

# THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE AND ORGANIZATIONAL PERFORMANCE: A STUDY ON SMES IN SAUDI ARABIA

**Yasmine Muhammed Hakami, King Faisal University**  
**Nadia A. Abdelmegeed Abdlwahed, King Faisal University**

## ABSTRACT

*Organizational culture is an emergent topic in management that has attracted the interest of researchers recently due to its positive impact on the organizational aspects. In Saudi Arabia, Small and Medium Enterprises (SMEs) still have unsatisfactory performance that led to failure in the early years. This study aims to determine the impact of organizational culture on performance in SMEs in the Saudi Arabia. For this purpose, the study used the Organizational Culture Assessment Instrument (OCAI) tool that driven from Competing Value Framework (CVF) which includes four types of cultures (clan, adhocracy, market, and hierarchy). Further, the study used a statistical and quantitative method to collect data through a questionnaire, and it used SPSS to analyze the data. A number of 43 employees from more than 30 SMEs participated in this study. The results indicate that there is a positive and direct relationship between organizational culture and organizational performance at SMEs in Saudi Arabia. This research gives insights for entrepreneurs to diagnose the type of current culture in the enterprise and the desired culture that is consistent with organizational goals and positively affects performance.*

**Keywords:** Organizational Culture, Organizational Performance, SMES, Saudi Arabia.

## INTRODUCTION

Kingdom of Saudi Arabia is witnessing a significant transformational period with promising economic developments through diversification of resources. Hence, there is an increasing interest on creative and new businesses in all industries, which requires more attention to entrepreneurship (Alessa & Alajmi, 2017). Small and Medium Enterprises (SMEs) represent one of the most vital sectors in any economy due to their significant contribution to employment and Gross Domestic (GDP) (Ayyagari et al., 2003). SMEs in Saudi Arabia contribute to the Saudi economy only by 20% to the Product GDP (Monshaat, 2020). It is a fact that entrepreneurs are focused on increasing profits and facing the high competition in the market. However, entrepreneurs usually do not pay attention to the importance of human development and cultural improvement despite its significant influence on the many organizational aspects (e.g., quality, job satisfaction, performance) (Momani, 2017). Small enterprises in Saudi Arabia were defined by Monshaat (2020) as the enterprise that has from 6 to 49 employees and from 3 to 40 million SR as revenue. While Medium enterprise is the one with 50 to 249 employees and revenue from 40 to 200 million SR. Many researchers pointed out that the success of SMEs depends on their first years in the business. Statistics show that the failure of small businesses is more than 50% in the first five years (Ahmad, 2007; Nikolić et al., 2019; Yusoff et al., 2018). SMEs in Arab

countries as emerging markets still have unsatisfactory performance. This problem could be caused by the nature, structure, and policies of Arab economics (Elasrag, 2012). However, under the global crises of COVID-19, the Saudi government presented substantial efforts to support the SME sector and prevent business failure as much as possible. Monsha'at (2020) conducted a survey to investigate the impact of COVID-19 on SMEs in Saudi Arabia. The results show that small businesses were the major beneficiary from the Saudi government initiatives at a percentage of 61% of the total SMEs. Although, SMEs' owners indicated that there is a need for additional support from the government.

Despite the notable efforts that Saudi government offers for SMEs, there are many challenges and barriers facing entrepreneurship and start-up businesses in Saudi Arabia. According to Alessa & Alajmi (2017) the main constraints include; the lack of regulation, shortage of qualified workforce, lack of management skills, and the high competition with foreign companies. Also, the enterprise is associated with the entrepreneur from financial and administrative aspects, which in many cases leads to low performance and the lack of initiatives. The effect of enterprises failure was described by Naples (1997)

*"Business failures are not just blips on the screen of economic activity that are instantaneously counteracted by business formation. They destroy jobs, and this independently contributes to economic decline... Consequently, national income falls further, and unemployment increases more drastically".*

Recently, scholars started to examine entrepreneurship from an organizational culture perspective. The enterprise culture is shaped through its external cultural constraints. Also, enterprises use their internal culture to enhance entrepreneurial culture and innovation (Lee & Chung, 2020). Lots of studies found that economic growth, prosperity, and job creation can be achieved through SMEs (Elasrag, 2012; Sabella et al. 2014; Momani, 2017; Saberi & Hamdan, 2019; Urbano et al., 2019). Therefore, scholars investigate new methods to support and improve SMEs' performance. Conveniently, organizational culture plays a critical role in the process of SME improvement. An enterprise that emphasizes its internal culture is most likely to sustain itself and succeed in highly competitive conditions (Hamdan & Alheet, 2020). However, most of the studies on organizational culture are developed in Western workplaces. In Arab countries, studies on organizational culture are very rare especially in Saudi Arabia (Ben-Saad & Abbas, 2018).

