



**RESEARCH PAPER**

**The Mediating Impact of Organizational Culture on the Association between Performance Management and Employee Retention in Private Commercial Banks of Pakistan**

**<sup>1</sup>M. Rafique Shaikh\* <sup>2</sup>Dr. Raheem Bux Soomro**

1. PhD Scholar, Institute of Business Administration, Main campus, Shah Abdul Latif University Khairpur, Sindh, Pakistan
2. Professor, Institute of Business Administration, Main campus, Shah Abdul Latif University Khairpur, Sindh, Pakistan

**\*Corresponding Author:** [m.rafique.1986@gmail.com](mailto:m.rafique.1986@gmail.com)

**ABSTRACT**

The purpose of this research was to develop the association between performance management & employee retention, organizational culture as mediators among private commercial banks of Larkana and Sukkur, Sindh Pakistan. The data collection was through a structured questionnaire which was distributed by hand and HR process among 300 employees in private commercial banks. A total of 350 questionnaires were distributed and returned out of 300 were completely filled that were used to perform regression analysis which recommended a positive relationship between performance management & employee retention. The findings indicated that the identified organizational culture did play a mediating role on performance management & employee retention of banking employees. As suggested by our finding organizational culture infers proper effect on performance management and employee retention of employees.

**KEYWORDS** Employee Retention, Organizational Culture, Performance Management

**Introduction**

Employee retention study was its contribution to worker stay in every organization, and the capability to maintain creative employees (Dappa et al., 2019). Employee's pleasure of any company depends on a number of components correlated with individual opinions of the organizational culture, as well as managers' performance management (Metwally et al., 2014). The manager performs as role model to for subordinates, encouraging the followers to perform competently, taking weakness and strength of their employees into account to capitalize on performance.

Performance management as an approach that entails progressing the mission goals and vision of the organization, assisting every individual worker in understanding and recognizing their contribution in achieving them, and organizing and enhancing the individual's and organization's performance (Mulwa&Weru, 2017). Macky & Johnson (2000) agree but add that a "performance management scheme" is an "accomplished and incorporated succession for performance management." Performance management is focusing continually on enhancing the organizational performance. Accomplished by civilizing individual performance of employees, encouraging success, improving their skills, helping individuals and creating a performance culture, making a decision that should be endorsed, removing low performers, and supporting in the implementation of business strategies are for all common goals of performance management systems (Lawler, 2003). Every human being can shine in one or more practice areas. Reasons are for the utilization and translation of this capability into transportable performances are often most favorable. By eradicating intermediate hindrances and authorizing the human resource, performance management works as an agent in rotating ability in the performance (; Suwanti et al., 2018; Gaviria-Rivera et al., 2019).

Important results and conclusions are being made in the context of the banking sector, among others, as workplace phenomena including organizational culture, performance management, and employee retention are being uncovered (Belias & Koustelios, 2014). A study has shown that respect from supervisors for the crucial role of human resources is a defining characteristic of how well banking functions because the alarm of uncertainty during a crisis is likely to result in defensive and negative behavior and attitude, turnover of employees and loss of customers (Bushra et al., 2011).

The study is based on a standards and good to learn about employee retention, organisational culture, and performance management among employees of Pakistan's 14 private commercial banks. About 300 valid samples were acquired via non-probability sampling. We had to present fresh data to demonstrate the significance of organisational culture and performance management for retaining employees in the banking industry in Larkana and Sukkur. Currently, it is more crucial to understand who people are than what they do; this is simpler for managers who are close to their employees in order to better understand their process for recognizing, evaluating, and improving performance in the organisations by coordinating each employee's performance and goals with the overall mission and vision of the latter (Gaviria-Rivera et al., 2013).

