Does employee understanding of strategic objectives matter? Effects on culture and performance

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Abstract

Purpose – The purpose of this paper is to investigate whether employees' understanding of their organization's strategic objectives could be used by business organizations to develop a desired type of organizational culture that will improve business performance.

Design/methodology/approach – Structural equation modeling (SEM) was conducted on the data collected in 2018 from professionals working in the healthcare industry in the USA.

Findings – SEM revealed the positive effect of employee understanding of their organization's strategic objectives on the development of a serving culture, and the mediating effect of serving culture on the relationship between employee understanding of strategic objectives and performance.

Research limitations/implications – This study emphasizes that having a well-defined mission and strategic goals may not be sufficient. Business organizations must also ensure that all employees clearly understand the meaning of such objectives. Employee understanding can become instrumental, as it could allow business organizations to develop a desired type of organizational culture that will support the implementation of the firm's strategic objectives.

Originality/value – The study is a valuable addition to past research. First, it advances the literature on strategy by exploring the critical role of employee understanding of their organization's strategic objectives in the context of culture and performance. Thus, it allows scholars to better explain how business organizations could more effectively utilize their process of strategic planning. In the domain of organizational culture, the paper contributes by identifying a new antecedent of serving culture. Furthermore, the paper also contributes to the literature on service management by identifying a mechanism that service organizations could use to increase their performance.

Keywords Employees, Strategic objectives, Organizational culture, Serving culture, Performance

Paper type Research paper

Introduction

Business organizations identify their strategic objectives during the process of planning, which was described in literature as a sequence of logical activities aiming to define a mission, long- and short-term goals, resource allocations as well as implementation plans. Past research confirmed that the process of planning can have positive effects on various performance metrics, such as product development or profitability (Wolf and Floyd, 2017; Arend *et al.*, 2017; Miller and Cardinal, 1994).

Literature also established that planning activities can fulfill either a coercive or an enabling function (Adler and Borys, 1996). While describing this effect, Arend *et al.* (2017) explained that some organizations use their planning process to increase levels of managerial control. Alternatively, in other organizations, this process can be used to create *"a more enabling environment to employees"* (p. 1742) – an environment that strengthens internal communication and employees' participation in planning activities, consequently boosting their awareness of a firm's strategic priorities. Moreover, other scholars also pointed out that

business organizations should utilize their goal development processes as an integrative mechanism, which can help establish a collective consensus regarding an organization's future strategic directions (Grant, 2003). While building on such findings, this paper aims to advance past research by investigating the effect of one critical factor – employee understanding of strategic objectives. Specifically, this study proposes that when employees clearly understand their organization's strategic goals, such an understanding of objectives could enable organizations to develop a desired type of organizational culture – a culture that will support the implementation of such goals.

Organizational culture was described in past literature as collective beliefs and assumptions that become internalized, accepted and, in turn, supported by individual members of a given group (Schein, 1990, 1985). Prior research also explained that organizational culture can act as a powerful control mechanism that determines how individuals think, what decisions they make and how they behave. This effect of culture on shaping individual behaviors takes place when collectively shared beliefs and assumptions start exerting normative pressure to conform – in turn, producing homogeneity in behaviors among members of a given group (Ravasi and Schultz, 2006; Schein, 1985). Building on such findings, Liden et al. (2014) introduced the concept of serving culture, describing such a culture as collectively shared beliefs and assumptions that mandate employees' helping behaviors. Furthermore, the authors explained that, for organizations operating in service industries, serving culture may become critical, because employees' helping behaviors should lead to better business performance.

Past literature already suggested that an organization's strategy and its culture are interdependent. To illustrate, Schein (2004) described this relationship as intertwined and clarified that the execution of "*strategic options are limited by the culture of the organization*" (p. 91). To further advance this research, the present paper aims to examine whether employees' understanding of strategic objectives can also matter in the context of culture development. Consequently, this study aims to answer the following research question: "*Could employee understanding of their organization's strategic objectives matter in the context of a culture development and performance?*" To empirically address this question, one of the service industries – the healthcare industry – was selected as an empirical setting for the study. Past literature on healthcare management recognized that service quality, or high-quality patient-centered care, should be viewed as the industry's main performance benchmark (e.g. Institute of Medicine, 2004). Consequently, using the healthcare industry to test the model explaining how service organizations could utilize their strategic objectives to develop a serving culture should be deemed as appropriate.

The model introduced in this study was empirically tested using data collected in the USA. Structural equation modeling (SEM) was applied to test the survey data obtained from 430 individuals working in 102 healthcare organizations. The results of statistical analysis reveal the positive main effect of employee understanding of strategic objectives and the mediating effect of serving culture. Consequently, the study contributes to past literature by revealing an important mechanism – employee understanding of their organization's objectives will matter. The study's findings imply that defining clear strategic objectives may not be enough. Business organizations must also ensure that their employees fully comprehend their meaning and significance. When this condition is met, organizations could develop a desired type of culture (e.g. a serving culture) that can lead to better performance. In the following sections, this paper reviews relevant past research, then it puts forward a set of new hypotheses.