## LITERATURE REVIEW

### Entrepreneurship

Entrepreneurship refers to the emergent behaviors in organizations that drive making a difference and create new forms of doing businesses (Antoncic & Hisrich, 2004). Entrepreneurship concept appeared in the 17<sup>th</sup> century when Richard Cantillon defined an entrepreneur as a risk-taker who seeks more profits (Hébert & Link, 2009). Bull & Willard (1993) cited that Richard Cantillon in 1755, was the first who used the term entrepreneur to describe the businessman *"who exercises business judgment in the face of uncertainty"*. Jean Baptiste Say defined an entrepreneur as the leader of production and distribution, who aims to reduce designated resources while increasing the effectiveness of production (Peneder, 2009). In the 20th century, the concept of entrepreneurship was developed among management and economic scientist. Joseph Schumpeter described entrepreneurship from an innovation perspective. According to Schumpeter, an entrepreneur is the one who has the ability to find creative ways to

use the existing resources (Chipeta et al., 2016). A widely recognized definition conducted by Stevenson & Jarillo (1991) who states that entrepreneurship is *"the process by which individuals pursue opportunities without regard to resources they currently controlled"*.

## Organizational Performance

The organizational performance definition was debated among researchers, and like most of the social science definitions, it was improved and changed during different periods of time. However, recently, the definition of organizational performance focuses on the capacity and capabilities in which a firm can effectively and efficiently make use of the available resources in order to fulfill its objectives, when considering consistency and relevance with the overall structure (Jenatabadi, 2015). Also, recent studies defined organizational performance accordantly with organizational factors including human resources management, leadership style, and organizational culture (Abu-Jarad et al., 2010). Chien (2004) found that organizational performance can be determined through five main aspects, namely; job design, motivation, human resource, leadership style, and organizational culture Han et al. (1998).

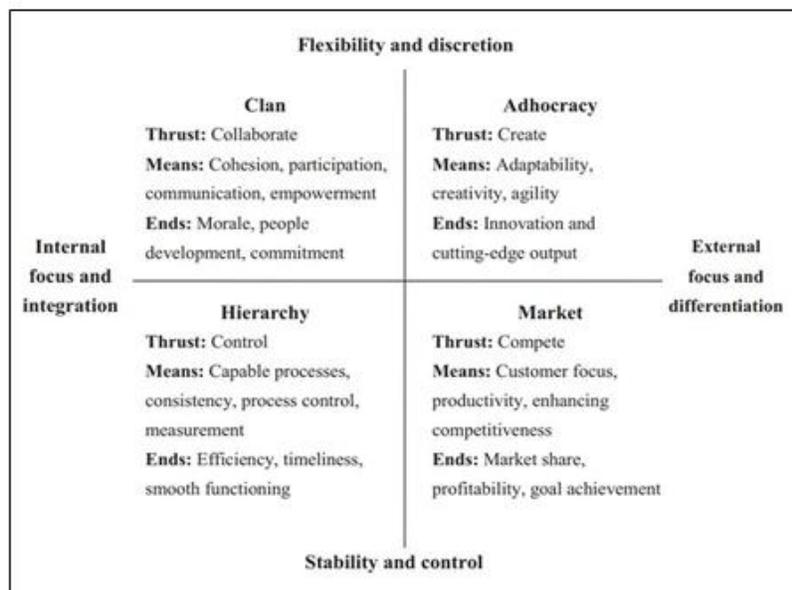
Researchers argued about the different measures of performance at SMEs. Financial aspects are usually considered the most common criteria to measure the performance of enterprises. However, non-financial factors such as pride in the job, flexibility, and personal satisfaction affect the performance of enterprises (Walker & Brown, 2004). Also, continuity of the business considered as a measurement of organizational performance. Given the difficulties of financing, high competition, and other barriers, an SME that survive and continue in the industry for three years and more considered a successful enterprise (Karadag, 2017; Lukács, 2005). Continuity was defined in 1992 by Srivastva & Fry as *"the connectedness over time among organizational efforts and a sense or experience of ongoingness that links the past to the present and the present to future hopes and ideals"*.