## **Literature Review**

### **Correlation between Performance Management and Employee Retention**

The objective of the study is to analyze employee retention, workplace structure, and performance management among staff members of Pakistan's 14 private commercial banks. Non-probability sampling was used to obtain about 300 valid samples. To demonstrate the significance of organizational performance and culture management for keeping personnel in the banking business in Larkana and Sukkur, we had to present new data. Currently, it is more important to understand people than what they do; this is easier for managers who are close to their staff to understand their process for recognizing, evaluating, and improving performance in the latter by organizing each employee's performance and goals with the latter's overall mission and vision (Gaviria-Rivera et al., 2013).

According to Abukhazam and Lee (2010), the findings of this research, there is a positive & significant relationship between employee retention & the performance management in banking sector daily administrative processes. Technology-based human resource management has a important association with employee retention. It has reduced time, energy, and costs on technology-based human resource management. Malhotra (2005) thinks that using communication and information technologies for human resource exercises, particularly well-being and development, effective and efficient decision making, and less conflict between employee and employer, will always put your intention to leave.

H1: Performance management has a positive effect and significant effect on Employee retention of Bank employees.

### **Relationship between Performance Management & Organizational Culture**

Performance management can be explained as a proactive system for managing employee performance with the goal of motivating individuals and organizations to achieve desired outcomes. It would be difficult to achieve goals if a leader or manager did not succeed in measuring performance management to a reasonable level (Yaseen, 2015). Organizational culture launches values, norms, guidelines, or expectations that state the appropriate performance of employees in specific circumstances and standardize the behavior of organizational employees to one another (Black & Richard, 2003; Jepkorir et al.; 2017). Research has shown in the industry that the performance management of the manager is related to the employee retention of the subordinates (Bass, 1985). It has also

been found that employee retention is a common pointer of performance management (Yukl, 2008; Marigat, 2016).

H2: Performance management has a positive and significant effect on Organizational Culture.

### **Relationship between Organizational Culture and Employee Retention**

According to Jepakorir et al. (2017), organizational culture is identified as a set of contributed norms and values that govern how individuals and groups in the bank interrelate with one another and with interested parties outside the organization. As a result, organizational culture encompasses ideas and beliefs about the kinds of goals that organizational members should pursue, and as thoughts about the proper kinds or standards of performance that associates of the bank should employ in order to accomplish these goals. Organizational culture establishes expectations standards, or norms that state the appropriate attitude of workers in particular circumstances and control the performance of its employees toward one another.

H3: Organizational Culture has a positive and significant effect on Employee Retention.

### **The Mediating Role of Organizational Culture**

Based on their capacity to manage such situations, companies may respond opportunistically to environmental dynamics. According to Saemundson and Candi (2014), proactiveness will increase the number of strategic issues, and the firm's potential to act on those issues will determine its likelihood of adapting to environmental change. As the environment's predictability is unpredictable, the company needs a certain range of social dispositions that motivate it to continuously learn about the market and act accordingly in order to protect the positive impacts of innovation strategy. According to Gaynor (2002), innovation doesn't quite require genius, but rather a framework dedication to grasp rare opportunities. This commitment is always motivated by the organization behavior. Organizational culture, according to Tushman et al. (1997), is at the core of innovation development and has a big impact on how innovations are adopted. A key organizational aspect that enhances the firm's knowledge base and results in greater product innovation outputs is an organizational culture that fosters employees' artistic skills, accepts risks, and promotes innovation implementation (Martin-de Castro et al., 2013).

According to organisational culture theory, an organization's philosophy is formed by the collective conduct of the individuals who make up the organisation (Cakar and Erturk, 2010). This collective behaviour results in the meanings people attribute to their activities. Strategic traction can be gained by the existence of a philosophy that directs the actions of individuals within the company in accordance with the acquisition of market knowledge, tolerance for novel concepts, willingness to ensure that novel solutions produce results, and readiness to make sure that innovation flourishes. According to Sundbo (1997), a corporate culture that values autonomy and calculated risk-taking is a prerequisite for implementing innovation strategies successfully. Hence, organizational culture helps innovation strategy advance in the face of environmental uncertainty. When the market is unstable, the impact of innovation on a company's performance can be mitigated by having the correct organizational culture that fosters everyone's passionate participation in innovative activities and innovation implementation. thus, the following hypothesis is put forth:

H4: Organizational Culture mediates the relationship between Performance Management and Employee Retention.