Literature review and hypothesis development
Employee understanding of strategic objectives
Past research found that organizations use their planning activities to set their missions, establish their long- and short-term objectives, allocate resources and design appropriate

implementation plans (e.g. Wolf and Floyd, 2017; Schendel and Hofer, 1979). Prior studies also recognized that setting a clear mission and long- and short-terms goals can be positively related to a unit's performance (e.g. Parnell, 2010; Miller and Cardinal, 1994). Therefore, emphasizing that planning activities should represent logical steps in the process of goal development (e.g. Wolf and Floyd, 2017).

Research pointed out that business organizations still use their planning activities in significantly different ways (Wolf and Floyd, 2017). To illustrate, Adler and Borys (1996) identified two main functions of the planning process – a coercive and an enabling function. When the planning processes aim to increase levels of management control and coordination, such planning activities will fulfill a coercive function. This, in turn, can lead to some negative organizational consequences, such as higher inflexibility and organizational rigidity (e.g. Dibrell *et al.*, 2014; Nickerson and Zenger, 2004). Nonetheless, scholars also recognized that other organizations use their planning process to create "*a more enabling environment to employees*" (Arend *et al.*, 2017, p. 1742). In such a case, the process will increase internal communication, information dissemination and, consequently, it will also increase both employees' participation in planning activities and their awareness of a firm's strategic priorities (Arend *et al.*, 2017).

Past literature also established that some business organizations utilize their planning processes as an effective integrative mechanism that generates an internal consensus among employees (Grant, 2003). Grant (2003) explains that the goal development process can produce "*adjustment, and agreement to coordinate. . . dispersed decisions"* (p. 24). Building on this notion, Jarzabkowski and Balogun (2009) suggested that the process of goal-setting can also stimulate internal dialogs and negotiations – thereby, finding a compromise regarding a firm's strategic future. The authors defined this key function of strategic planning as "*social and political interactions over strategy making"* (2009, p. 1258). Moreover, recent empirical studies also confirmed the significance of employee and middle management participation in the process of planning. This research found that such collective participation can produce more concerns and amendments, expanding the scope of available alternatives. In turn, it can also alter the final meanings of an organization's strategic objectives (e.g. Spee and Jarzabkowski, 2011; Nordqvist and Melin, 2008).

To further advance past findings, the present paper investigates whether employees' understanding of their organization's strategic objectives could also matter. Consequently, this study puts forward and empirically tests the notion that when employees clearly understand their organization's strategic objectives, such an understanding should enable business organizations to develop a desired type of organizational culture – collectively accepted beliefs and assumptions that will mandate employee behaviors that are necessary to successfully execute such strategic objectives.

Serving culture
Research defined organizational culture as "*the basic assumptions or beliefs that are shared by organizational members"* (Schein, 1985, p. 9) – also emphasizing that organizational culture will determine "*why organizations do what they do and focus on what they focus on"* (Schneider *et al.*, 2017, p. 468).

Ample literature confirmed that a culture – a system of shared values, beliefs and assumptions – can shape individuals' attitudes and behaviors, because cultures can act as a powerful control mechanism (e.g. Ravasi and Schultz, 2006; O'Reilly and Chatman, 1996). Scholars explained that this control effect of cultures on individual behaviors takes place when collective beliefs and assumptions become internalized, accepted and, in turn, strongly supported by members of a given group (Schein, 1990). Consequently, cultures start exerting normative pressure to comply that generates a similarity (or homogeneity) of employee behaviors (Ravasi and Schultz, 2006). Such similarities in employee behaviors should be, therefore, expected when a pattern of shared beliefs, assumptions and expectations starts guiding employees' interpretations of reality,

producing a collective understanding of *"appropriate behavior within an organization"* (Chatman *et al.*, 2014, p. 787). Prior studies also confirmed that the strength of collective values, beliefs, and assumptions accepted and supported by employees can become critical. Stronger cultures can generate stronger normative pressure to conform, therefore leading to higher levels of behavioral compliance among individuals (O'Reilly and Chatman, 1996). In other words, it should be expected that a stronger culture will produce a higher degree of similarity in behaviors across employees in the same organization.

To advance this general framework of organizational culture, Liden *et al.* (2014) introduced the concept of serving culture. The authors defined such a culture as collective beliefs and assumptions that will mandate employees' helping behaviors – behaviors that aim to satisfy customers' needs. While explaining this new mechanism, Liden *et al.* (2014) wrote that "*when working within a strong serving culture, the pervasiveness of positive elements, such as trust in and helping and caring for others, clarifies the expected behaviors and values of the group*" (p. 1439). Moreover, Liden *et al.* (2014) found that in service organizations, higher levels of serving culture will lead to better business performance. According to the authors, this effect of serving culture on performance takes place because of collective beliefs, assumptions and understandings that mandate employees' helping behaviors.