## Organizational Culture

Recently, researchers pay more attention to study organizational culture since it became a critical aspect of any existing organization. The term "culture" considered a broad idiom, there are around 160 definitions for culture in different contexts that used by scholars (Shaiq et al., 2011); Taylor (1958) defined culture as a *"Composite whole which includes knowledge, art, morals, law, belief, custom, and any other capabilities and habits acquired by man as a member of society"*. Hofstede (1984) defined culture as the collective programming of the mind that distinguished a group from another, which involves patterns of thinking that transferred between people. In addition, Hofstede mentioned that the cultural aspect of management should consider how people's minds are programmed according to their life experience. It is worth mentioning that Elliot Jaques was the first scientist that used the concept of the corporate culture when he published a book in 1951 titled as *"Changing Culture of a Factory"*. The book discussed many theories of culture at a manufacturing facility. Hence, it considers as a start of the concept that did not get much attention back then (Hatch, 2018). Further, organizational culture refers to the values, standards, attitudes, and beliefs that created and shared -informally- by the members inside the organization (Miron et al., 2004). It is the social norms that blind people into collective groups, simply it is *'the way things are done around here'* (Wagner et al., 2014). People who contributed on identifying the organizational culture believe that culture could be valuable for others who will come after them (Nugent & Flynn, 2020).

## Competing Value Framework (CVF)

Competing Value Framework (CVF) is a widely recognized model that has been studied by lots of scholars. The framework was used in various organizational aspects such as human resource, leadership, value creation and organizational culture. Further, CVF is currently used by hundreds of companies around the world for different purposes. According to Cameron et al. (2006): "*The Competing Value Framework serves as a map, an organizing mechanism, a sense-making device, a source of new ideas, and a learning system*". CVF was developed by Robert Quinn and John Rohrbaugh in 1983 based on the 30 effectiveness criteria that were presented by Campbell in 1977 (Yu & Wu, 2009). The last version of CVF was presented through a study titled as "Competing Values Leadership Creating Value in Organizations" by Cameron et al. (2006). The new framework is concerned about value creation, and how to present values in a high level of simplicity and complexity at the same time. According to Cameron et al. (2006) there are four types of culture inside an organization, namely, Clan culture, Adhocracy culture, Hierarchy culture, and Market culture as seen in Figure 1, the four types are compatible with the value dimensions and the management orientation in the previous CVF studies. Hamilton & Biggart (1998) found that adhocracy, clan, and market cultures have a constant positive relationship with all performance variables over the years and proved a stronger influence in that context (Quinn & Spreitzer, 1991).



**FIGURE 1**  
**COMPETING VALUE FRAMEWORK BY CAMERON et al. (2006)**

### Collaborate

Clan culture characterized by high collectivism and teamwork with fully involved and empowered employees. Leaders in the clan culture are most likely to be patient, selfless, and caring. On the other hand, they are bold, powerful, and challengers (Cameron & Quinn, 2006). According to Yu & Wu (2009) clan culture could be used as a mechanism when it is difficult to

assess the performance (e.g., working under a high level of uncertainty or complexity). A study conducted by Wagner et al. (2014) on 188 hospitals in 7 countries, found that clan culture is the dominating culture among the participated hospitals with 33% of the sample. Hartnell et al. (2011) found that clan culture has the most significant association with quality and employees' attitudes. According to Chaudhry et al. (2013) clan culture is one of the most preferred cultures among employees, where the leaders acting as mentors and emphasize on teamwork, loyalty, and long-term benefit from human resources. Clan culture is a strong force that leads and holds the organization together (Santti et al., 2017). Ližbetinová et al. (2016) found that employees appreciate having a familial culture as a dominant culture, which is one of the most critical aspects of clan culture. Further, the study pointed out that underestimating this factor will be a loss of an essential tool for success. Ogbonna & Haris (2000) found that loyalty is achieved through clan culture which, in turn, will positively impact organizational performance.

