Chapter One
ORGANISATIONAL CULTURE AND ORGANISATIONAL EFFECTIVENESS

INTRODUCTION

The aim of this chapter is to briefly discuss the historical background of organizational culture and organizational effectiveness. The chapter also attempts at highlighting the relationship between culture and various organizational outcome variables like: profitability, productivity, and overall organizational performance. Besides, need for the present study, research gaps in the extant literature, objectives of the study and the hypotheses formulated for the study are the other features of this chapter.

Organizational Culture

The world in which we live is characterized by increasing uncertainty and volatility. Researchers and academicians have given a substantial amount of attention to investigate ways in which organizations can cope with this uncertainty, and hence, survive and be competitive in the world market. One of the concerns of these researchers has been of course, that; what differentiates extraordinarily successful firms from unsuccessful firms? How they are able to succeed when others fail? How do these firms prosper while their rivals are forced to sell off? How they succeed when several of their competitors are shunt out of business? Scholars like Cameron (2004) see the key ingredient in every case as something less tangible, less blatant, but more powerful than the market factors like high barriers to entry, non-sustainable products, buyers with low bargaining power, etc. She argues that the major distinguishing feature in these companies, their most important competitive advantage, the factor that they all highlight as a key ingredient in their success, is organizational culture. A number of other scholars have beyond doubt proved the profound impact of organizational culture on organizational effectiveness and other related
variables (see for example, Kotter and Heskett, 1992; Peters and Waterman, 1992; Marcoulidies and Heck, 1993; etc).

The term organizational culture first appeared casually in English language literature in 1960s as a synonym of climate with its origin in the word “cultivation”, the process of tilling and developing land. One of the prominent researchers in the field of organizational culture studies, Schein (1990) believes that Katz and Kahn (1966) built their entire analysis of organizations around system theory and system dynamics was the most important theoretical background for later culture studies.

The topic of organizational culture has been studied from a variety of perspectives ranging from anthropology and sociology to the applied disciplines of organizational behaviour, management science and organizational communication. The concept has principally originated from the study of ethnic and natural differences in the disciplines of sociology, anthropology and social psychology (Wilson, 2001) and generated significant research interest within a variety of diverse academic disciplines, including sociology, anthropology, management sciences and psychology (Ashkanasy, Wilderom and Peterson, 2000). Although the concept of organizational culture was popularized in the early 1980s, its roots can be traced back to the early human relations view of the organizations that originated in the 1940s. The topic became a popular topic for business writers in 1980s who also landed four books about it on the New York Times bestseller list (Ouchi, 1981; Pascale & Athos, 1981; Peters and Waterman, 1982). The subject captured scholarly interests too. In 1983, two scholarly Journals (Organizational Dynamics and Administrative Science Quarterly) each devoted a complete issue to organizational culture.

The term culture has had a long checkered history. For example, a layman used it to indicate sophistication, as when we say someone cultured. Many people think about culture as though it is something a country, region, or
a firm has, something that you can see, hear, touch, smell or taste. Consequently, people who take this view often point to ceremonies, clothing, historical landmarks, art and food as example of a country’s culture. In Anthropology customs and rituals developed by societies over the course of history are termed as culture. A number of theorists and researchers (e.g., Schein, 1985; Dyer, 1986; Lundberg, 1985) have also conceptualized the cultural process as operating at different levels ranging from conscious artifacts to unconscious assumptions. They have identified numerous ways in which culture expresses itself in the day-to-day organizational life.

Schein (1985) identified three levels of organizational culture. At the basic and superficial level, it takes the form of artifacts. Examples of artifacts are material objects like mission statements, corporate logos, physical layout of the office space etc. Artifacts include the physical and behavioral manifestations of culture. These are the symbols of culture in the physical and social work environment and are most visible and accessible. At a deeper level, culture takes the form of values, beliefs and attitudes. Values typically act as defining elements of a culture and norms, symbols, rituals and other cultural activities revolve around them (Enz, 1988). Values reflect a person’s underlying belief as to what should and what should not be. Values constitute the basic foundations for making judgments and distinguishing “right” from “wrong” behaviour. Organizational culture emerges from that which is shared between colleagues in an organization, including shared beliefs, attitudes, values and norms. It is reflected by a common way of making sense of organization that allows people to see situation and events in similar and distinctive ways (Langfield & Smith, 1995; Morgan, 1986; Williams, Dobsons & Waterson, 1996). At the deepest level, culture, in an organization takes the form of basic assumptions. Basic assumptions are by definition neither confrontable nor debatable (Schein, 1981). These are held unconsciously and are very difficult to surface. In Schein’s view fundamental assumptions constitute the core and most
important aspect of organizational culture. The deepest and most fundamental level of culture is basic assumptions, these are deeply held beliefs and are not objectively observable but express themselves in the behaviour of members of a group so strongly that, any violation of such beliefs would be beyond thinking (Kumar, 1992).

