

## Cultivating Virtual Success: Exploring the Influence of Organizational Culture on Employee Performance

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### Abstract

Organizational culture is a crucial player in organizational performance. It impacts the ability of employees and leaders dramatically in fulfilling their roles. Adding to this, the virtual context of the global situation expedited its implementation is jeopardizing the organizations' success. Succeeding in managing the impact of virtual settings in organizational culture requires strategies that will lay the foundations for a positive organizational culture in a virtual setting that enables leaders to be more effective in virtual settings and practice their rules as influencers and drivers of success. It was indicated that organizational culture plays an important role in employees' performance throughout the virtual setting, especially during the pandemic. However, there is still a research gap in the impact of organizational culture on employee performance in the virtual setting. A review of literature related to organizational culture, employee performance, and virtual settings was conducted by analyzing different research papers and articles. The result revealed that organizations should promote trust-building behaviors to build a positive culture and strengthen the bonding and dynamics of teams in virtual settings. Indeed, it is important to ensure that leaders have adequate competencies, skills, and techniques. The challenges and styles of leading in a virtual setting require training and development to be an effective leader who manages to achieve organizational targets. Due to the swift transition to a virtual working environment globally, it is critical to understand how employee performance and leaders are impacted by the new working arrangement.

**Keywords:** Virtual Setting, Organizational Culture, Virtual Leadership, Performance Outcomes

## **Introduction**

The swift implementation of remote working during the COVID-19 pandemic has transformed the work environment and had a lasting effect on them. Even though virtual work had been implemented before the pandemic, the magnitude and the speed of transformation were unpredictable to many organizations and governments. Furthermore, many organizations adopted the model of virtual working and continue working on it after the pandemic. This led to an increase in employees working remotely and even some living in different countries. This transition makes changes to organizational culture. Employees in virtual settings have a high dependency on technology as a means of communication and less face-to-face interaction. Kim has expressed that in virtual settings where communication is a single point of failure for a leader and more complex, the organizational culture has become a more critical role in the success of leaders (Kim, 2020). Organizations need to understand the impact of a virtual working environment. Organizational culture is defined as the common values and belief systems within the organization. Furthermore, it can be defined as the shared formal and informal values, beliefs, and norms in the organization. According to a survey of thousand three hundred and forty-eight CEOs and CFOs, 90% of them defined organizational culture as values and norms (Graham, 2017). Organizational culture plays a fundamental role in influencing and encompassing the employees and their attitudes, decisions, and performance. This has been studied extensively however the virtual environment and organizational culture are relatively new.

The objective of this review paper is to study the current literature on the impact of virtual settings on organizational culture and its influence on organizational outcomes. Existing studies will guide and support reaching insightful conclusions about the impact of organizational culture in virtual settings and how it influences organizational culture and organizational outcomes. This understanding is highly needed by organizations today to ensure the proper management of the organizational culture and maintain it as a positive culture to ensure employees' loyalty, trust, and shared objectives among all teams within the organizations. Therefore, support reaching and even exceeding the higher organizational performance goals and planned objectives. By focusing on the virtual environment and the relationship between organizational culture and outcomes, this paper intends to identify valuable understandings and guidance to organizations in minimizing and managing the challenges imposed by the virtual environment on organizational culture. To deliver that this paper followed a structured approach represented in the following order: (1) Impact of Organizational Culture in a virtual setting, (2) Positive Organizational Culture foundations, (3) Gaps and future directions, (4) Positive Culture development strategies.

## **Literature Review**

### **The Impact of Organizational Culture in Virtual Settings**

Organizations differ in many aspects due to size, location, industry, type, employees, and the list goes on. These differences combined evolve into creating a culture for each organization. Furthermore, organizational culture is the combination of the effects of the differences. Organizational culture can be defined as a system of shared meaning held by members that distinguishes the organization from others. Organizational culture is an embedded form of acceptable social form that influences decisions and behavior within an organization

(AlYalaylah et al., 2016). The most critical aspect of virtual settings is the absenteeism of face-to-face interaction. Gibson indicated that communication dependency that selecting the right tool could mitigate and minimize the high risk of misunderstanding in a virtual setting (Gibson & Cohen, 2018). Furthermore, Kock indicated the absence of body language and physical expression combines a virtual setting with communication ambiguity (Kock, 2018). Team building in a virtual setting is dependent on communication tools and informal relationships are difficult to establish according to Crampton which could impact the process of trust building in a virtual setting (Crampton & Wagner, 2021). This leads to unusual conditions for leaders to lead in a virtual setting. Leaders need to adopt new styles and traits to influence virtual teams. Peter indicated that virtual leaders focus on results rather than on physical presence influences (Peters & Manz, 2008).