Employee understanding of strategic objectives: effect on performance
Research suggested the positive effect of clearly defined strategic objectives on various performance metrics. To illustrate, past studies emphasized that setting clear organizational objectives can lead to better coordination of internal activities. Furthermore, having a clear mission, long- and short-term goals and well-defined implementation plans enable organizations to more effectively allocate and utilize their internal resources – this leads to better business performance in different industry settings (e.g. Arend *et al.*, 2017; Anwar and Hasnu, 2016; Elbanna *et al.*, 2016; Judge and Douglas, 1998; Miller and Cardinal, 1994). Prior empirical studies conducted in service industries also supported the notion that a strategy emphasizing the importance of customer service can be positively related to various performance metrics. To illustrate, Neill *et al.* (2007) confirmed that a customer-focused strategy results in better customer experience, whereas Homburg *et al.* (2011) found its positive effect on financial metrics such as profitability.

In the healthcare industry, research emphasized that providing a high quality of service should be viewed as the industry's main performance goal (e.g. Institute of Medicine, 2004). Building on this assertion, this paper proposes the following relationship between employee understanding of strategic objectives and performance. In service organizations, when employees clearly understand their organization's mission and long- and short-term goals that emphasize the significance of a high quality of customer service (e.g. a high quality of care), such an understanding will result in better performance. This positive effect will take place, because employees who clearly understand the strategic importance of providing a high quality of service will be more likely to engage in behaviors supporting the attainment of such a critical goal. To illustrate, employees will be more likely to put more effort into solving customer problems. They should also become more likely to effectively collaborate with their coworkers – thereby, enabling a timely completion of critical tasks, or will share critical information to better coordinate and execute assigned projects. This should be positively related to performance gains, thus:

H1. In service organizations, better understanding of strategic objectives by employees will be positively related to higher performance.

Employee understanding of strategic objectives: effect on culture
De Gues (1988) stated that "*the real purpose of effective planning is not to make plans but to change the mental models that decision makers carry in their heads*" (1988, p. 73). Simon (1991)

wrote that the process of goal setting can increase a collective "*identification, a powerful force for combatting externalities*" (1991, p. 41). Consequently, past literature recognized that the goal development processes facilitate social integration among employees, generating collectively shared "*mental models*" that are used by employees to interpret reality and to make consequential decisions. Moreover, literature recognized the integrative function of the goal development process – pointing out that by facilitating social interactions among employees, the process establishes an internal consensus, which, in turn, should increase employees' support for a unit's strategic objectives (Grant, 2003).

Past research described the development of cultures in terms of social interactions among individuals – such interactions can expand boundaries of collective knowledge. Consequently, they can also create new shared meanings that become accepted and supported by employees (Sackmann, 1991). Prior literature also examined the relationships between business strategies and the development of organizational cultures. This research proposed that specific strategic objectives could lead to the development of specific cultures, which should become instrumental in their successful implementation (Gupta, 2011). This effect of strategic objectives on culture was also confirmed in other empirical studies. To illustrate, in the study conducted in the hospitality industry, Ford *et al.* (2008) found that the hotel's mission and goals contributed to crafting an organizational culture that emphasized the importance of customer service, whereas Bates *et al.* (1995) found that manufacturing organizations tend to use their strategy to develop a culture that puts emphasis on decentralized authority, coordinated decision-making and workforce loyalty.

To further advance such findings, the present paper postulates that employee understanding of their organization's strategic objectives will also matter in the context of culture development. This study explains that when employees clearly understand their organization's critical goal (e.g. providing a high quality of customer service in the case of service organizations), such an understanding should be positively related to the development of serving culture. This relationship will take place because higher levels of employee understanding of strategic objectives should translate into stronger acceptance and support for collectively developed beliefs and assumptions mandating that all employees must engage in helping behaviors. To illustrate, in service organizations, employees who clearly understand their organization's strategic goals should become more likely to accept the notion that this organization's success hinges upon providing a superior quality of service to customers. Therefore, while interacting with their customers, such employees should become more likely to engage in behaviors that will aim to solve customer problems and satisfy customers' needs. Based on this notion, the paper empirically tests the following relationship:

H2. In service organizations, better understanding of strategic objectives by employees will be positively related to higher levels of serving culture.

Mediating effect of culture
Past studies recognized the positive effect of organizational cultures on performance. To illustrate, Murphy *et al.* (2013) established that organizational cultures can affect business performance by increasing the levels of internal cooperation and coordination. In the hospitality industry, González-Rodríguez *et al.* (2019) found the positive effect of culture on hotels' performance *via* shaping such hotels' corporate social responsibility (CSR) practices, whereas Polychroniou and Trivellas (2018) confirmed that the strength of organizational culture can be positively related to various performance metrics such as profitability and growth.