The concept of values has been central to the organizational sciences and workplace relations for decades (see for example, Blood, 1969; Brown, 1976; Conner and Becker, 1975; Rosenberg 1957; Selznick, 1957; Sikula, 1971). It is widely recognized by both management practitioners as well as academicians that organizations culture is a function of shared values. Weiner (1988) writes that when the members of a social unit share values, organizational culture or value system can be said to exist. To consider values in the workplace is to probe the very reasons people work and why they behave in the ways they do in their jobs (Posner & Mansan, 1979; Sikula, 1971). Values are key determinants of attitudes, which in turn affect work related (and all other) behaviour (Becker & Conner, 1986; Conner & Becker, 1975).

Scholars like Enz (1988), argue that research on culture begins with a set of values and assumption. In a review of culture concepts that helped define the concept of culture in anthropology, Kroeber and Kluckhon (1951), have noted that values were a particularly significant part of the central core of culture definitions. Norms, symbols and other cultural activities revolve around these values irrespective of the fact whether the values are conscious or unconscious, so acting as defining elements. These values are defined as elements of shared symbolic system that serve as a criterion of standard for selection among alternatives of orientation, which are intrinsically open in a situation (Parson, 1951). Nearly two decades ago, Kilmann (1981) reviewed definition of values published to that time. The general sense of these definitions as Ashkanasy et al., (2000) have indicated is that values are objects, qualities, standards, or
conditions that satisfy or are perceived to satisfy needs and or that acts as guide to human action.

Researchers like (Sathe, 1983; Schriber and Gutek, 1987) are of the view that it is this aspect of being shared that gives an organization unity and purpose. Schein (1991) emphasizes that organizational culture provides group members with a way of giving meaning to their daily lives, setting guidelines and rules for how to behave, and most importantly reducing and containing the anxiety of dealing with an unpredictable and uncertain environment. In a sense it can be termed as the basic principles of behaviour in an organization as it consists of basic assumptions, values and norms of behaviour. Organizational culture thus describes the personality of an organization, its overall orientation, its unwritten codes and norms, the way of relating and interacting among organizational members, the values which are shared and practiced by people and so on that makes an organization a unique identity. Thibault and Kelly (1959) claim that culture once in place and accepted, can provide ground rules, territory and expectations even to the extent that the organization’s culture can become a sort of third party to which disputes can be referred.

Further, it has been argued by many researchers that the success and effectiveness of an organization are not determined solely by the abilities and competencies of the employees and management alone but also with the culture prevalent in the organization. Culture has been viewed as a means of improving performance in an organization. The intensification of research on organizational effectiveness has led to the identification of several organizational factors that have an influential role in the determination of organizational performance. Organizational culture is one such factor that has received much attention in organizational behaviour (see for example, Chatman and Jehn, 1994; Hofstede et al., 1990; Marcoulidies and Heck, 1993; Schien, 1990; and Trice and Beyer, 1984) etc. A common hypothesis about the role of organizational culture is that if an organization possesses a “strong” culture by
exhibiting a well-integrated and effective set of values, beliefs and behaviors, then it will perform at a higher level of productivity (Denison, 1984). Ouchi (1981) maintains that organizational culture is a key determinant of organizational performance/effectiveness and it facilitates coordination and communication, gives organization a competitive advantage over its competitors. It can also be effective in maintaining organizational commitment and effectiveness (see for example, Chew and Putti, 1995), enhances financial performance (Barney, 1986; Saffold, 1988; Wilkins and Ouchi, 1983), and increases employee productivity (Deal and Kennedy, 1982), increases production and sales (Jans and Frazer-Jans, 1991).

While organizational culture is not the only determinant of organizational effectiveness/performance and success, a considerable argument and empirical evidence has, however, been produced to support the hypothesis that there is a relationship between organizational culture and performance/effectiveness, particularly through its effects on management practices, processes and structures (see for example, Deal and Kennedy, 1982; Kotter and Heskett, 1992; Deshpande, Webester and Farely, 1993 and Srivsatva, 1998) etc. Keeping in view the role culture plays, it is important to focus on organizational culture as a critical lever of success. If an organization wishes to maximize its competitiveness for attaining its goals, it must focus on its organizational culture as Pfeffer and Veiga (1991) argue that culture can be a key source of enduring competitive advantage.