It is fundamental to state the major differences between virtual and face-to-face organizational culture. A case study conducted by Horst et al (2019) attempted to find the major differences between the two working conditions. It found out that there are major differences in both cultures. Due to the dependency on technology, in a virtual setting communication relies on written communication which has challenges. Furthermore, relationship building is not as easy as face-to-face and requires effort and planning from team members. Moreover, the study found that organizational culture in virtual settings has its norms and values that evolve from the unique challenges of virtual settings. Surprisingly, the study found that virtual teams developed better agility and learners in adopting virtual settings. The study emphasized the importance of writing skills in virtual teams and focused on team-building activities to be able to be productive and effective in a virtual setting.

Common norms and values define the organization's culture. A study by Lee and Kim examined the role of shared values on team performance in virtual settings. The study concluded that when there is an integrated and aligned values and norms teams can have stronger cohesion and work collaboration. That leads to better performance and team outcomes (Kim, 2020). This shows the criticality and importance of building and incorporating shared values, objectives, purpose, and norms in virtual teams to increase the chances of success and better organizational meeting organizational targeted performance. Examining the impact of leadership styles in virtual settings, a study by Smith (2022) investigated the relationship between leadership behaviors, organizational culture, and employee well-being. The research revealed that leaders who exhibited transformational leadership behaviors, such as providing support, setting clear expectations, and fostering a positive work environment, contributed to the development of positive virtual clear objectives and employee support in building a positive culture in virtual settings. To build a positive culture within organizations, it is crucial to set clear expectations for employees and provide them with the required support. Transformational leadership style is effective in enabling a positive culture in a virtual setting (Smith, 2022).

In the search of what is the impact of organizational culture in a virtual setting, Wang conducted a study to evaluate and understand the impact of organizational culture in a virtual setting. Their study concluded that poor management of cultural diversity could lead to defragmented teams because of ineffective communications and dysfunction due to misunderstanding and misalignment of teams' efforts (Wang, 2020). On the other hand, effective cultural diversity management leads to effective decision-making accompanied by effective problem-solving with high creativity and team performance. A well-known theory of organizational culture is Hofstede's Cultural Dimensions Theory. Zhang investigated the differences in collaboration in the USA and China utilizing the Cultural Dimensions Theory. The

study concluded that cultural dimensions have a direct effect on communication patterns, trust-building, conflict resolution, and decision-making within virtual teams. In summary, the literature highlighted the virtual setting's unique characters and their impact on the holistic perspective of the organization. Furthermore, the literature highlighted the effects of organizational culture in virtual settings and demonstrates the important roles and its influence on standardizing values and norms.

Table 2.1

*Relevant Leadership Theories Related to Virtual Leadership*

<b>Theory</b>	<b>Author</b>	<b>Leadership related to Virtual Leadership</b>
Trait Theory	Stogdill 1948.	people's personality and cognitive qualities predispose them to success in leadership roles
Situational Theory	Paul Hersey and Ken Blanchard 1979	a particular situation determines the adopted leadership style
Contingency Theory	Fred Fiedler 1960	a leader's effectiveness is contingent upon the leader's style matching a situation
Path-Goal Theory	Robert House 1971	a leader's ability to motivate followers showing them the path towards the attainment of desirable goals
Transactional Theory	Max Weber 1947	focuses on the exchange and the leader's setting of expectations and consequences
Transformational Theory	James MacGregor Burns 1978	leader's ability to engage and connect with followers to reach individuals' maximum efforts
Servant Theory	R. Greenleaf 1970	the leader as a servant first
Dual-Core Theory	David Day 2000	a leader must balance between task capabilities and the human side. The task is about setting targets, processes, and performance. human side is about the relationship of the team such as developing trust and team building.

Furthermore, the literature review showed the importance of organizational culture in building trust horizontally or vertically in the organization therefore influencing leaders' behaviors and teams' relationships such as teams' performance, satisfaction, creativity, and innovation. The major takeout is the criticality of building a positive culture to meet and exceed performance targets through building a positive organizational culture that enhance and enable the identification and unification of values, norm, and effective leadership grounds. The findings emphasize the importance of building a positive virtual culture that promotes shared values, effective communication, trust, and inclusive leadership. However, further research is needed to explore organizational culture in the virtual world and understand the impact of virtual environments on organizational culture and how it is different from face-to-face environments. The virtual environment has its challenges that add to the challenge or current business world challenges. How leaders could adapt to a virtual environment to ensure a positive culture is needed research now more than any time before due to the exponential implementation of virtual work in recent years.

