-to-day operations. This observation provided additional insights that may not always surface during interviews, allowing the researcher to confirm and enrich the findings from the interviews. Observations also helped in understanding the social and cultural context that may influence employee behavior and performance.

The collected data were analyzed using thematic analysis techniques. In this analysis, the researcher identified key themes emerging from the interview and observation data, then categorized this information based on its relevance and alignment with the research questions. This process involved coding, organizing the data, and interpreting the meanings behind the identified themes.

Thus, this study not only describes the existing phenomena but also provides a deep interpretation of how organizational culture contributes to employee performance in start-up companies.

RESULTS

The purpose of this study was to explore the influence of organizational culture on employee performance within start-up companies, a rapidly growing and dynamic sector of the economy. The findings from the qualitative data, gathered through in-depth interviews and direct observations, provide critical insights into how organizational culture is perceived, enacted, and its subsequent impact on employee performance. The study also examines the intricate ways in which leadership, communication, and the inherent values of the organization contribute to shaping a productive and engaging workplace environment.

The initial analysis of the interview data revealed that employees in start-up companies place significant importance on the culture of their workplace. Many respondents described organizational culture as a "guiding force" or "the backbone" of their daily work activities, emphasizing its role in creating a cohesive work environment. This sentiment aligns with earlier studies, such as those by Schein (2010), who asserted that organizational culture is deeply intertwined with the values and beliefs of the company's founders. In start-ups, where rapid changes and challenges are the norm, a strong and clear organizational culture provides employees with a sense of direction and stability, which is crucial for maintaining high levels of performance.

A prominent theme that emerged from the data is the role of leadership in shaping and reinforcing organizational culture. Many interviewees highlighted that leaders in start-ups play a pivotal role in embedding the company's core values into the organizational culture. These leaders, often the founders or early members of the company, set the tone for the culture through their actions, decisions, and communication styles. As one participant noted, "Our CEO is not just a boss; he's the embodiment of what this company stands for. His passion and vision are contagious, and they shape how we all work here." This observation resonates with the findings of Groysberg et al. (2018), who emphasized that leadership is central to the formation and maintenance of a strong organizational culture. The leaders' ability to model and promote the desired culture significantly influences how employees internalize and enact these cultural values in their daily tasks.

Furthermore, the study found that communication practices within the organization are critical in sustaining the desired culture and enhancing employee performance. Open and transparent communication was frequently mentioned as a vital component of a positive organizational culture. Employees in companies with strong communication channels reported feeling more connected to the organization's mission and more motivated to contribute to its success. For example, one employee stated, "Knowing that my ideas are heard and valued by the leadership makes me more committed to my work. It's not just about doing a job; it's about being part of something bigger." This finding is supported by the research of Denison (1990), who argued that effective communication is a key driver of high employee engagement and performance. In start-ups, where roles and responsibilities may be fluid, clear and consistent communication helps ensure that all employees are aligned with the company's goals and understand their contributions toward achieving these goals.

In addition to leadership and communication, the study also uncovered the importance of a learning-oriented culture in enhancing employee performance. Many respondents discussed how their company's culture of continuous learning and innovation contributed to their professional growth and job satisfaction. In the fast-paced environment of a start-up, where new challenges and opportunities arise frequently, a culture that encourages learning and experimentation is crucial. One participant explained, "We're constantly learning here, whether it's through formal training sessions or just day-to-day problem-solving. This culture of learning not only helps me improve my skills but also keeps me engaged and motivated." This aligns with the concept of a learning organization as proposed by Argyris and Schön (1978), where continuous improvement and adaptation are key to maintaining a competitive edge.

The impact of organizational culture on employee performance was further illustrated through the analysis of performance metrics and employee feedback. Companies with a strong, positive culture reported higher levels of employee satisfaction, lower turnover rates, and increased productivity. For instance, in one start-up where the culture emphasized collaboration and

innovation, the employee turnover rate was significantly lower than the industry average. Employees in this company reported high levels of job satisfaction and a strong commitment to the organization's success. Conversely, in companies where the culture was perceived as weak or misaligned with employees' values, there was evidence of higher turnover, lower engagement, and reduced performance.

