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Organisational culture and effectiveness: a multi-perspective evaluation of an Indian knowledge-intensive firm

Abstract

Purpose - The purpose of this paper is to critically evaluate the theorised relationship between organisational culture and effectiveness.

Design/methodology/approach - The empirical data were collected through a five month ethnographic study in an Indian knowledge-intensive firm. It adopts the three perspectives framework of culture that encompasses integration, differentiation and fragmentation perspectives and a comprehensive examination of effectiveness.

Findings: Integrated, differentiated and fragmented perspectives of culture capture multiple organizational values and they affect effectiveness in varied ways. Appropriate cultures, although not sufficient conditions, are crucial for effectiveness, especially in knowledge-intensive firms. High levels of differentiation and fragmentation prevent the formation of strong cultures. This challenges organisational integration.

Practical implications: **There is a heightened need for the application of sophisticated HRM systems in the software sector.** Some context specific measures of effectiveness are documented.

Originality/value: Through an insightful evaluation of culture effectiveness theorisation till date, the article amplifies current theorisation and illustrates the potential and limitations of organisational cultures in achieving effectiveness.

Key words - organisational culture, organisational effectiveness; three-perspectives framework

Paper type - Research paper

1. Introduction

The rise and popularity of organizational culture in organization research was primarily driven by the theorised assumption that particular organizational cultures are better suited to high performance (see Roethlisberger and Dickson, 1939). The search for this 'holy grail' of cultural attributes that can bestow organizations with superior performance has dominated the research on organizational culture in the last forty years with numerous studies exploring the nature of these linkages (Wang and Rafiq, 2014; Wilderom *et al.*, 2012; Hartnell *et al.*, 2011). Although there has been a general decline in the research interest on organisational culture, the interest on organisational values that culture captures, is still intense, evidenced by the growing stream of studies on social capital (Espedal *et al.*, 2013).

The findings of culture effectiveness studies have been largely inconclusive, with outcomes ranging from positive linkages (Denison *et al.*, 2004) to uncertainty (Lee and Yu, 2004). The adoption of quantitative, functionalist approaches appears to explain the incessant efforts to expound a relationship, without a deeper understanding of the norms, values and assumptions that inform them. The predominant managerial focus of existing studies contributes to doubts as to whether what current studies measure is, indeed, culture (see Wilderom *et al.*, 2012). Another critical drawback is that current studies explored the relationship between present culture and past performance.

To comprehensively explore this relationship, this article employs the three-perspectives framework of organizational culture that is derived from Meyerson and Martin and (1987) and refined according to Martin (2002) and Martin *et al.* (2006). This framework presents culture and effectiveness as linked in multiple ways and incorporates all organizational participants, in an eclectic enquiry on culture that uncovers the fuller range of factors that are commonly ignored in extant theorising. The empirical evidence was collected from an Indian software organisation for two reasons: culture-performance links are more likely to be found

in knowledge intensive firms (Alvesson, 2004); and India represents a suitable contrast as a rising economic power, with potential implications of high performance for organisational cultures.

The article is structured in four parts. The first part provides a review and critique of existing studies of organisational culture and effectiveness that culminates in a brief discussion of the analytic framework adopted for the study. The methods of data collection and analysis follows. The findings of the study are presented. The article concludes with a discussion of the implications of the findings for theory and practice.

2. Organizational Culture and Effectiveness: A Review of Literature

Despite widespread disagreement about its meaning, researchers commonly agree that organizational culture is multifaceted (Schein, 2010) and that it consists of sub cultures (Martin *et al.*, 2006). Consequently, culture is defined as “that which is shared in an organisation-wide consensus” and “the patterns of meaning that link these manifestations together, sometimes in harmony, sometimes in bitter conflicts between groups and sometimes in webs of ambiguity, paradox and contradiction” (Martin 2002, p. 19).

Similarly, there is widespread disagreement over what constitutes effectiveness. Scholars have proposed different theorisations of effectiveness including the goal approach (Campbell, 1977), the systems approach (Yutchman and Seashore, 1967), the multiple constituency approach (Pfeffer and Salancik, 1978), the evolutionary perspective (Zammuto, 1982) and the competing values framework (Quinn and Rohrbaugh, 1983). The definition adopted in this paper draws from the work of Etzioni (1964), who views effectiveness as a desired state of affairs that an organisation tries to realise. Performance is an aspect of effectiveness, although, they are often used interchangeably (see Denison *et al.*, 2004)).

Research into organizational culture and effectiveness has a long history in organizational studies. Following early attempts to link the two constructs in different guises,

Roethlisberger (1939), and Silverzweig and Allen (1976) concluded that culture change leads to sustainable high financial performance. Many subsequent studies demonstrated the positive impact of humanistic values on effectiveness (Ouchi and Johnson, 1978; Pascale and Athos, 1981). On a related theme, Peters and Waterman (1982) identified eight cultural characteristics of effective organisations, and Marcoulides and Heck (1993) found that organisational culture was related to organisational performance.