### **Research Hypothesis 1: There is a relationship between clan culture and organizational performance.**

An organization that has an adhocracy culture is capable to innovate and to adopt with the constant change in external environment. Leaders are encouraging new ideas and leading through creativity (Cameron et al., 2006). According to Yu & Wu (2009) adhocracy culture could be temporary situation when new goals emerged. Moreover, it appears in industries such consulting, software developments, space flight, and etc. According to Sulastrri & Andriani (2020) the role of the enterprise in adhocracy culture is to develop its products and services toward a leading firm in the future. Khurosani (2013) found that there is a positive and significant relationship between supporting adhocracy culture and work creativity as a moderating variable. Based on this result, Khurosani suggests that an adhocracy culture supports leaders and employees' creativity and innovation through the emphasis on freedom value. Keskin et al. (2005) examined knowledge management strategy through organizational culture as an essential precursor of the knowledge management process. The study found that adhocracy culture has positive effects on tacit-oriented knowledge management strategy. Results of a study conducted by Misigo et al. (2019) revealed that adhocracy culture has a significant association with organizational performance. Further, adhocracy, clan and market cultures had a consistently positive relationship with all the performance variables over the years and demonstrated a stronger impact in that order. Naranjo-Valencia et al. (2011) indicted that an adhocracy culture encourages innovation inside the organization.

### **Research Hypothesis 2: There is a relationship between adhocracy culture and organizational performance.**

#### **Market Culture (Compete)**

Market culture is oriented to compete within the external focus to get the largest market share and greater profits (Cameron et al., 2006). Market orientation as corporate culture is considered a key element for an enterprise to reach superior performance. The market culture emphasizes productivity, goal fulfillment, performance, and achievement values. The purpose of firms that emphasize the market culture is to pursue and fulfill well-defined goals such as financial success (Yu & Wu, 2009). There are lots of researchers investigated the impact of market orientation on the organizational performance. According to Fernandes et al. (2020)

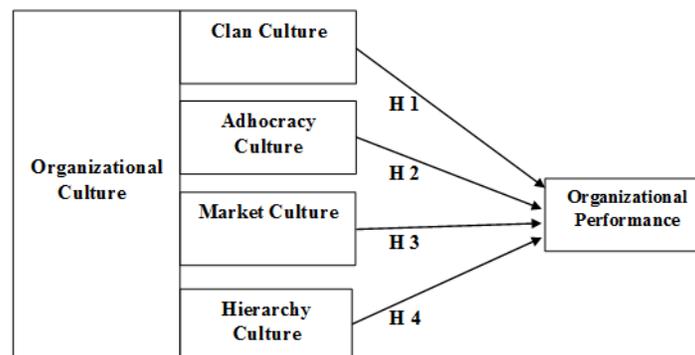
market orientation has a positive effect on international performance. Han et al. (1998) found that market-oriented firm facilitates innovation which leads to superior performance. Further, the study suggested that such strategy can be achieved through committed organizational culture. A study conducted by Kharabsheh et al. (2015) found that there is a significant relationship between market-oriented culture and organizational performance. Further, Gallagher et al. (2008) suggested that market culture is a critical factor for organizations to achieve superior financial performance. Also, Ali et al. (2020) found that market orientation is positively and significantly associated with organizational performance (Sulastri & Sulastri, 2020).

**Research Hypothesis 3: There is a relationship between market culture and organizational performance.**

### Hierarchy Culture (Control)

Leaders in the hierarchy culture act as coordinators who aim to efficiency through uniformity and timeliness. An organization with hierarchy culture is characterized by high levels of control where leaders are very coordinated and organized. The main objective will be operational effectiveness at all levels (Cameron et al., 2006). Standardization, strict control and well assigned tasks are the main factor of the hierarchy culture (Yu & Wu, 2009). Naranjo-Valencia et al. (2011) found that a firm with a hierarchy culture tends to imitate the key players in the market. On the other hand, Prajogo & McDermott (2011) presented a study that concluded hierarchy culture has a role in improving product quality, since it has high level of control. In a study conducted by Calciolari et al. (2018) the hierarchy culture is associated with better performance and higher competitiveness. Moreover, Sanner & Bunderson (2018) stated a growing number of research indicated that the right hierarchy structure helps employees to be creative and capable to learn. Also, the study explained this conclusion through the fact that with the absence of leaders and experienced employees, teams will suffer from unfocused and inefficient performance.