Past research established that a culture will shape behaviors of individuals because of the normative pressure that it exerts – stronger pressure will lead to higher homogeneity in

employee behaviors (e.g. O'Reilly and Chatman, 1996). Expanding on this finding, Liden *et al.* (2014) introduced the concept of serving culture. The authors proposed that service organizations should develop a culture that will mandate helping behaviors – employee behaviors that will be "*putting the needs of others (coworkers and customers) first*" (p. 1437). Thus far, very limited empirical research has examined the relationship between serving culture and business performance. Nonetheless, Liden *et al.* (2014) found the positive effects of serving culture on both individual and organizational performance in the hospitality industry. Additionally, other recent studies also confirmed this positive effect of serving culture on performance in service organizations. To illustrate, Nowak (2019) found the positive relationship between serving culture and performance in healthcare organizations, whereas Luu (2018) found the positive moderating effect of serving culture on organizational practices that increased employees' environment commitment, which, in turn, also increased a firm's green recovery performance.

Based on such findings, this study proposes the positive relationship between serving culture and performance. As previously established, stronger cultures will generate higher homogeneity in employee behaviors (O'Reilly and Chatman, 1996). In the case of service organizations, higher levels of serving culture should, therefore, generate higher levels of homogeneity in helping behaviors that aim to satisfy customers' needs. This should be positively related to performance gains, thus:

H3. In service organizations, higher levels of serving culture will be positively related to better performance.

Additionally, this paper also proposes that serving culture should mediate the relationship between employee understanding of strategic objectives and performance for the following reasons.

Past research already recognized the positive effect of business strategies on the development of organizational cultures (e.g. Gupta, 2011; Ford *et al.*, 2008). Prior studies also found the positive effect of organizational cultures and performance (e.g. Murphy *et al.*, 2013) also in the context of service quality (Boyce *et al.*, 2015; Deshpandé *et al.*, 1993). To further advance such findings, this paper puts forward and empirically tests the mediating effect of serving culture depicted in Figure 1. In service organizations, when employees clearly understand the meaning and the significance of their organization's strategic objectives (e.g. providing a superior quality of service to customers), such employees should become more likely to accept, and then support the collectively shared understandings that their jobs require "*putting the needs of others (customers) first*" (Liden, 2014, p. 1437). Consequently, during daily interactions with their customers, such employees should also become more likely to select and engage in behaviors that will aim to meet their customer's needs. Subsequently, this should be positively related to performance (Figure 1), thus:

H4. In service organizations, serving culture will mediate the positive relationship between employee understanding of objectives and performance in such a way that the main effect of employee understanding on performance will be reduced when levels of service culture become higher.

Methodology
Survey and procedure
Over 180 hospitals were asked to take part in this research. The hospitals were contacted because of their partnership with a staffing company that provides staffing service to healthcare organizations across the USA. After having received required permissions, about 1,900 surveys were distributed *via* emails to all employees of emergency departments at each
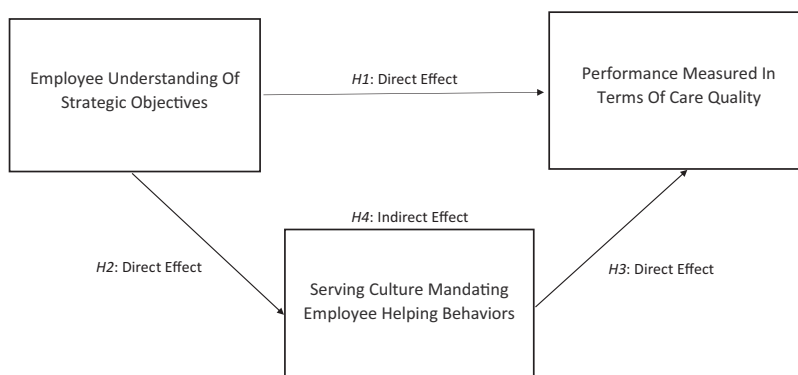
Figure 1.
Proposed model

of the hospitals that had agreed to participate in the study. This email contained a link to the survey and informed all potential participants that their participation in this study was voluntary and could be withdrawn at any time. Over 500 responses were received. However, due to missing data, some of the surveys were not included in the final sample. Consequently, in this study, the final sample included 430 surveys received from the individuals employed by 102 hospitals.

The hospitals invited to participate in this research were located in a variety of economically diverse areas in the South, Southeast and Midwest regions of the USA. Because the hospitals that were included in the final sample could differ systematically from the population of all contacted hospitals, some variables (size and income in the county) were used to compare whether the sample of all contacted hospitals systematically differ from the hospitals included in the study's final sample. The results of *t*-tests show no statistically significant differences between the means of these two groups for the selected variables, thus indicating that no systemic bias was present (Armstrong and Overton, 1977).

The survey's questions were answered by individual employees. However, the variables included in the model were meant to be analyzed at a group level to reveal a variance across hospitals. Consequently, the individual responses were aggregated to the department level to enable the data analysis at a group level. All analyses were done using STATA. First, confirmatory factor analysis (CFA) was performed to determine the appropriate data fit (Harrington, 2008). Second, because the theorized model proposed a mediating effect, SEM was conducted to test the following four hypotheses: the effect of employee understanding of strategic objectives on performance (H1), the effect of employee understanding on serving culture (H2), the effect of serving culture on performance (H3) and finally, the mediating effect of serving culture on the indirect relationship between employee understanding and performance (H4).