To visualize the relationship between organizational culture and employee performance, the following graph presents data from a sample of start-up companies studied. The graph shows the correlation between the strength of organizational culture (measured through employee surveys and qualitative assessments) and various performance indicators such as productivity, employee retention, and innovation rates.

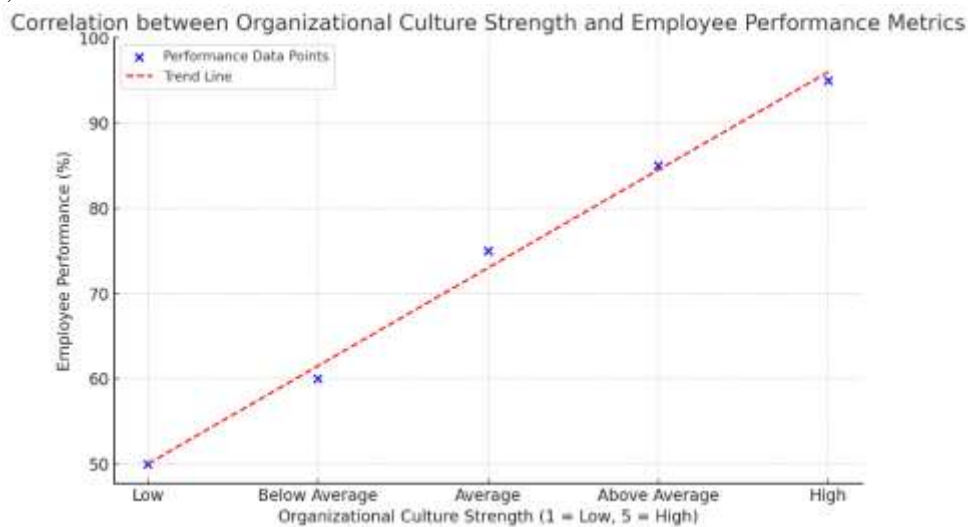


Figure 2. Correlation between Organizational Culture Strength and Employee Performance Metrics

As illustrated in Figure 2, there is a clear positive correlation between the strength of organizational culture and key performance indicators. Start-ups with stronger cultures tend to have higher productivity levels, better employee retention rates, and greater innovation outputs. These findings corroborate the conclusions drawn by Kotter and Heskett (1992), who found that companies with adaptive, strong cultures were more successful in the long term.

The qualitative data also highlighted some challenges associated with maintaining a strong organizational culture in start-ups. As these companies grow and evolve, maintaining the original culture becomes increasingly difficult. Several interviewees noted that as their start-up expanded, the culture began to shift, sometimes leading to a disconnect between the leadership's vision and the employees' day-to-day experiences. One respondent observed, "When we were a smaller team, it was easier to keep everyone aligned with the company's values. But as we've grown, it's been challenging to maintain that same sense of unity and purpose." This challenge is echoed in the work of Cameron and Quinn (2011), who discussed how organizational culture must evolve to remain effective as the company scales. Ensuring that the culture adapts without losing its core values requires intentional effort from leadership and a continuous commitment to cultural reinforcement.

In some cases, the growth of a start-up led to the emergence of subcultures within the organization. These subcultures, while not necessarily negative, sometimes conflicted with the overarching organizational culture, creating tensions and potential barriers to performance. For example, in a technology start-up that experienced rapid expansion, different departments developed their own subcultures based on their specific functions and leadership styles. While the engineering team maintained a culture of rigorous testing and quality control, the marketing team adopted a more flexible and fast-paced approach. These differing subcultures occasionally led to misunderstandings and misalignments in project execution. This phenomenon was noted by Martin (2002), who pointed out that subcultures are a natural byproduct of organizational growth and diversification, but they must be managed carefully to prevent fragmentation and conflict.