**Research Hypothesis 4: There is a relationship between hierarchy culture and organizational performance.**



**FIGURE 2**  
**ORGANIZATIONAL CULTURE AND ORGANIZATIONAL PERFORMANCE**

## RESEARCH MODEL

### Studies on Organizational Culture and Organizational Performance

There is lots of study that linked the culture and performance inside the organization for different purposes. According to Lim (1995) researchers assumed that the deeply rooted values in the corporate culture have a positive impact on organizational performance. A study conducted by Nikpour (2017) found that organizational culture has indirect effect on organizational performance through employee's commitment. Another study presented by Acar & Acar (2014) found that organizational culture with its different types have a direct or indirect impact on organizational performance in healthcare sector. This study agrees with Zhang & Zhu (2012) research which concluded that organizational culture has many types that positively or negatively affect performance, weather it is financial, market or organizational performance. Kismono & Ramadista (2020) found that organizational culture has an impact on organizational performance through human resource management practices. Also, Tasmin (2020) found that there is a positive impact of knowledge management on organizational performance, where the culture has an insignificant influence between the two variables. On the other hand, Mona & Subagja (2020) indicated that there is an impact of leadership style as a cultural variable on organizational performance, with emotional intelligence as an intervening variable. Bashayreh (2019) suggested that enterprises should consider organizational culture as an important part of success in the dynamic market. Also, Bashayreh's study found that there are different effects of organizational culture on enterprises performance. Alghamdi (2018) found that Total Quality Management (TQM) and organizational culture are positively and significantly related to organizational performance. Moreover, organizational performance is associated with financial performance. Hence, there are many studies confirmed that there is an impact of organizational culture on financial performance (Ali et al., 2017; Yesil & Kaya, 2013; Flamholtz, 2001).

## METHODOLOGY

In the area of organizational culture studies, there are many frameworks, models and method used to identify and measure the culture inside an organization. This study used OCAI as a research method, the instrument proved its validity and it has been examined and used by a lot of researchers (e.g., Van Huy, 2020; Andreou et al., 2020; Aziz et al., 2020; Choi et al., 2010; Heritage et al., 2014; Ližbetinová et al., 2016). Nowadays, the instrument is used by managers as one of the main methods to identify the current and desire cultural type in the enterprise. Also, there are many businesses that offer the instrument for enterprises as a paid service (e.g., OCAI online).

### Organizational Culture Assessment Instrument (OCAI)

Quinn et al. (1991); Cameron & Quinn (2006) developed the OCAI to diagnose and identify the culture type in the organization. The tool is constructed according to CVF and it aims to assist leaders to make initiatives for changing the organizational culture accordantly with future goals. The instrument defines the organizational culture to ensure that the culture is clear from the employees' side, after that, the firm should decide whether the change is needed or not. Employees involvement must be done from all levels across the enterprise in the cultural change decision. The results will make value creation process is a possible and achievable goal

(Cameron et al., 2006). The research applies the quantitative research method using a questionnaire contains organizational performance and organizational culture measures. The performance will be measured according to six questions published by Nielsen et al. (2011) and Maktabi & Khazaei (2014). While the culture will be defined using OCAI with 24 questions for organizational culture types (Clan, Adhocracy, Market, and Hierarchy Culture) classified under 6 dimensions for each type, namely; *Dominant Characteristics, Organizational Leadership, Management of Employees, Organizational Glue, Strategic emphasize and Criteria of success*. The questionnaire adopted a 5-point Likert scale. Each statement required participants to score their agreement level (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5=strongly agree). The research population includes 43 employees from different levels at SMEs in Saudi Arabia as a representative sample.

## RESULTS

The collected data was analyzed using IBM SPSS V26. Alpha Cronbach test was employed to check the reliability of questionnaire for statistical analysis. Descriptive statistics was used to find which includes the mean and the standard deviation for continuous variables, while the frequency distributions was used to examine the categorical variables. Apart from that, some of the tests of Inferential Statistics such as correlation was used to examine the hypotheses and finding out the relationship among different variables.

### Reliability Analysis

Alpha Cronbach test is used to check the reliability of the response received for a survey. Table 1 shows the Rule of thumb for the interpretation of Alpha Cronbach test score (Habidin et al., 2015).