**Positive Organizational Culture Foundations**

Literature reviews on organizational culture in virtual settings have shown the importance of critical aspects related to creating positive organizational culture in virtual settings. To overcome some of the unique challenges and characteristics of virtual settings the following aspects are crucial for creating a positive culture. The key theme that enables the organization to develop an effective organizational culture is leaders must play a crucial role in organizational culture. The relationship is described to be mutual as leadership influences organizational culture and vice versa. Organizational culture affects leaders' styles, characteristics, decision-making mechanisms, and degree of authority of leaders (Durate & Snyder, 2013). Organizational Culture represented by values, norms, organizational politics, and team dynamics affects leaders' behaviors and decision-making mechanisms. Leaders who are more aware of cultural elements that influence their effectiveness within their team are more likely to be successful in obtaining the performance objectives and targets. The more they are aware the better the management of the culture within their teams and the organizational culture surrounding their teams. One of the biggest challenges of the virtual environment is the uncontrolled environment of teams such as geographical location, time zone, and office environment (home, café, hotel room). This makes it difficult to create a unified sense of belonging to a team. Organizational culture influences the formation of team cohesion and shared identity among virtual team members (Maznevski, 2000).

A more comprehensive study done by (WELTE, 2021) found that team building goes through the same cycle as Tuckman's team building theory, however, it is much slower in a virtual setting by almost 6 months. This slow progression affects the achievements of the team. Effective leaders consider the impacts of virtual settings in their team's development and need to overcome this progression to ensure efficient utilization of all team members. Trust is one of the most critical elements for virtual teams. Due to the nature of less face-to-face time, trust among teams and team members is crucial for achieving the required outcomes. In a virtual environment, organizational culture is a critical player in developing positive relationships of trust among the teams (Jarvenpaa, 1999). The values that enable the construction of trust are accountability, integrity, and transparency. A virtual environment requires teams to have trust in each other or work integration and meeting deadlines would be a serious challenge. To build a strong trust culture, clear communication, honesty, mutual respect, and sharing a common goal are fundamental blocks in trust construction and effective team building. The ability to innovate and agility are essential success factors in virtual settings. Organizational culture enables the creativity and agility of virtual teams (Purvanova, 2009). Organizational culture contributes to the creativity of virtual teams through the values of openness, risk-taking, support, and cohesive teams.

Furthermore, agile organizations that have the aptitude for continuous improvement, adaptability, and eagerness for learning are more effective in a virtual environment. If there is a single point of failure in a virtual setting, it would be Communication. It has one mode of communication which is reliance on technology as the only mode of communication. In the literature review, it has been seen that organizational culture in a virtual setting has a tremendous influence on communication patterns and therefore team cohesion, trust, leadership style, and creativity (Hertel, 2019). The organization culture controls the available communication modes acceptable frequency, duration, and time of communication. Effective communication practice leads to better understanding among teams and fostering a positive culture. Virtual teams who practice transparent and open communication are more likely to deliver and achieve planned outcomes. Virtual Leaders who acknowledge and

understand the importance of communication, building trust, promoting creativity, and team-building dynamics in virtual settings have a competitive edge compared to others. Leaders and organizations should seek to develop strategies and actions focusing on these themes to build and institute a positive virtual culture. An organization with a positive culture will have more effective and collaborative teams that will eventually lead to better organizational performance and agility toward the frequent changes in the world of business.

### Gaps and Future Directions

Since the virtual environment is relatively new in terms of implementation, it is understandable that there is still much research that needs to be conducted to broaden the body of knowledge of virtual organization's culture. Some areas have been studied and need further study and others where no effort has been made yet to understand it in the context of a virtual work environment. Organizational culture is adopted and developed because of multiple factors. One critical factor is the national culture of the society and how it influences the organizational organization. There have been many studies from person to person about the effect of national culture. In a virtual setting, this is not the case, current research has a major gap in examining the adaptation of virtual organizational culture that enables the organization to accommodate diverse cultural backgrounds (Ertmer et al., 2019). It is crucial to understand and search for common and shared virtual culture developed in the organization in a virtual working environment with so many cultures that have little interaction time face to face. Most studies related to organizational culture in virtual settings are for short-term periods. There is a lack of evidence of the long-term effect of organizational culture in a virtual setting (Espinosa, 2021). Hofstede (1982) introduced four dimensions of national culture at the beginning then added one more later as shown in Figure 3.0.