Many studies in this vein generally emphasize the importance of strong cultures and posit that ‘strong cultures’ lead to profitability (Collins and Porras, 2005; Calori and Sarnin, 1991). Strong cultures are defined as characterised by clearly ordered and widely and intensely shared values (Wilkins and Ouchi, 1983). Kotter and Heskett (2011) also find a positive, although not significant, correlation between a strong culture and financial performance. On the other hand, Lee and Yu (2004) find mixed evidence of a link between culture strength and organisational performance. A key rationale for linking organisational culture and effectiveness appears to be premised on environmental adaptability. Organisations operating in turbulent environments tend to emphasise culture to generate effectiveness (Sorensen, 2002).

The series of studies by Denison and his colleagues appears to have made a great deal of impact in this area. In the first study, Denison (1984) finds that two indices of culture were significantly correlated with financial performance. In the second study, Denison and Mishra (1995) theorise culture as having four dimensions - mission, consistency, involvement, and adaptability. Most of the correlations between organisational culture traits and organisational effectiveness measures were significant. Furthermore, their analysis shows that the stability traits predict profitability; and that the flexibility traits predict sales growth.

The findings are sometimes conflicting. Fey and Denison (2003) find that in the case of a transition economy such as Russia’s, adaptability and flexibility are closely related to overall effectiveness. In a study of Asian countries, Denison *et al.* (2004) find that the

correlations between culture and effectiveness differed significantly among the countries. Whilst most of studies posit a direct relationship between culture and effectiveness, a few scholars find a moderating influence in the links between them: satisfaction, productivity and quality (Mathew *et al.*, 2012); and knowledge management (Zheng *et al.*, 2010)

An increasing number of scholars are questioning the underlying assumptions of these studies. Existing conceptualisations are frequently focussed on managerial perceptions, thus presenting an incomplete picture, in the light of the incongruence between content themes espoused by top management and actual practices (Schein, 2009). This is especially important in the context of effectiveness, as employees at lower levels of the hierarchy maintain an organisation's direct interface with customers and often possess tacit knowledge that can improve operational effectiveness. Furthermore, many existing studies adopt a narrow conceptualisation of effectiveness equating it with financial performance (see Martin *et al.*, 2006). Finally, it is surprising that there is little insight into the processes through which these linkages, if any, evolve and develop. Siehl and Martin (1990) point out that since profitability is largely externally determined; culture might impact financial performance indirectly, through a range of behavioural outcomes and contextual variables such as morale, commitment, and job satisfaction.

In order to address the issues identified above, this study adopts the three- perspectives framework of organisational culture (Martin *et al.* 2006). This framework offers three analytical perspectives that contemporaneously delineate the commonly shared values, divergence in sub-cultural themes, as well as ambiguities and contradictions. The integration perspective documents clear, consistent and shared aspects of culture. The differentiation perspective captures the inconsistencies in cultural manifestations wherein clarity exists only within subcultural boundaries, leading to clashes between espoused attitudes and actual behaviour. The fragmentation perspective highlights the ambiguities in organisational life and

covers pervasive neutrality, alienation, ironies, and fluidities. The three cultural perspectives provide the critical lenses, through which to view the relationship. Similarly, Martin (2002) argues that effectiveness can also be examined from integrated, differentiated and fragmented perspectives wherein integration lays down objective measures such as profitability and growth, differentiation presents contrasting views on effectiveness and fragmentation captures the transient and context specific nature of effectiveness.

3. Research Design and Methods

Driven by the number of imperatives highlighted earlier, the data generation for this study followed an ethnographic qualitative approach to develop a rich and insightful understanding of organisational culture and effectiveness. In particular, qualitative methods can uncover values, beliefs and assumptions of organisational life (Pettigrew, 1979). The desire to generate depth of understanding prompted the use of the single-case approach (Dyer and Wilkins, 1991).

3.1 Data sources

Teleware (all names are pseudonyms), an Indian software organisation provided the context for the study. It was identified from a list of mid-sized software firms. Final choice was based on access purely as a non-participant researcher. The organisation employs over 2000 people and has a turnover of \$70 million. The researcher initially interacted with the senior executives who provided their insights into the organisation's strategies as well as the espoused organisational values and policies and their links to organisational effectiveness. The researcher regularly monitored the organisation's intranet.