<b>Cronbach's Alpha</b>	<b>Internal Consistency</b>
$\alpha \geq 0.90$	Excellent
$0.80 \leq \alpha < 0.90$	Good
$0.70 \leq \alpha < 0.80$	Acceptable
$0.60 \leq \alpha < 0.70$	Questionable
$0.50 \leq \alpha < 0.60$	Poor
$\alpha < 0.50$	Unacceptable

Table 2 shows the results of Alpha Cronbach test for each question type of the questionnaire used in this study.

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Number of Items</b>
Clan culture	0.773	6
Adhocracy culture	0.859	6
Market culture	0.906	6
Hierarchy culture	0.796	6
Organizational Performance	0.93	6

Alpha Cronbach test value of all survey elements is greater than 0.7. Hence, all questionnaire elements are reliable for statistical analysis.

### Descriptive Statistics

This section will discuss demographic information of the survey participants and the mean and the standard deviation value of the questionnaire elements. Table 3 shows the demographic information of the survey.

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	11	25.6
Female	32	74.4
<b>Age Categories</b>		
18-24	3	7.0
25-34	34	79.1
35-44	5	11.6
45-54	1	2.3
<b>Nationality</b>		
Saudi	42	97.7
Non-Saudi	1	2.3
<b>Years of experience</b>		
>10 years	3	7.0
<5 years	31	72.1
From 5 to 10 years	9	20.9
<b>Educational level</b>		
Master or above	5	11.6
Bachelor	33	76.7
Diploma	3	7.0
High school or below	2	4.7

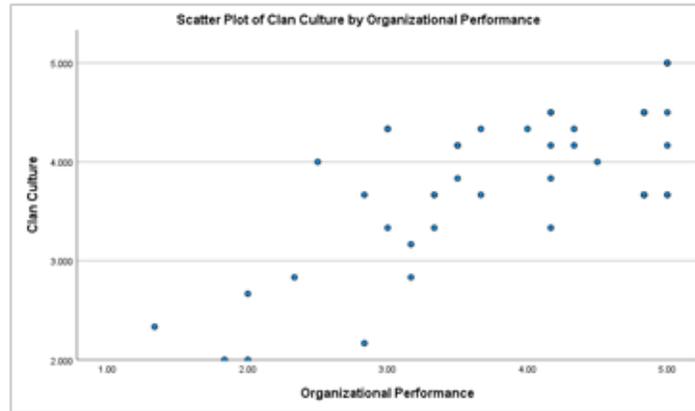
### Inferential Statistics

$H_1$ : *There is a relationship between clan culture and organizational performance*

<b>Coefficients<sup>a</sup></b>					
<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1 (Constant)	0.137	0.551		0.249	0.805
Clan Culture	0.962	0.142	0.726	6.758	0.000

*a. Dependent Variable: Organizational Performance*

Given that the estimated coefficient is positive, the relationship between clan culture and organizational performance is direct. The Scatter Plot in Figure 2 illustrates the nature of the relationship between the variables (Clan Culture and Organizational Performance) (Tables 4&5).



**FIGURE 2**  
**SCATTER PLOT CLAN CULTURE AND ORGANIZATIONAL PERFORMANCE**

*H<sub>2</sub>: There is a relationship between adhocracy culture and organizational performance*

Table 5						
COEFFICIENTS						
Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	0.929	0.465		1.996	0.053
	Adhocracy Culture	0.775	0.122	0.703	6.330	0.000