Measures
All variable were measured at a group-level of analyses. In this study, the outcome variable was assessed by using secondary data – the self-reported performance metrics submitted by the participating hospitals. The tested model also included two latent constructs (employee understanding of strategic objectives and serving culture). Based on prior research, these latent constructs were measured by using a survey instrument (Nardi, 2018). Specifically, service culture was assessed using the scale introduced by Liden *et al.* (2014),

while employee understanding of strategic objective was measured by using the scale adapted from Boyd and Reuning-Elliott (1998). All questions included in the survey asked the participants to answer by using a seven-point Likert-scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Performance: Prior research in healthcare management recommended using two following measures of performance of emergency department: (1) an objective measure – the clinical outcome of medical care provided to patients and (2) a subjective measure that captures customer satisfaction (e.g. Nelson *et al.*, 1996). In this study, group-level performance of emergency departments at each of the hospitals was measured using an objective measure of quality of medical care provided by each department. These performance data are annually reported by healthcare organizations (self-reported quality metrics). The metric of performance used in this study was calculated based on the performance data that were submitted in 2019. This metric reflects the timeliness and effectiveness of medical service provided by an emergency department to patients. The overall performance index is composed of the following elements: (1) average (median) time patients spent in the emergency department before being admitted to the hospital as an inpatient, (2) average (median) time patients spent in the emergency department after the doctor decided to admit them as an inpatient, (3) average (median) time patients spent in the emergency department before being sent home and (4) average time (median) patients spent in the emergency department before they were seen by a healthcare professional. Because the Clinical Outcome Index (COI) captures a patient's waiting time for receiving necessary medical service, the higher value of this index signifies a longer waiting time, therefore indicating lower performance. Consequently, the signs of the coefficients presented in the result section of this project were reversed to indicate positive associations.

Serving culture: This group-level construct was measured by a seven-point Likert scale (1 indicating "strongly disagree" and 7 indicating "strongly agree"). This instrument was developed and validated by Liden *et al.* (2014) and is composed of seven items. To illustrate, all individual participants were asked to answer such questions as: *"employees in our department would seek help from others if they had a personal problem," "employees in our department put others' best interests ahead of their own," "employees in our department emphasize the importance of giving back to the community."* Cronbach's alpha of this measure was 0.84.

Employee understanding of strategic objectives: This group-level construct was measured using a seven-point Likert scale (1 indicating "strongly disagree" and 7 indicating "strongly agree") and was adapted from Boyd and Reuning-Elliott (1998). The language in all items was adjusted to better capture the specific needs of the empirical setting. The construct was measured by four items. Participants were asked to answer such questions as: *"in our department, employees understand and put a lot of emphasis on our mission statement"; "in our department, employees understand and put a lot of emphasis on our annual goals"; "in our department, employees understand and put a lot of emphasis on our short-term goals"; "in our department, employees understand and put a lot of emphasis on our action plans."* Cronbach's alpha of this measure was 0.81.

Control variables: Group-level control variables were also added to the model (hospital size, per capita income in a county, competition). They were obtained from the secondary data sources (e.g. American Hospital Association). Income was measured as median income in a county where each hospital is located. Strategy research recognizes that firm size is one of the key factors that can impact the development of a firm's internal capabilities and performance (e.g. Nowak, 2017). Firm size was measured as the number of beds in each hospital (serving capacity). Hospital's age was measured in the number of years. Competition is a key factor affecting a firm's operation. It was measured as the number of other hospitals operating in the same county.

Common method variance
To reduce a potential effect of common method variance (CMV), this study followed the procedure that was recommended by prior research (e.g. Podsakoff *et al.*, 2003). Consequently, only established instruments that were previously validated by empirical studies were used. Furthermore, the study's objective and the procedure were beforehand explained to potential participants, while the anonymity of data was also guaranteed – this also aimed to reduce the social desirability bias (e.g. Chung and Monroe, 2003). To further test whether the effect of CMV impacted the results, this study used the Harman's single-factor test. The result of this test revealed poorer data fit when all latent constructs were forced to load onto one factor, consequently, revealing that one factor did not account for the majority of the covariance within the data used to test the proposed model (Podsakoff *et al.*, 2003).

Data aggregation and confirmatory factor analysis
All hypotheses were tested at the department level. When multiple responses were received from one department, the data aggregation procedure was used to calculate indices representing the latent constructs in this particular unit. All descriptive statistics are included in Table 1.

