Chapter 16
Unifying a Framework of Organizational Culture, Organizational Climate, Knowledge Management, and Job Performance

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ABSTRACT

This chapter introduces the framework and causal model of organizational culture, organizational climate, knowledge management, and job performance related to business process orientation. It argues that dimensions of organizational culture, organizational climate, and knowledge management have mediated positive effect on job performance. Knowledge management positively mediates the relationships between organizational culture and job performance and between organizational climate and job performance. Organizational culture is positively related to organizational climate. Furthermore, the author hopes that understanding the theoretical constructs of organizational culture, organizational climate, knowledge management, and job performance through the use of the framework and causal model will not only inform researchers of a better design for studying organizational culture, organizational climate, knowledge management, and job performance, but also assist in the understanding of intricate relationships between different factors.

INTRODUCTION

Organizational effectiveness (i.e., job performance and productivity) depends on business processes designed from a stakeholder perspective (Siemieniuch & Sinclair, 2002). Consequently, improvement of the process design is the key to improve business performance (Hammer, 2007a). Business process orientation is defined as a process oriented thinking and management of organization emphasizing

process outputs and customer satisfaction (Hinterhuber, 1995; McCormack, 2007). The concept of business process orientation consists of seven components (Kohlbacher & Gruenwald, 2011): design and documentation of business processes, management commitment toward process orientation, process ownership, process performance measurement, corporate culture in line with the process approach, application of continuous process improvement methodologies, and process-oriented organizational structure. Business process orientation introduces transparency in the organization (Kohlbacher, 2009). Furthermore, the more business process oriented an organization is, the better it performs both from an overall perspective as well as from the perspective of the employees (McCormack et al., 2003).

Likewise, there is a strong relationship between business process orientation and organizational performance (McCormack & Johnson, 2001). The effects of business process orientation on organizational performance are the speed improvements, increasing of customer satisfaction, improvement of quality, reduction of cost, and improvement of financial performance, respectively (Kohlbacher, 2010). By discovering and analyzing an organization's business processes, non-value adding activities are easily detected (Kohlbacher, 2009). The elimination of non-value adding activities should lead to cost reductions which in turn should lead to improved job performance (Kohlbacher, 2009). Furthermore, Hammer (2007b) stated that business process orientation leads to better financial performance. The results of the empirical study of McCormack and Johnson (2001) provided evidence that business process orientation helps companies to improve business performance and reduce inter-functional conflict. Business process orientation also involves cultural aspects (Hinterhuber, 1995). The cultural fit is an important issue since people and processes must combine to produce output (Armistead & Machin, 1997).

Only an organizational culture based on teamwork, willingness to change, customer orientation, personal accountability, and a cooperative leadership style goes hand in hand with the process approach (Hammer, 2007b). Hammer (2007b) and Hinterhuber (1995) indicated that the business process orientation leads to higher product quality. A focus on organizational processes has increased in managerial practice (Benner & Veloso, 2008). Business process orientation can be interpreted as the organizational effort required to make business processes the platform for organizational structure and strategic planning (Reijers, 2006; Sabherwal et al., 2001). Furthermore, the aspect of business process orientation is to help firms gain competitive advantage, and, as such, managers facing organizational problems may adopt process management practices as a response to these problems (Kohlbacher & Gruenwald, 2011). The empirical study of Ittner and Larcker (1997) revealed that certain business process management methods improve profitability. Case study research, carried out by Ku¨ng and Hagen (2007) uncovers a positive relationship between business process orientation and product quality.

It is widely accepted that shifting to business process orientation can help firms yield extraordinary performance improvements, as quality increase, satisfaction enhancement, procedure optimization and cross-functional connectedness increment, through rethinking and reengineering of their core businesses (Hammer, 2007b; Kohlbacher, 2010; McCormack & Johnson, 2001). Extensive literature showed that business process orientation consists of a change in structure, focus, management, and culture of a company (Hammer, 2007b; Kohlbacher, 2010; McCormack & Johnson, 2001), which in turn effects the way and environment of employee's work. In process-oriented organizations, employees are able to make the improvement and innovation decision through their group works (Axtell et al., 2000). According to Avery (2004), leaders can affect followers and performance indirectly by actions such as creating

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