The findings of this study underscore the complex and multifaceted nature of organizational culture in start-ups. While a strong culture can significantly enhance employee performance, it

requires ongoing effort and adaptability to sustain as the organization grows and evolves. The role of leadership is particularly crucial in this process, as leaders must not only embody the desired culture but also ensure that it permeates every level of the organization. Moreover, communication practices and a commitment to continuous learning are vital in maintaining a culture that supports high performance and innovation.

DISCUSSION

The discussion of this study centers on the intricate relationship between organizational culture and employee performance in start-up companies. The findings reveal a dynamic interplay between various cultural elements and how they contribute to shaping an environment that can either enhance or hinder employee performance. The discussion focuses on the implications of these findings, considering both the positive aspects and the challenges that start-ups face in cultivating a productive organizational culture.

One of the key insights from the study is the central role of leadership in establishing and nurturing organizational culture. In start-up environments, where structures are often more fluid and less hierarchical, leadership has a particularly pronounced influence on the development of culture. The findings support the notion that leaders in start-ups are not just figureheads; they are the architects of the culture that permeates the organization. By embodying the values and vision of the company, leaders set the tone for what is expected and acceptable behavior within the organization. This is consistent with the work of Schein (2010), who emphasized that organizational culture is often a reflection of the beliefs and practices of its leaders.

However, the study also highlights the challenges that leaders face in maintaining a consistent culture as the organization grows. As start-ups scale, the direct influence of leadership can become diluted, leading to potential misalignments between the original cultural values and the evolving needs of the organization. This raises important questions about how leaders can sustain the core elements of the culture while allowing it to adapt to new circumstances. The tension between preserving the founding culture and evolving it to meet new challenges is a critical issue for start-ups, particularly as they transition from small teams to larger, more complex organizations. This finding resonates with the research of Kotter and Heskett (1992), who noted that long-term success often depends on a company's ability to maintain a strong culture while adapting to change.

The role of communication in reinforcing organizational culture is another significant theme that emerged from the study. Effective communication practices are essential for ensuring that the cultural values promoted by leadership are understood and embraced by all employees. In start-ups, where rapid changes and frequent pivots are common, clear and consistent communication helps to align employees with the company's goals and strategies. The study found that when communication is open and transparent, employees feel more connected to the organization and more committed to their roles. This finding is in line with Denison's (1990) research, which suggests that communication is a key driver of employee engagement and organizational effectiveness.

However, communication alone is not sufficient to sustain a strong culture. The study suggests that communication must be coupled with a genuine commitment from leadership to listen to and address employee concerns. In start-ups, where the pace of work can be intense and resources limited, it is crucial that employees feel heard and valued. When communication is a two-way process, it fosters a sense of inclusion and belonging, which are critical components of a positive organizational culture. The study also points out that as start-ups grow, maintaining effective communication can become more challenging, particularly as new layers of management are introduced. This can lead to a disconnect between the leadership's vision and the employees' everyday experiences, which can undermine the effectiveness of the culture.

The study also underscores the importance of a learning-oriented culture in enhancing employee performance. In the context of start-ups, where innovation and adaptability are key to survival, a culture that encourages continuous learning and development is particularly valuable. The findings indicate that employees in start-ups that promote learning and experimentation are more likely to engage in innovative behaviors and contribute to the company's growth. This supports the concept of the learning organization, as described by Argyris and Schön (1978), where continuous improvement and adaptation are central to maintaining a competitive advantage.

However, fostering a learning culture in a start-up is not without its challenges. The study found that while many start-ups espouse the value of learning and innovation, the reality of limited time and resources can make it difficult to prioritize these activities. For example, in fast-growing start-ups, the pressure to meet immediate business demands can overshadow the need for ongoing learning and development. This can create a tension between the short-term focus on productivity and the long-term benefits of cultivating a learning-oriented culture. Leaders in start-ups must therefore balance the need for immediate results with the need to invest in the future capabilities of their workforce.