To confirm the appropriateness of the data aggregation procedure, prior research recommended calculating such indices as: within-group agreement (rwg) as well as the proportion of group-level variance (ICC) (e.g. Guzzo *et al.*, 1993; James *et al.*, 1984). The results of this analysis revealed the following effects for within-group agreement (rwg = 0.65 and higher) and between-group variance (ICC = 26 and higher), thus meeting standards recommended in past literature (e.g. Guzzo *et al.*, 1993). As a next step, following the procedure prescribed by prior research (e.g. Hair *et al.*, 1998), CFA was performed. The results of CFA revealed the goodness-of-fit indices, representing the data fit for the base model with all variables included. The CFA results also revealed factor loadings above 0.73, and the following fit indices: χ^2 (67) = 87.3; CFI = 0.90, SRMR = 0.09 and RMSEA = 0.10. Consequently, the data fit indices were sufficient, while the factor loadings provided support for the distinctiveness of the constructs included in the model. For all data fit indices, see Table 3.

Results
The hypotheses were tested using SEM. SEM is a recommended procedure to test models that include a mediating effect (e.g. Kline, 2015). The SEM analysis revealed the following results.

In the first structural model, only control variables were included. The effect of income on performance was significant and positive ($b = 0.26$; $p < 0.01$). This structural coefficient indicates better performance of healthcare organizations that are located in more prosperous

Variables	M	SD	1	2	3	4	5	6	7
1. Employee understanding	3.67	0.97	1.0						
2. Serving culture	3.89	0.91	0.38	1.0					
3. Performance	118	21.1	0.26	0.39	1.0				
4. Size	108	35	0.09	0.06	0.06	1.0			
5. Competition	0.81	0.84	0.14	0.10	0.14	0.08	1.0		
6. Income	32	15.6	0.11	0.10	0.16	0.10	15	1.0	
7. Age	64	21	0.09	0.05	0.06	0.11	0.03	0.06	1.0

Note(s): $n = 102$; correlations of 0.16 and above are statistically significant

Table 1.
Descriptive statistics

Structural path	Control variables	Direct path	Indirect path	Sobel test
Income → Performance	$b = 0.26^{**}$			
Size → Performance	$b = 0.01$			
Competition → Performance	$b = 0.17^{*}$			
Age → Performance	$b = 0.04$			
Employee understanding → Performance		$b = 0.21^{*}$		
Employee understanding → Serving culture		$b = 0.29^{**}$		
Serving culture → Performance		$b = 0.37^{**}$		
Employee understanding → Serving culture → Performance			$b = 0.04$	$z = 1.99^{*}$
Note(s): $n = 102$; $^{*} = p < 0.05$; $^{**} = p < 0.01$				

Model	χ^2 (df)	CFI	SRMR	RMSEA
Baseline model	$\chi^2 (67) = 87.36$	0.90	0.09	0.10
Direct effect model	$\chi^2 (68) = 97.48$	0.90	0.10	0.11
Full mediation model	$\chi^2 (42) = 77.51$	0.93	0.05	0.05
Partial mediation model	$\chi^2 (43) = 79.89$	0.93	0.06	0.06
Note(s): CFI = comparative fit index; SRMR = standardized root mean square residual; RMSEA = root mean square error of approximation				

regions. The effect of competition on performance was also significant and positive ($b = 0.17$; $p < 0.05$), indicating better performance of organizations operating in more competitive markets. The effects of hospital's age and size on performance were not significant.

H1 proposed the main effect of employee understanding of strategic objectives on performance. The obtained structural coefficient was positive and statistically significant ($b = 0.21$; $p < 0.05$), thus showing a significant relationship between the variables. H2 proposed the direct relationship between employee understanding and serving culture and revealed a significant structural coefficient ($b = 0.29$; $p < 0.01$). Consequently, H2 was also supported. H3 predicted the positive direct relationship between serving culture and performance, revealing a statistically significant structural coefficient ($b = 0.37$; $p < 0.01$). Finally, the mediating effect of serving culture on the indirect relationship between employee understanding and performance was also tested. The structural coefficients revealed that when serving culture was added to the structural model and the all structural paths proposed in the model were specified, the significant direct effect of employee understanding on performance was reduced and became not significant ($b = 0.04$). Consequently, the mediating effect of serving culture on the relationship between strategic planning and performance was also confirmed. All results of hypothesis testing are presented in Table 2.

According to prior research, to confirm a mediating effect while using SEM, changes in data fit indices across different models should be also compared (Mathieu and Taylor, 2006). In this study, all structural models were compared to the base comparative fit index (CFI) model. First, the model estimating a direct relationship from employee understanding to performance was specified. Next, the relationship between employee understanding and serving culture was added, and finally, the full mediating model including all structural paths was specified. All data fit indices are included in Table 3. The data fit indices revealed that the fully mediated model showed acceptable data fit, and that the partial mediation model showed no significant improvement over the fully mediated model. Furthermore, the

structural effect of employee understanding on performance became insignificant in the fully mediated model.

To further confirm the mediating effect, past literature recommends using the Sobel test. This test can assess the significance of the indirect effect of the independent variable (IV) on the dependent variable (DV) via the mediator (M) (MacKinnon *et al.*, 1995; Sobel, 1982). The Sobel statistic reveals that the indirect effect of employee understanding on performance via serving culture significantly differed from zero ($z = 1.99$; $p < 0.05$). Therefore, this result confirmed the mediating effect of serving culture proposed in H4.