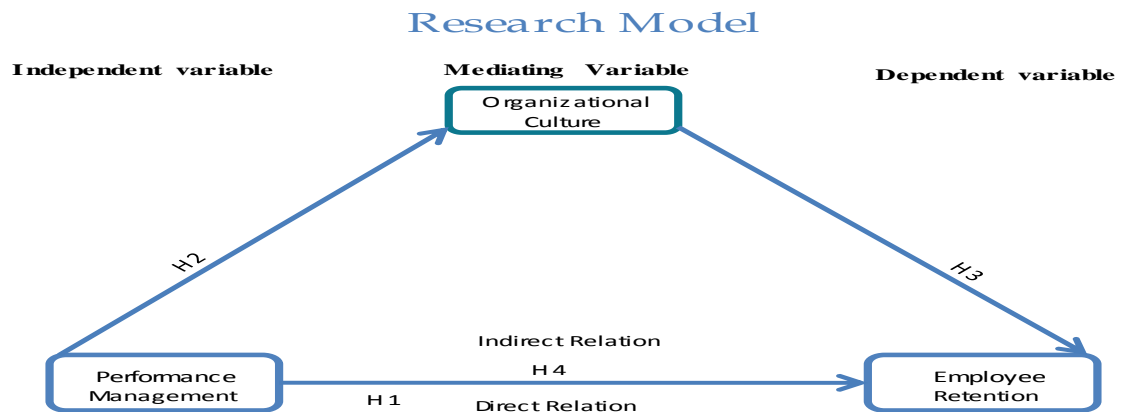


Figure 1 Conceptual Frame work Provide in soft form

## Material and Methods

Organizational culture theory states that an organization's guiding principles are generated by the collective behaviour of the people who comprise the organisation (Cakar & Erturk, 2010). The meanings people give to their actions are a result of this collective behaviour. The presence of a philosophy that guides employees' actions within the organisation in conformity with the acquisition of industry knowledge, patience for novel concepts, eagerness to ensure that novel workarounds bring results, and readiness to ensure that innovation flourishes can help a company gain strategic traction. A business culture that promotes autonomy and prudent risk-taking is a requirement for successfully implementing innovation strategies, claims Sundbo (1997). In light of the environmental uncertainties, organizational culture supports the advancement of innovation strategy. When the market is uncertain, having the right organizational culture that encourages everybody's passionate participation in inventive activities and developing quality helps lessen the impact of technology on a company's performance. Thus, the following assertion is made:

## Variables and measurement

**Dependent variable:** Employee Retention (ER) Questionnaire developed by Herzberg (1987) was used for the measurement of employee retention, and Herzberg's theory. This survey collected the data from banking employees about the employee retention on five item scale parameters. These five item scales are strongly disagree, disagree, no opinion, agree and strongly agree. The questionnaire examined the aspects of employee retention.

**Independent variable:** Performance Management (PM) Questionnaire developed by Edwin Lock (1960) was used for measurement of performance management, and Goal-setting theory. Eleven statements concerning the evaluators' behavior in relation to performance management make up this questionnaire. According to this hypothesis, task performance and goal setting are fundamentally linked. It claims that establishing clear, challenging goals and obtaining prompt feedback lead to enhanced and enhanced task performance.

The reliability for the total items and each performance management factor scale ranged from .76 to .91 [192] and exceeded the standard reliability cut-off of .70 proposed by Fornell & Larcker (1981).

**Mediating variable:** This survey asked about the respondent's organisational culture, which was assessed using the 27-item organisational culture assessment (OCAQ) questionnaire [196]. Each of the 27 items on the questionnaire was given a score between 1 (strongly disagree) and 5 (strongly agree), with 5 being the highest (Marshall Sashkin 2013).