*a. Dependent Variable: Organizational Performance*



**FIGURE 3**  
**SCATTER PLOT: ADHOCRACY CULTURE AND ORGANIZATIONAL PERFORMANCE**

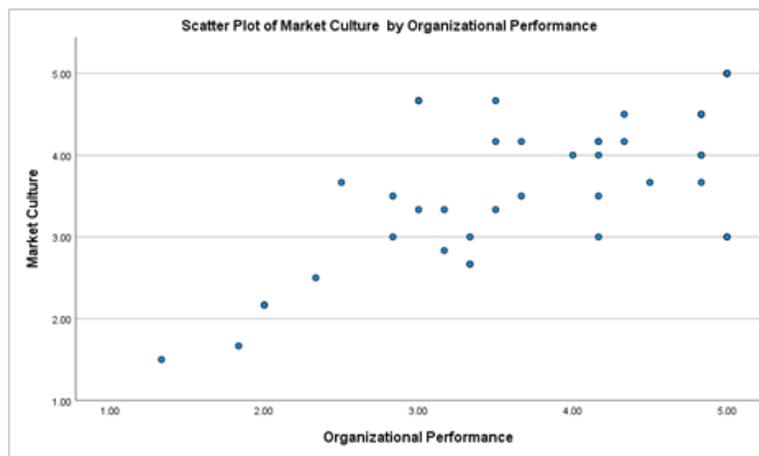
Furthermore, since the estimated coefficient is positive, the relationship between adhocracy culture and organizational performance is direct. The Scatter Plot in Figure 3 illustrates the nature of the relationship between the two variables (adhocracy culture and

organizational performance) shows in Table 6&7.

*H<sub>3</sub>: There is a relationship between market culture and organizational performance*

Table 6 COEFFICIENTS							
Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	0.929	0.465		1.996	0.053		
Market Culture	0.775	0.122	0.703	6.330	0.000	1.000	1.000

a. Dependent Variable: Organizational Performance



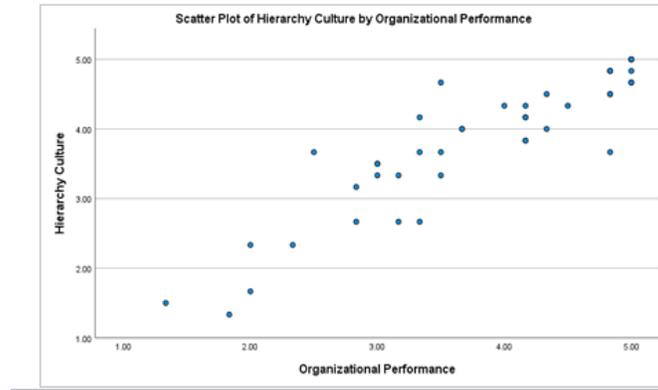
**FIGURE 4  
SCATTER PLOT–MARKET CULTURE AND ORGANIZATIONAL PERFORMANCE**

Furthermore, given that the estimated coefficient is positive, the relationship between market culture and organizational performance is direct. The Scatter Plot in Figure 4 illustrates the nature of the relationship between the two variables.

*H<sub>4</sub>: There is relationship between hierarchy culture and organizational performance*

Table 7 COEFFICIENTS							
Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	0.187	0.273		0.685	0.497		
Hierarchy Culture	0.944	0.069	0.905	13.618	0.000	1.000	1.000

a. Dependent Variable: Organizational Performance



**FIGURE 5**  
**SCATTER PLOT – HIERARCHY CULTURE AND ORGANIZATIONAL PERFORMANCE**

Furthermore, given that the estimated coefficient is positive, the relationship between hierarchy culture and organizational performance is direct. The Scatter Plot in Figure 5 illustrates the nature of the relationship between the variables shows in Table 8.

<b>Table 8</b>						
<b>CORRELATION</b>						
<b>Correlations</b>						
		<b>Clan Culture</b>	<b>Adhocracy Culture</b>	<b>Market Culture</b>	<b>Hierarchy Culture</b>	<b>Organizational Performance</b>
Clan Culture	Pearson Correlation		0.894 <sup>**</sup>	0.894 <sup>**</sup>	0.845 <sup>**</sup>	0.726 <sup>**</sup>
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N		43	43	43	43
Adhocracy Culture	Pearson Correlation			1.000 <sup>**</sup>	0.799 <sup>**</sup>	0.703 <sup>**</sup>
	Sig. (2-tailed)			0.000	0.000	0.000
Market Culture	Pearson Correlation				0.799 <sup>**</sup>	0.703 <sup>**</sup>
	Sig. (2-tailed)				0.000	0.000
Hierarchy Culture	Pearson Correlation					0.905 <sup>**</sup>
	Sig. (2-tailed)					0.000
Organizational Performance	Pearson Correlation					
	Sig. (2-tailed)					

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

Table 8 shows correlation values between different variables of interest. Correlation values between all culture types and organizational performance are greater than 0.70, which represents a strong positive correlation.