Discussion and conclusion
The study's empirical analysis revealed the following results: (1) the main effect of employee understanding of strategic objectives on performance, (2) the main effect of employee understanding on the development of organizational culture, (3) the main effect of serving culture on performance and (4) the mediating effect of serving culture on the relationship between employee understanding of strategic objectives and performance. In the following sections, the present paper discusses its contribution to research and practice, its limitations and the implications for future research.

Contribution to research and practice
The study's contribution to research and practice is multifold. To the extent of my knowledge, no previous research has empirically tested this model, which proposed the effect of employee understanding of their organization's strategic objectives on the development of a specific culture and performance. In the context of performance, statistical analysis reveals the significant effects of two control variables – income and competition. This finding confirms that the higher levels of financial resources available in more affluent regions and the more competitive markets are positively associated with performance of healthcare organizations. Second, it should be recognized that the positive effect of planning processes on performance in service industries was already proposed and empirically tested. To illustrate, Perera and Peiró (2012) found that strategic planning facilitates a successful transformation of service-oriented organizations, while Hans *et al.* (2012) found that planning activities can increase the coherence of managerial practices. Moreover, Kaissi and Begun (2008) established that the planning process positively impacts the financial performance of healthcare organizations. Nevertheless, this study significantly contributes to past findings; it shows that the degree of employee understanding of strategic objectives could also make a difference. Consequently, this study uncovers a new important mechanism that organizations could utilize to improve their performance. The findings demonstrate that setting a clear mission and strategic objectives could be insufficient when organizations do not ensure that all their employees – including employees at lower organizational levels – clearly understand the meaning and the significance of such goals and, in turn, internalize and support the notion that organizational success hinges upon their successful implementation. By doing so, this study establishes that employee understanding of strategic goals can be instrumental in improving business performance.

In the context of culture, prior research recognized that the process of goal development should be used as an internal platform facilitating dialogues and consensus-building, which can consequently produce a collective agreement regarding future strategic directions (Grant, 2003). Nevertheless, this study departs from past research by emphasizing the critical role of employee understanding of organizational goals. It advances the past findings by revealing that employee understanding of strategic objectives (e.g. providing a superior quality of service) could be used to develop a desired type of organizational culture that will mandate

employee behaviors necessary to support the implementation of such strategic objectives. Consequently, this study reveals an important new culture-forming function. Not only should organizations identify their mission and strategic goals, they also must ensure that all employees clearly understand the meaning of strategic objectives. This understanding could help develop shared norms that will clarify what specific employee behaviors are necessary to implement specific strategic goals.

This study also contributes to past research on antecedents of serving culture. Although, Liden *et al.* (2014) described serving culture as strongly dependent on a manager's leadership style. Nonetheless, the authors also recognized that the development of a serving culture could be affected by other organizational factors. Furthermore, they asked scholars to conduct additional empirical studies that could identify this culture's new antecedents. Subsequent empirical research confirmed that such organizational factors exist. To illustrate, in a recently published paper, Nowak (2019) found that workplace empowerment can have a significant effect on the development of serving culture. Given a very limited scope of past empirical findings, the present paper contributes to this field of research by identifying a new determinant of serving culture. It shows that employee understanding of strategic objectives could be utilized by business organizations as a culture forming mechanism, because this understanding increases the levels of employee support for an organization's strategic priorities. Additionally, based on this finding, service organizations may want to utilize this newly identified culture-forming function to generate stronger employee support for providing a superior quality of service as a key strategic priority.

While introducing the construct of serving culture, Liden *et al.* (2014) also strongly emphasized a traditional top-down approach to explain how this type of organizational culture can be created. The authors proposed that the formation of serving culture is dependent on management and the preferred leadership style that will shape behavioral norms supported by employees. This study extends such findings by identifying an alternative mechanism. It suggests that when individuals understand, internalize and, in turn, support their organizations strategic goals, such employee support can become instrumental in generating cultural norms that may help develop a desired type of organizational culture.

Lastly, this study contributes to research on customer service and healthcare management. Healthcare management has long recognized the quality of service provided to patients as the key performance metric (e.g. Institute of Medicine, 2004). This study reveals that in service organizations, delivering a better quality of service may also require employees' clear understanding of their organizations' strategic priorities, thus implying that service employees should be given opportunities that will promote accepting their organization's key objectives. Consequently, management in service organizations should ensure their employees' participation in planning activities and thereby include lower-level employees in all steps of the goal development processes. Overall, because of the growing role of service industries in the global economy, this study also sends a clear signal for more empirical studies that would identify new antecedents of serving culture and service quality.

To contribute to practice, the paper proposes some specific managerial actions that can be considered to increase levels of organizational effectiveness. From a managerial standpoint, enhancing the strength of collective norms mandating employees' serving behaviors is recommended in service organizations. The importance of employees' understanding of strategic priorities in the context of serving culture indicates that mangers should play a very proactive role, ensuring that employees better understand and support an organization's strategic directions. This could be achieved by stronger socialization mechanisms, mentoring and by providing a thorough decision-making rationale that would explain to employees why their organizations designed and selected a specific course of action, which could also counterbalance potential uncertainties and institutional resistance.