To obtain a fuller account of organisational life, interviews were subsequently held with lower-level employees. A total of 68 interviews were conducted: 4 IT Support Officers, 20 Software and Junior Software Engineers, 19 Module, Project and Technical Leaders, 14 Managers, 4 Executives, 2 Departmental Heads, 3 Vice-Presidents, and 2 Directors. The main

objective was to document the perception of informants on a range of issues pertaining to organisational culture and effectiveness. The interviews were kept open-ended and lasted between one and two hours. The researcher's reflections at the end of each research day helped to identify new lines of inquiry.

The researcher visited the organisation for five months purely for research, arriving early in the morning and staying back until evening and this process generated rich ethnographic data. During this period, the researcher visited the different departments, conducted interviews, observed work, undertook some work in the HR department - such as induction and selection interviews - and participated in meetings, cultural festivals and twenty-one extended social gatherings. The researcher recorded non-participant observations of a variety of organisational activities in research note books as soon as possible and this generated insights beyond the interviews. Furthermore, informal meetings were held with 50 people.

3.2 Data analysis

All interviews were audio-recorded and transcribed verbatim resulting in more than 1050 pages of transcribed data. A range of additional documents including annual reports and policy manuals - in all 500 pages of archival information - were collected. Following Corbin and Strauss (2014), data were coded into theoretically derived categories in terms of the different aspects of effectiveness and their relationship with key aspects of culture and subcultures, thematically arranged into integration, differentiation and fragmentation. The data were further scrutinised to reveal patterns of perceptions of culture and effectiveness, particularly in relation to implied beliefs and values undertones in the data. They were categorised into major themes, linkages and associations and the categories were further subdivided into theoretically coherent groups. This process continued until no new insights emerged (Corbin and Strauss, 2014). To generate internal and external credibility (Price *et al.*, 2000), the researcher discussed the findings with two experienced qualitative researchers at Bangalore's Indian Institute of

Management and sought feedback of five key informants on factual accuracies. The feedback was reflectively considered and amended, where necessary. An introduction to the case organisation follows.

4. Teleware: an Introduction

Teleware was founded by five visionary professionals in the late 1980s as a PLC to develop the most successful software company in India - a vision believed to be its cornerstone - and is reflected in its HRM policies, and practices. Teleware has a range of communication products and serves a range of world-class customers. In a departure from its exclusive focus on software products, Teleware expanded into telecom software services in 2000.

Teleware has a flat organisational structure with only five bands: the CEO is in band one and software engineers in band five. Teleware pursues a number of HR practices that are unusual in the Indian context. There are regular skip level meetings wherein the subordinates give the HR department feedback on reporting officers and these officers receive feedback from the HR department. In 'touch meetings', HR elicits employees' views on relevant issues. The CEO also meets with all employees in small groups of four or five, at least once a year.

Teleware voluntarily shares financial information with employees, prides itself as a 'single status' organisation and claim that all employees are treated equally. Except in a business exigency, all staff travel economy class. Additionally, all the employees have similar-sized cabins. The following presentation of the findings is structured in three parts: integration, differentiation, and fragmentation.

5. Organisational culture and effectiveness: An integration perspective

Viewed from an integration perspective, organisational culture is directly linked to operational effectiveness. Forty percent of Teleware's revenues come from the product division. Many

employees, especially the senior executives, argue that a stimulating culture has helped Teleware produce six product patents which generate a steady stream of revenues. Analysis reveals a number of factors that contribute to the employees' belief that the culture is critical to effectiveness. The section begins by discussing what informants commonly described as Teleware's desire to adhere to its values. The next section discusses the values that appear to be widely shared in the organisation.

5.1 Adherence to values

Many employees claim to believe that there is adherence to values and that this has generated a great deal of customer confidence to secure confidential, high-end, technical work. Due to the fears of data theft in developing countries, adherence to values is crucial.

"We work with the Telecom majors of the world. Our value-based culture plays a crucial role in instilling customer confidence. For instance, it was this confidence which prompted [XXX, a leading MNC] to make an investment of one million US dollars in Teleware." (Project Leader)

Another leading MNC invested three million dollars for research. Furthermore, the researcher observed a meeting addressed by the top executive of an MNC wherein he stressed that the strong value orientation of Teleware was the cornerstone of their successful partnership. Informants identified a few widely shared value orientations they believed as critical for effectiveness.

5.1.1 People first

There is a widespread belief that the organisation is committed to treating people as individuals who have much to contribute to the organisation. Many interviewees argued that what they called such 'people first' approach generates extra role behaviours and cost savings, thus directly enhancing effectiveness. For example:

"In the run up to project delivery, frequently project staff stay back at work far beyond working hours. One of my managers was based at office and was living on biscuits and tea for five days at a stretch recently. Obviously, we are thrilled to see our product goes live and the entire project team stretches itself." (Software Engineer)

The researcher observed 42 such instances where employee commitment was evident. Furthermore, the finance manager showed documentary evidence that employees rarely charge the company for 'local transport', directly leading to cost savings.