## DISCUSSION

The research aimed to examine whether, or not organizational culture has a positive impact on organizational performance in SMEs in Saudi Arabia the study used CVF for the cultural types' diagnosis. The independent variables are clan, adhocracy, market, and hierarchy cultures. While the dependent variable of the study is the organizational performance of the SMEs. According to the results of this study, and as summarized in Table 9, all the four hypotheses was supported statistically. This result is supported by Hamilton & Biggart (1998) study, which found that all the four types have a positive impact on performance. This study also found that the hierarchy culture has the highest impact on performance with a coefficient of determination ( $R^2$ ) equal to .819. Followed by clan culture (0.527), then adhocracy and market culture at the same value of .494. However, the difference between regression values is not statistically significant. Further, the results are supported and consistent with the previous studies. In the clan culture, Ogbonna & Haris (2000) found that loyalty is an important value for employees, and it could be created through clan culture. This, in turn, will positively impact the organizational performance. Further, the positive impact of the adhocracy culture was proved by Misigo et al. (2019) study shows in Table 9.

The study revealed that adhocracy culture has a significant association with organizational performance. Ali et al. (2020) found that market orientation is positively and significantly associated with organizational performance Cameron et al. (2006). Also, Fernandes et al. (2020) indicated that market culture has a positive impact on the performance. Sanner & Bunderson (2018) suggested that hierarchy culture help to organized work groups and coordinate tasks, which will positively impact the organizational performance. Hierarchy culture was also proved its positive impact on performance by Calciolari et al. (2018).

<b>Hypotheses</b>	<b>Supported/ Unsupported</b>	<b>Statistical Analysis</b>	<b>Previous Studies</b>
<i>H<sub>1</sub>: There is a relationship between clan culture and organizational performance.</i>	Supported	P < 0.001 $\beta = 0.726$ t = 6.758 $R^2 = 0.527$	Ogbonna & Haris (2000)
<i>H<sub>2</sub>: There is a relationship between adhocracy culture and organizational performance.</i>	Supported	P < 0.001 $\beta = 0.703$ t = 6.33 $R^2 = 0.494$	Misigo et al. (2019)
<i>H<sub>3</sub>: There is a relationship between market culture and organizational performance.</i>	Supported	P < 0.001 $\beta = 0.703$ t = 6.33 $R^2 = 0.494$	Fernandes et al. (2020) Ali & Gorondutse (2020)
<i>H<sub>4</sub>: There is a relationship between hierarchy culture and organizational performance.</i>	Supported	P < 0.001 $\beta = 0.905$ t = 13.61 $R^2 = 0.819$	Calciolari & Lega (2018) Sanner & Bunderson (2018).

## CONCLUSION

Organizational culture is an emergent concept that has been investigated by lots of

scholars in the last three decades. This study aimed to explore the impact of organizational culture on organizational performance on SMEs in Saudi Arabia considering them a critical element of the economy. The unsatisfactory performance of SMEs noted in Saudi Arabia drives researchers to provide different methods that help SMEs to sustain and survive in the challenging market. For this purpose, this research used the four types of culture indicated to find the impact on organizational performance. The study found that all types (clan, market, adhocracy, hierarchy) have a positive impact on organizational performance. However, hierarchy culture has the most significant impact on performance, followed by the clan and finally adhocracy and market at the same statistical values. Also, the literature review supports these findings as many researchers investigated the same variables in different contexts.

This research provides some insights for SMEs that help to enhance their performance. The organizational culture is not only about providing a positive environment for employees, rather, it can also be used as a tool to direct the organization towards its purpose through creating deep-rooted values. Managers, leaders, business owners, and entrepreneurs should find the right culture type that fits their strategy and objectives. The OCAI is an effective instrument that proved its validity to identify the cultural type in organizations. Once the cultural type is identified, it should be examined in terms of performance to find the positive or the negative impact. and finally, making the necessary changes that shape the desired culture.

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**Received:** 06-Apr-2022, Manuscript No. AEJ-22-11704; **Editor assigned:** 07-Apr-2022, PreQC No. AEJ-22-11704(PQ); **Reviewed:** 18-Apr-2022, QC No. AEJ-22-11704; **Revised:** 22-Apr-2022, Manuscript No. AEJ-22-11704(R); **Published:** 26-Apr-2022