## Questionnaire Design

Three variables are present in the questionnaire. employee retention, performance management, and organizational culture in private commercial banks. Because English is the official language of Pakistan, the questionnaire was constructed in that manner. Each respondent obtained a real copy of the questionnaire, and we gave everyone the guarantee that they would all fill it out. Also, the survey comprised demographic data.

## Population and Sample Size

There were around 1300 banking employees from 14 private commercial banks of Larkana & Sukkur like as Allied bank Limited (ABL), Fasal Bank, UBL Bank (UBL), Bank Al-Habib, Askari Bank, Al-falah Bank, Summit Bank, Silk Bank, Habib Bank, JS Bank, MCB Bank, Soneri Bank, Habib Metro, Allied Bank (ABL), out of which we have chosen 350 respondents by using Morgan Table, 50 questionnaires were incomplete. Total response rate was 86%.

## Data Collection Sources

Both sources primary and secondary were used.

## Data Analysis and Interpretation

Many tests were carried out using SPSS version 23, including reliability analysis and descriptive statistics. Multiple regression and a correlation test were also carried out in Amos at the end to test the hypothesis.

## Results and Discussion

The table displays the frequency distribution of the sample based on its demographics and provides a descriptive analysis of the study sample's work status, experience, qualifications, gender, age group, marital status, and income in terms of frequencies and percentages:

**Table 1**  
**Demographic Profile of Respondents**

	Variables	Frequency	Percent
<b>Job Status</b>	Branch Manager	45	15.0
	Operation Manager	30	10.0
	Area Manager	15	5.0
	Relationship Manager	15	5.0
	Credit Officer	45	15.0
	Specify others	150	50.0
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Experience</b>	0-5 years	93	23.1
	6-10 years	81	33.6
	11-15 years	55	15.0
	16-20 years	39	3.6
	21-25 years	21	9.7
	26-30 years	11	15.0
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Qualification</b>	Bachelors	108	36.0
	Masters	192	64.0
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Gender</b>	Male	276	92.0
	Female	24	8.0
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Age Group</b>	25-30 years	101	28.1

	31-35 years	99	27.5
	36-40 years	36	10.0
	41-45 years	16	4.4
	46-50 years	18	5.0
	51-55 years	90	25
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Marital Status</b>	Single	136	37.8
	Married	188	52.2
	Divorced	10	2.8
	Widow	8	2.2
	Others	18	5.0
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Income</b>	20,000-50,000	175	48.6
	51,000-100,000	99	27.5
	100,001-125,000	9	2.5
	126,000-150,000	22	6.1
	151,000 above	55	15.3
	<b>Total</b>	<b>300</b>	<b>100</b>

**Table 2**  
**Factor Analysis & Reliability**

Factor analysis and reliability							
Variables	Items	Factor loading	Cronbach's alpha	Variables	Items	Factor loading	Cronbach's alpha
<b>Performance Management</b>			0.81	<b>Organizational Culture</b>			0.92
	PM1	0.855			IN2	0.922	
	PM2	0.883			IN3	0.902	
	PM3	0.884			IN4	0.896	
	PM4	0.907			IN5	0.870	
	PM5	0.915			IN6	0.910	
	PM6	0.850			CO1	0.933	
	PM7	0.865			CO2	0.901	
	PM8	0.888			CO3	0.870	
	PM9	0.902			CO4	0.865	
	PM10	0.912			CO6	0.815	
	PM13	0.933			CO7	0.902	
<b>Employee Retention</b>			0.79				
	ER1	0.881			AD1	0.875	
	ER2	0.808			AD2	0.895	
	ER3	0.845			AD3	0.815	
	ER4	0.874			AD4	0.825	
	ER5	0.865			AD6	0.900	
	ER6	0.824			AD7	0.902	
	ER7	0.816			MI1	0.895	
	ER8	0.862			MI2	0.860	
	ER9	0.785			MI3	0.918	
					MI4	0.923	
					MI5	0.905	
Bartlett's Test of sphericity		.000		Sig			
KMO Measure		0.877					

**Linear Regression**

H1: Performance Management has significant positive effect on Employee Retention.