Organizational performance has been related with the type of culture an organization has, such as a strong culture or a weak culture. The strong culture where the ‘norms and values are widely shared and intensely held throughout the organization’ (O, Reilly and Chatman, 1996; O’Reilly, 1989; Gordon and DiTamaso, 1992; Kotter and Heskett, 1992) in contrast to a weak one, preserves and strengthens the firm and integrates the individuals into the organization. For example, when culture aligns the firm’s internal and external environments, it
enhances financial performance (Barney, 1986; Saffold, 1988; Wilkins and Ouchi, 1983). Culture creates consensus about strategic direction (Pfeffer, 1981; Tichy, 1982) and increases employee productivity (Deal and Kennedy, 1982) by facilitating the fit among the organization's internal system and as confirmed by Kabanof (1993) organizational culture influences all management practices. Strong cultures can enhance employees motivation and performance because they perceive that their actions are freely chosen (O'Reilly, 1989; O'Reilly and Chatman, 1986), it affects employee participation and involvement (Zamanou and Glaser, 1994).

Organizational culture has also been reported to have affects on many aspects of organizational performance including financial performance, customer and employee satisfaction and innovation (Fisher and Alford, 2000), predicts job satisfaction (Gray et al., 2003). It is central to change process and to the attainment of strategic objectives (Bluedorn and Lundgren, 1993), it is also related to organizational strategy, particularly in the implementation of a selected strategy in an organization (Schwartz and Davis, 1981; Scholz, 1987; Choe, 1993). Researchers (see for example, Maignan and Ferrell, 1999; Rashid et al., 2003) found culture associated with improved levels of employee commitment. Cohen (2000) also found the relationship between Hofsted's (1980) cultural dimensions with organizational commitment, while Geiger (1998) found importance of cultural values as escalation of organizational commitment and Kaliyamoorthy & Kumar (2001) believe that organizational commitment is an upshot of organizational culture essential for an upward trend of an organization. Much of the recent research that considers the relationship of culture to organizational commitment (see for example, Becker, 1992; Becker, et al., 1996; Clugston and Dorfman, 2000). Pool (2000) examined the relationship between organizational culture and job stressors. He found that executives working in a constructive culture reduced the role stressors in their working environment.
While the concept of organizational culture has been in focus for many decades now, however, there is very little agreement among the scholars on its definition. For example, White (1949) defined organizational culture as: publicly and collectively accepted meanings for a group at a given time; collective programming of the mind which distinguishes the members of one category from another (Hofstede, 1980); a system of informal rules that spell out how people are to behave most of the time (Deal and Kennedy, 1982); strongly held and commonly shared values which permeate into the lives of organizational members through socialization (Nazir, 1999); norms, values and beliefs of a group (Enz, 1988; Peters and Waterman, 1982); shared managerial practices (Hofstede, 1988); shared values (O’Reilly, et al., 1991 and Sheridan, 1992).

While most of the studies referred above stress upon the importance of shared norms, basic assumptions and values; the broad and overall conceptualization of the concept is categorized into culture as internal variable i.e., something that organization has, or a root metaphor i.e., culture as something which the organization is (Smirich, 1983). There are some of the earliest references to the concept of culture as an internal organizational variable in the literature of organization development (see for example, Jacques, 1952; and Harrison, 1972). According to Lewis (1996) most authors who explicitly address this question see culture as a variable, which may be affected by both external and internal stimuli, and which may consciously be managed by the organization itself. Investigators interested in culture as a variable have sought to use reliable, valid and easily administered quantitative measures (Klinge and Burgoon, 1995). This study relies on a comprehensive definition developed by Denison (1990). The focus of the definition is in consonance with Schein’s observation that culture is developed as an organization learns to cope with the dual problems of external adaptation and internal integration. Denison presents the following definition of organizational culture:
"Organizational culture provides the underlying values, beliefs and principles that serve as foundation for an organization’s management system, as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles. These principles and practices endure because they have meaning to the members of an organization.” Denison (1990, p.2).

This definition was preferred as it integrates with the other models like that of Kotter and Heskett (1992), Hofstede et al., (1990) and Schein (1991), as it recognizes the deep seated assumptions and beliefs, and a set of more visible management practices and behaviours. Denison further asserts that the elements of culture are manifested in a set of organizational behaviours, since behaviours are visible; it is therefore possible to measure company culture. One of the key advantages of using this definition as the framework for this study was that a questionnaire has been developed by Denison and Neale (1996) which measures the elements of organizational culture reflected in the model. Further, the aim of the study was to assess the relationship between organizational culture and organizational effectiveness. Researchers like Peters and Waterman (1982) argue that successful organizations have some cultural traits of excellence and the model uses four cultural traits that have been shown in the literature to have an influence on organizational effectiveness. Moreover, the model assumes that effective organizations should posses all of these traits (Denison and Mishra, 1995). Also, the study follows the quantitative approach that assesses the more visible cultural traits and thus the focus of the model on observable management practices and behaviours is appropriate.