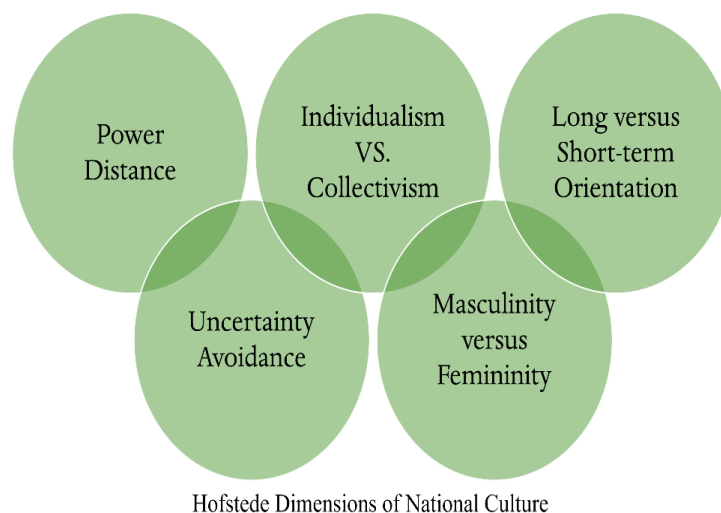


Figure 3.0: Hofstede Dimensions of National and Organizational Culture

It is crucial to research and understand the sustainability of a positive culture in the organization. It supports organizations and leaders to plan for long-term goals and success and enables them to intervene and support to develop strategies to sustain the positive culture if needed. Leadership in a virtual setting is not identical to organizational culture. There is a huge gap in research on virtual leadership and its relationship with organizational



culture compared to ordinary. It is crucial to research and understand the sustainability of a positive culture in the organization. It supports organizations and leaders to plan for long-term goals and success and enables them to intervene and support to develop strategies to sustain the positive culture if needed. Leadership in a virtual setting is not identical to organizational culture. There is a huge gap in research on virtual leadership and its relationship with organizational culture compared to ordinary leadership. According to Lovelace, there is a gap in how leadership actions correlate with organizational culture in a virtual setting (Lovelace et al., 2019). Leaders as a creator, vehicle, and influenced by organizational culture is a major gap in this literature review. Identifying the relationship of leadership behaviors and their relationship with organizational culture is crucial for the creation of a positive culture that leads to optimum performance.

### **Positive Culture Development Strategies**

The research on organizational culture in virtual settings has shown critical focus and practical implications to guide organizations for optimum results in virtual settings. An organization must manage its culture through means such as strategies, policies, or even procedures that aim to build, manage, and sustain a positive culture in virtual settings. Communication is one of the most important factors in a virtual setting. As communication is dependent on technology there is minimum human interaction and the room for miscommunication is much bigger than in face-to-face. To ensure and embrace a positive culture, organizations must invest in communication technologies that foster and facilitate communication (Gibson & Cohen, 2018). The focus should be to utilize the most effective communication technology that can enable a positive culture and develop supporting mechanisms within it. There should be a holistic and integrated management system focused on communication and how teams should communicate to build and sustain a positive culture.

Due to the limited interaction and minimum observation among teams in a virtual setting, the team's and organizational success must have high trust in their culture. Trust-building activities, mechanisms, and events should be encouraged in virtual settings (O'Leary, 2020). The trust element ensures the continuation and integration of work processes. Organizations should promote trust-building behaviors and not tolerate actions that damage trust among teams. Trust contributes to the building of a positive culture and strengthens the bonding and dynamics of teams in virtual settings. Leadership development plans to adopt virtual settings are a must for organizations soon. Entities must invest in the development of their leaders to be effective leaders in virtual settings (Avolio, 2016). Leaders are the implementers and orchestrators of all the plans within the organization. Regardless of all the holistic and systemic approaches the organization plans to implement, if the drivers are not ready, the implementation will suffer. This is the reason why it is important to have leaders ready to lead in virtual settings. Simultaneously, it is important to ensure that leaders have adequate competencies, skills, and techniques. The challenges and styles of leading in a virtual setting are not the same as in other contexts and require training and development to be an effective leader who manages to achieve organizational targets.

### **Conclusion**

In conclusion, this review paper has examined organizational culture in virtual settings. It is evident from the review that organizational culture has a strong impact on influencing organizational performance. Creating a positive culture should be a target for all

organizations in a virtual setting. It can easily be concluded that organizational culture in a virtual setting has a high impact on organizational performance. The review also showed that there are high gaps in current studies that need to be addressed by future studies.

The review also showed that there are high gaps in current studies that need to be addressed by future studies. Furthermore, practical implications where the most focus should be given to communication management and leadership development programs. The success of an organization in the virtual era depends on its ability to promote trust-building behaviors to build a positive culture and strengthen the bonding and dynamics of its teams. Another critical factor is the availability and continuous development of leaders who have adequate competencies, skills, and techniques. On top of that is the utilization of the right technology systems that fit the organization's unique requirements and within the organization's financial abilities. As the implementation of virtual settings expands and more knowledge is gained, future studies might reveal more challenges, benefits, or drivers of success in virtual settings. Future studies must examine the long-term impact of virtual settings on organizations, especially the organization cultures as it is within the core elements of the success of any organization.

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