**Table 3**  
**Regression Weights**

			Estimate	S.E.	C.R.	P	Label
ER	<---	PM	.22	.057	3.592	***	par_1

Hypothesis accepted for the study

H2: There is significant positive effect of Performance Management on organizational culture.

**Table 4**  
**Regression Weights**

			Estimate	S.E.	C.R.	P	Label
OC	<---	PM	.15	.011	2.444	.020	par_1

Hypothesis Accepted for the study

H3: Organizational culture has positive effect on Employee Retention.

**Table 5**  
**Regression Weights**

			Estimate	S.E.	C.R.	P	Label
ER	<---	OC	.15	.011	2.444	.020	par_1

Hypothesis Accepted for the study

H4: Organizational Culture mediated the relationship between Performance Management & Employee Retention.

**Table 6**  
**Regression Weights**

Analysis of mediator test results

OC as mediator	Path	Sig	Mediation	
PM----OC	-----ER	Indirect	.000	Yes

Hypothesis Accepted for the study

These results show the research important relation among performance management and organizational culture is the view of how performance management and creativity are associated. Organizational Culture influences the usefulness of relationship between performance management & employee retention of employees. The findings propose the study of a significant relationship among performance management and Organizational Culture is the conception of how performance management procedure and Employee Retention are intertwined. The declaration of the association between diverse performance management types and Organizational Culture, in accord with the after effects of Casida and Pinto-Zipp, 2018, uncovered a relationship between's alteration performance and Employee Retention and Organizational Culture. By applying a mediation study, we have found that performance management impacts on Organizational Culture and Employee Retention, though organizational culture mediates affects the performance management and Employee Retention association among bank employees.

**Conclusion**

The findings of this study have a significant impact on how previous Performance Management models are expanded and how motivation is more clearly portrayed in the positive actions of bank employees. The first addition is that it backs up a study by Wang et al. (2017) that found that performance management approaches had a beneficial impact on

bank workers' levels of employee retention. It provides relevant agendas and shifts participants' priorities from self-interests to shared goals.

Second, the results read out that Performance Management imposes a significant effect on organizational culture. The key mediating function of organizational culture is one of the main implications of this study on the relationship between performance management and employee retention level. However, organizational culture conferred the relationship between performance management and employee retention level; these results add significantly to the current literature.

### **Recommendations**

First, this research emphasized on four aspects involvement, consistency, mission and adaptability of Organizational Culture, Performance Management & Employee Retention in private commercial banks of Pakistan but coming research studies should be expanded to other areas which could not be discovered: This research can carry out mix method (Qualitative and Quantitative) in private commercial banks of Pakistan. This research can carry out the comparison between Public sector banks & Private Banks. This research can carry out at Islamic and non-Islamic in Pakistan. The study should be done in other industries, like education, hospitality, transport, and security. This research can carry out the factors of employee retention. This study can be prolonged to keep mediation as performance management. It would give additional insight to recognize how the organizational culture mediates the relationship between performance management & employee retention in the diverse perspectives.

Secondly, this research utilized a cross-sectional research design, which specifies that the constructs were evaluated from a fixed perception. Future studies could use a national and international banks structure that could give more insight because it would provide data on how the bank employees retain their jobs, their bank's organizational culture, and their managers' performance management style.

Finally, the current study utilized data drawn from similar respondents and has given chance equally to every respondent for data collection method. Convenient sampling can give more insight into how the Managers view themselves. The bank employees can be asked to their Managers for data collection and it can be integrated into the final output.