Organizational Effectiveness

The term organizational effectiveness also received almost the similar attention from academicians, economists, writers and researchers for almost a century now. Effectiveness has been an important problem in the study of
organizations as many studies conducted over an extended period of time have explicitly investigated this problem. It has been a focus of researchers right from Taylor’s “Motion Study”. This construct like organizational culture also lacks a popular definition in the organizational science. Organizational effectiveness has been the subject matter of a number of best selling books like Theory Z, In Search of Excellence, The Change Masters and Wealth of Nations. Cameron and Whetten (1996) argue that effectiveness is the ultimate dependent variable in organizational studies and regardless of political, ideological or organizational bias of the investigator, it has remained the dependent variable to be explained, sought or opposed (Hall, 1982). Though there has been a considerable disagreement among the researchers as to what organizational effectiveness stands for, the term remained at the core of all organizational intervention efforts. This disagreement among researchers on the issues like definition, criterion and measurement led to a sense of chaos and confusion in the literature and some researchers even called for abandonment of effectiveness research (see for example, Hannan and Freeman, 1977; Goodman, Schoorman and Atkin, 1983). However, despite this ambiguity and confusion surrounding it, the construct of organizational effectiveness remained central to organizational success research and cannot be ignored in theory and research as suggested by Cameron (1986).

In view of this, organizational effectiveness has been an ongoing activity without agreement on a formal definition. Gupta (1988) for example, made an attempt in identifying the different phases through which the concept of organizational effectiveness has passed during the last few decades or so, like, single variate, multivariate and pragmatic. Research on organizational effectiveness also led to the development of number of models like, Goal Model, System Approach, Strategic Constituencies Approach and Competing Values Approach and Multiple Criterion Approach as well. Researchers have different opinions about which model is most predictive, which model is best
and which criteria are most appropriate to measure organizational effectiveness. Price (1982) and Bluedorn (1980) for example, argued that the goal model was the most appropriate model- i.e., organizations are effective to the extent to which they accomplish their stated goals. Seashore and Yutchman (1967) and Pfeffer and Salancik (1978) argued for resource dependence model- i.e, organizations are effective to the extent to which they acquire needed resources. Nadler and Tusham (1980) and Lewin and Minton (1986) proposed an internal congruence model (process approach), i.e, organizations are effective to the extent to which their internal functioning is consistent, efficiency organized and with out strain. Connolly, Conlon and Seutch (1980) and Tsui (1990) maintained that the strategic constituencies model was best, i.e., the organizations are effective to the extent to which they satisfy their dominant stakeholders or strategic constituencies. None of the models has emerged as the universalistic model of choice as it is difficult to find out the best criteria because the goals and objectives of organizations are multiple and difficult to identify (Cameron, 1981; Sekaran, 1994; Lachman and Wolfe, 1997).

Though there is extensive literature available on the construct of organizational effectiveness yet, there is hardly any agreement among scholars upon the meaning and definition of this construct. For example, Lewin and Minton (1986) view effectiveness as something that is inferred from the results of observable or measurable phenomena. Lawler (1996) views effectiveness as state whereby an organization achieves its financial and business goals, Awasthy and Gupta (2004) view it as an abstraction that exists in the heads of people but has no objective reality. Researchers like Gupta (1988) argue that it is very difficult to put organizational effectiveness in a definitional framework, which would be acceptable to all shades of thinking. However, writers have defined organizational effectiveness in various ways. Some behavioral scientists equate the term with profit maximization and productivity (Throndike, 1949), survival of the organization (Gibson, Ivanveich and
Donnetty, 1973), degree to which predetermined goals are achieved (Jackson, Morgan and Paoillo, 1986), the ability of an organization to mobilize its centers of power for action, production and adoption (Mott, 1972), the extent to which an organization, given certain resources and means achieves its objectives without placing undue strain on its members (Georogopolous and Tannebaum, 1957).