This key effect of culture that was identified in this study could also require organizations to make some substantial investments into redesigning or improving existing organizational processes. For instance, expanding internal communication channels to more effectively disseminate key information regarding a company's strategic directions should be considered. Moreover, it could become beneficial to create formal and informal mechanisms that enable the appropriate socialization of new-comers, effective training, and that provide opportunities that will enable exchanges of information and learning processes. Furthermore, managerial practices should include both intrinsic and extrinsic incentives that would motivate employees to engage in behaviors that advance a company's business strategic objectives.

The study also reveals some important implications for organizational leadership. The findings highlight the relationship between the degree of employee understanding of strategic objectives and the successful development of collective beliefs and assumptions mandating helping behaviors. Hence, the role of organizational leadership in reinforcing this relationship cannot be omitted. To strengthen this key culture-forming mechanism, organizational leaders may consider using their daily interactions with employees, staff meetings as well as formal and informal organizational events (e.g. training sessions, office celebrations, etc.) to convey consistent messages, which will clarify the meaning and the significance of a firm's strategic priorities. Such consistency in ongoing communication should increase both the degree of employees' understanding and their acceptance of a company's strategic goals. Furthermore, while leading by example, organizational leaders should also model desired customer-focused behaviors on a daily basis – this should enable employees to better understand and internalize specific components of such desired behaviors.

Lastly, employee understanding of strategic objectives and serving culture are found to have a positive effect on performance. This finding has especially important implications for all service organizations, including organizations operating in the healthcare industry. The study reveals the mechanism that service organizations may want to consider to improve their business performance. It should be strongly recommended that service organizations capitalize on the findings by proactively setting up such policies and practices that will increase employees' awareness of a company's emergent strategic initiatives. For example, service organizations may want to proactively invest their resources into offering formalized training sessions that could be used to explain how new emergent strategic initiatives could modify existing behavioral standards in the future. In light of the findings, increasing employee participation in all steps of the planning process should be deemed as critical. Such employee participation in planning activities could allow employees to better understand, internalize and, in turn, support a firm's emergent strategic priorities. Overall, managerial practices and leader's behaviors should aim to help shape and reinforce collective beliefs and assumptions shared by employees and thus enable the development of a desired culture that will support a firm's strategic objectives.

In summary, the objective of this paper was to address the following research question: *"Could employee understanding of their organization's strategic objectives matter in the context of a culture development and performance?"* Consequently, the study introduced the model that aimed to extend past findings by investigating the role of one key factor – employee understanding of strategic objectives. The paper empirically addressed its research question by using SEM to statistically test survey data collected from employees working in the healthcare industry in the USA. The study's results revealed the positive effect of employee understanding of strategic objectives, thus confirming that employee understanding should be recognized as a new factor related to the development a desired type of organizational culture. As a result, the study's main contribution lies in identifying this new function fulfilled by employee understanding of their organization's strategic objectives.

In the context of service organizations, the study's findings suggest that when employees clearly understand that their organization's success depends on providing better quality of customer service, such employees will become more likely to accept and support collective beliefs and assumptions mandating behaviors that aim to help customers. In turn, such employee behaviors should lead to better performance. Lastly, the study also provided some specific managerial recommendations regarding such important organizational mechanisms as communication and information dissemination, employee participation in planning activities, socialization and training as well as organizational leadership. Managers may want to consider these suggestions to improve organizational effectiveness in their respective organizations.

Limitations and future research
Finally, the study's limitations and directions for future research should be also addressed. First of all, this study's statistical analysis was performed based only on the survey data collected in one industry – the healthcare industry. Therefore, any generalization of the study's findings on organizations that operate in other service sectors should be done with caution. Moreover, all survey data were collected at one time, thus raising the issue of potential bias associated with cross-sectional design (e.g. Podsakoff *et al.*, 2003). Lastly, because the empirical analyses were conducted at a group level of analysis, another possible limitation of this study could be its relatively small sample size.

For the future studies, researchers may want to consider a cross-industry design. This design could potentially reduce the effect of idiosyncratic characteristics of the healthcare industry on the proposed relationships. Also, using a longitudinal research design that includes panel data could produce more reliable results and also clarify the issue of causality among the analyzed constructs. Furthermore, prior studies identified many different types of organizational cultures (e.g. Cameron, 1985). Consequently, future empirical research could apply this study's model to assess the role of employee understanding of their organization's strategic objectives in the context of other types of organizational cultures (e.g. adhocracy) while also measuring their effects on different business performance metrics (e.g. financial metrics). Finally, testing the proposed model in other empirical settings (e.g. across service industries or in some specialized organizational functions such as research and development (R&D)) could also reveal new interesting findings – thereby, helping scholars further clarify the relationship between employee understanding of strategic objectives and organizational culture in the context of business performance.

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