## References

- Albion, M. J., & Gagliardi, R. E. (n.d.). A Study of Transformational Leadership, Organisational Change and Job Satisfaction. In *eprints.usq.edu.au*.
- Bass, B. M., & Avolio, B. J. (1993). Transformational Leadership And Organizational Culture. *Public Administration Quarterly-JSTOR*, 17, 112–121.
- Belias, D., & Koustelios, A. (2014). Organizational culture and job satisfaction: A review. *International review of management and marketing*, 4(2), 132.
- Bushra, F., Usman, A., & Naveed, A. (2011). Effect of Transformational Leadership on Employees' Job Satisfaction and Organizational Commitment in Banking Sector of Lahore (Pakistan). In *International Journal of Business and Social Science* (Vol. 2, Issue 18). [www.ijbssnet.com](http://www.ijbssnet.com)
- Fornell, C., & Larcker, D. F. (1981). Structural Equation Models with Unobservable Variables and Measurement Error: Algebra and Statistics. *Journal of Marketing Research*, 18(3), 382–388.
- Iverson, R., & Roy P. (1994). A causal model of behavioral commitment: Evidence from a study of Australian blue-collar employees. *Journal of Management*, 20(1), 15–41.
- Koustelios, A., & Kousteliou, I. (2001). Job satisfaction and job burnout in the education. *Psychology*, 8(1), 30–39. 14.
- Lai, F.-Y., Tang, H.-C., Lu, S.-C., Lee, Y.-C., & Lin, C.-C. (2020). Transformational Leadership and Job Performance: The Mediating Role of Work Engagement. *SAGE Open*, 10(1), 1–11. <https://doi.org/10.1177/2158244019899085>
- Lan, T. S., Chang, I. H., Ma, T. C., Zhang, L. P., & Chuang, K. C. (2019). Influences of transformational leadership, transactional leadership, and patriarchal leadership on job satisfaction of cram school faculty members. *Sustainability (Switzerland)*, 11(12). <https://doi.org/10.3390/su10023465>
- Lee, R., & Wilbur, E. R. (1985). Age, Education, Job Tenure, Salary, Job Characteristics, and Job Satisfaction: A Multivariate Analysis. *Human Relations*, 38(8), 781–791. <https://doi.org/10.1177/001872678503800806>
- Gaviria-Rivera, J. I., López-Zapata, E., Gaviria-Rivera, J. I., & López-Zapata, E. (2019). Transformational Leadership, Organizational Climate and Job Satisfaction in Work Teams. *European Research Studies Journal*, XXII(3), 68–82.
- Mbugua, G. M., Waiganjo, E. W., & Njeru, A. (2015). Relationship between strategic performance management and employee retention in commercial banks in Kenya. *International Journal of Business Administration*, 6(1), 53.
- Metwally, A. H., El-Bishbishy, N., & Sabri Nawar, Y. (2014). The impact of transformational leadership style on employee satisfaction. In *The Business & Management Review* (Vol. 5). Pg 823-834
- Mosadeghrad AM. (2003). *Principles of health care administration*. 19. Ng T.W. (2017). Transformational leadership and performance outcomes: Analyses of multiple mediation pathways. *The Leadership Quarterly*, 28(3), 385–417.
- Podsakoff, P., MacKenzie, S., Moorman, R., & Fetter, R. (1990). Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, and organizational citizenship behaviors. *The Leadership Quarterly*, 1(2), 107–142.

- Wang, Z. & Han, F. (2017). Metacognitive knowledge and metacognitive control of writing strategy between high and low-performing Chinese EFL writers. *Theory and Practice in Language Studies*, 7(7), 523-532.
- Yaseen, A. (2015). Performance management practices and its impact on banks' performance in Pakistan. *International Journal of Human Resource Studies*, 5(4), 110-127.
- Zamecnik, R., & Rajnoha, R. (2015). Strategic business performance management on the base of controlling and managerial information support. *Procedia Economics and Finance*, 26, 769-776.
- Zavadsky, J., & Hiadlovsky, V. (2014). The consistency of performance management system based on attributes of the performance indicator: An empirical study. *Quality innovation prosperity*, 18(1), 93-106.
- Zehra, H. T., & Bukhari, I. (2017). Relationship between organizational culture and in-role job performance among private sector bank employees. *Pakistan Business Review*, 17(3), 541-561.
- Zeitlin, W., Augsberger, A., Auerbach, C., & McGowan, B. (2014). A mixed-methods study of the impact of organizational culture on workforce retention in child welfare. *Children and Youth Services Review*, 38, 36-43.