In the literature, organizational effectiveness is defined as the degree to which an organization realizes its goals, while efficiency is a more limited concept that pertains to internal working of the organization and is defined as the amount of resources used to produce a unit of output. Jackson, et al., (1986) made an important distinction between effectiveness and efficiency: “Effectiveness is commonly referred to as the degree to which predetermined goals are achieved. Efficiency refers to the economical manner in which goal oriented operations are carried out- something of an input/output ratio”. Effectiveness is a multidimensional concept that cannot be measured by a single criterion. But efficiency can be measured by the ratio of input to output. As most of the people are fond of saying, efficiency is doing things right, while effectiveness is doing the right thing (Kanter and Brinklkerhoff, 1981).

An organization does not operate in vacuum. In its simplest form an organization can be seen as a system where inputs from the environment go through a transformational process to produce outputs, which are absorbed by the environment. Organizations on the one hand generally seek to be effective and on the other hand face multiple expectations from within and outside. As (Cameron, 1986) mentions that the members of the public are required to make judgments about the effectiveness of organizations as they make choices concerning where to send their children, where to save (invest), where to pursue employment and so on. Organizations are bound to satisfy the needs of a number of people as they directly or indirectly depend on these organizations.
Need for the present study

In order to achieve a desired level of performance, organizations resort to restructuring, mergers, benchmarks, implement total quality management programmes and introduce competitive staff benefits. Despite these attempts, organizations still ask themselves, why they are not experiencing high performance? (Jeuchter et al., 1998). Further, analysis of sustained superior financial performance of certain American organizations has attributed their success to the specific culture of each of the respective organizations (Ouchi, 1981; Deal and Kennedy, 1982; Peters and Waterman, 1982, and Lewis, 1994). It has been suggested that culture accounts for the economic performance of various countries (Hofstede and Bond, 1988), the idea of corporate culture also serves to provide a basis for understanding the differences that may exist between successful companies operating in the same national culture (Schein, 1990). Peters and Waterman (1982) state that successful organizations possess some cultural traits of excellence and Ouchi (1981) presents a similar relationship between corporate culture and increased productivity and Deal and Kennedy (1982) also argued for the importance of a strong culture in contributing towards successful financial performance. Srivastava (2001) also found that organizations which had a strong culture showed considerable increase in sales, reserves and surplus profit after tax, compared to those organizations which had weak cultures.

Research on organizational culture indicates that organizations with strong culture perform better as compared to organizations with weak cultures. The above and many other studies (Denison and Mishra, 1995; Denison and Fey, 2003; Cameron and Whetten, 1983; Pennings, 1976; Gordon and DiTamaso, 1992; Kotter and Hesket, 1992; Denison et al., 2004) support the notion that organizational culture affects the performance /effectiveness of an organization. It is due to its unparallel importance that corporate heads spend a
great deal of time in reshaping corporate culture and employee behaviour, rather than monitoring financial information.

While a significant amount of research evidences concerning the relationship between culture and effectiveness are available both in and outside India, however, the state of Jammu & Kashmir has remained neglected from the researchers attention. Further, the researchers in the state have been profoundly biased towards the service sector organizations. Therefore, the present study assumes a significant importance in view of these and the following reasons:

Research Gaps: -

The literature studied on culture and effectiveness has brought to surface the following research gaps, which are expected to be filled up by the present study.

1. Studies on organizational culture in India are in its infancy, with a few studies explicitly focused on it.
2. No study has been so far undertaken on the said subject in Jammu and Kashmir.
3. Organizational culture and its relationship with organizational effectiveness have not been studied jointly in the state of Jammu and Kashmir. The researchers attention has been mostly towards studying culture in service sector thereby ignoring manufacturing ones.

Objectives of the study

The overriding objective of the study was to assess the relationship between organizational culture and effectiveness. However, the study was undertaken to achieve the following specific objectives as well:

1. To review the literature on organizational culture and other organizational outcome variables.
2. To assess the organizational culture and organizational effectiveness in the organizations under study.

3. To assess the relationship between organizational culture and organizational effectiveness in the sample organizations.

4. To offer suggestions for improving effectiveness and building conducive organizational culture in the organizations under study.

5. To find out the organizations high or low on culture scores.

**Hypotheses**

To achieve the above mentioned objectives, the following hypotheses were formulated for the study.

1. There exists a positive correlation between organizational cultural traits of Involvement, Consistency, Adaptability and Mission and organizational effectiveness.

2. There will be a significant difference between the cultures in the organizations under study.

**Summary**

The chapter begins with review of literature highlighting the historical background of culture and effectiveness. The chapter also explored the link that exists between organizational culture and organizational performance/effectiveness. Besides the chapter identified the research gaps in the literature and highlighted the objectives and hypotheses formulated for the study.