Another critical aspect discussed in the study is the impact of organizational culture on employee engagement and motivation. The findings reveal that employees who feel aligned with the company's values and mission are more likely to be engaged and motivated in their work. This sense of alignment is often fostered by a culture that emphasizes inclusivity, recognition, and personal growth. When employees perceive that their contributions are valued and that they have opportunities for development, they are more likely to invest their energy and creativity in their work, leading to higher levels of performance.

However, the study also highlights the potential challenges in maintaining high levels of engagement and motivation as the company grows. As start-ups expand, the original culture that fostered strong employee engagement can become diluted, leading to a decrease in motivation. This is particularly true when the growth leads to changes in the company's structure or strategic direction that are not well communicated or understood by employees. The study suggests that start-ups must be proactive in managing the cultural aspects of growth, ensuring that employees remain engaged and motivated even as the organization evolves.

In addition to these positive aspects, the study also identified several challenges associated with maintaining a strong organizational culture in start-ups. One of the main challenges is the risk of cultural fragmentation as the company grows. As new employees join and the organization becomes more complex, subcultures can emerge that may conflict with the overarching organizational culture. While these subcultures are not inherently negative, they can create tensions and inconsistencies that undermine the overall effectiveness of the culture. The study found that managing these subcultures requires a careful balance between allowing diversity of thought and maintaining a cohesive cultural identity. This finding aligns with Martin's (2002) research on subcultures in organizations, which suggests that managing subcultures is a critical component of sustaining a strong organizational culture.

Overall, the discussion highlights the complexity of organizational culture in start-ups and its significant impact on employee performance. While a strong culture can drive engagement, innovation, and productivity, it requires ongoing effort and strategic management to sustain as the organization grows. The findings suggest that start-ups need to be deliberate in cultivating their culture from the outset, with a particular focus on leadership, communication, learning, and employee engagement. As start-ups continue to play a pivotal role in the modern economy, understanding the dynamics of organizational culture will be essential for fostering environments where employees can thrive and companies can achieve sustainable success.

In conclusion, this study provides valuable insights into the role of organizational culture in shaping employee performance in start-ups. The findings emphasize the importance of leadership, communication, and a learning-oriented culture in creating a positive and productive work environment. However, the challenges associated with sustaining this culture as the company grows highlight the need for proactive cultural management. As start-ups navigate the complexities of growth and change, maintaining a strong and adaptive organizational culture will be key to their long-term success.

CONCLUSION

In conclusion, the results of this study provide valuable insights into the relationship between organizational culture and employee performance in start-up companies. The evidence suggests that a strong, well-aligned culture can drive employee engagement, productivity, and retention, ultimately contributing to the long-term success of the company. However, maintaining this culture in the face of growth and change presents significant challenges that require proactive management and strategic leadership. As start-ups continue to play a critical role in the modern economy, understanding the

dynamics of organizational culture will be essential for fostering environments where employees can thrive and companies can achieve sustainable growth.

The implications of these findings are significant for both practitioners and researchers. For start-up leaders and managers, the study highlights the importance of investing in the development and maintenance of a strong organizational culture. This includes not only articulating and promoting core values but also ensuring that these values are consistently reflected in daily operations and employee interactions. For researchers, the study opens up new avenues for exploring the specific mechanisms through which organizational culture influences performance, particularly in the unique context of start-up environments. Further research could investigate the role of specific cultural elements, such as innovation or adaptability, in driving success in different types of start-ups.

Future studies could also explore the impact of external factors, such as market conditions or technological changes, on the evolution of organizational culture in start-ups. Understanding how these external influences interact with internal cultural dynamics could provide deeper insights into how start-ups can navigate the challenges of growth and change while maintaining a strong, cohesive culture. Additionally, comparative studies across different industries or geographical regions could shed light on the cultural characteristics that are most conducive to success in various contexts.

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