Interestingly, 'people first' is, arguably, nowhere more visible than in the actions of the senior managers and there were widely told stories of this. For example, many informants recounted the story of the CEO's driver who has become a millionaire through stock options. Such examples of inclusiveness generate positive discretionary behaviours that increase operational effectiveness, through lower employee turnover, lower costs and increased rate of innovation.

5.1.2 High technical orientation

Indeed there is a widely shared belief that the emphasis on high-end technology has helped the recruitment of 'technosavy' professionals that is critical for effectiveness (see Barney *et al.*, 2011; Zammuto, 1982). Selective recruitment is used as a strategy to perpetuate cultural values and to develop competitive advantage. Archival data reveals that over fifty per cent of the workforce in Teleware was recruited from the top Indian technical institutes (IITs & RECs) and eighteen held doctoral degrees. Seven professors from IITs, who routinely worked with Teleware, cited technology orientation as the reason for their association.

"Teleware has become a hub of professionals who have a hunger for technological innovation. In the last 5 years none from senior management left us. I have stayed back because of my fascination for technology and the work environment." (Manager)

Informal meetings reveal an effective word-of-mouth strategy wherein the new recruits influence their friends in their former university to join Teleware. Two practitioner journals (*Dataquest* and *Business Standard*) rated Teleware as the best employer to work for in India twice.

5.1.3 Spirit of enquiry

A widely-held view is that a spirit of enquiry pervades Teleware that has contributed to technological inventions and patents, thus creating much needed dynamic capabilities (Rindoa and Kotha 2001).

“Technological invention is a complex intellectual process. Inventions are always inspired. We would not have been able to produce so many patents but for our work environment.” (Software Engineer)

Furthermore, the spirit of enquiry and questioning restrains managerial nepotism; for example, the researcher observed that four such laterally joined managers who, arguably, had such tendencies of nepotism had to leave. Observations and participation in team meetings and cultural events revealed instances that have generated a shared assumption that genuine mistakes are tolerated that prompts employees to take risks (Schein, 2010). Observations reveal that a great deal of knowledge-sharing occur through informal chats over coffee and meals.

Thus, integration analysis reveals the criticality of the work environment in enhancing operational effectiveness since people constitute both a key asset and cost in knowledge- (Alvesson, 2004). There is a shared perception that cultural values: generate customer confidence, repeat business, extra-role behaviours, commitment, innovative thinking, new products and patents, increased knowledge-sharing and risk-taking; ensure a steady talent pool; evidently leading to developing competence, fairness, productivity, quality and attendant profitability and growth. Thus, culture creates and sustains effectiveness.

6. Organisational culture and effectiveness: a differentiation perspective

This section presents a differentiation perspective. Many aspects of culture were frequently incompatible with the high claims of harmony at Teleware. These differences emerged primarily from the services supervisors and managers and from functional departments. This dates back to 2000, when Teleware started its service business, deviating from its exclusive

product focus. Services has a short-term focus and is people-intensive, whereas product development has a long-term focus and involves rigorous research. With this, Teleware grew from 481 to 2000 people. Many managers in the service business were recruited from other organisations and were often referred to as ‘laterals’ (outsiders), whose views differed from those of the home-grown managers, akin to what Meyerson and Martin (1987) described as ‘counterculture’. Interestingly, the top management who are mostly from the product group continued to make important decisions. This conflict was manifested in the exercise of power in a number of respects (Martin, 1992). For example, the services managers frequently argued that Teleware’s culture had an adverse impact on effectiveness. Extensive probing shed some light on such subtle conflicts. Service business managers commonly complained that the top management was not receptive to their genuine business concerns. Observations revealed that the political manoeuvring that accompanied the conflicts, undermines effectiveness. A manager indicated that they had adopted different strategies of ‘equalising power.’

“If we find that HR does not address our concerns satisfactorily, we ask our customers to write directly to the company.... We have found that an email from a big customer to the CEO quickly changes things.” (Programme Manager)

Effectiveness itself is subject to vast variation in perception (Martin, 2002). A key difference pertains to Teleware’s telecom focus. The home-grown managers tend to believe that such a focus is critical to achieve effectiveness, whereas many in the service division argue that this creates ‘*strategic vulnerability*’ (Project Leader). Many contrast Teleware’s relatively poor growth with the exponential growth of similar IT firms by operating in multiple domains. Different stakeholders in the organisation view effectiveness differently: marketing: high turnover; delivery: absence of ‘bugs’ in products; finance: net profits, product group: patents. An analysis of the impact of the differentiated values on effectiveness follows. *6.1 Adherence to values and effectiveness: differentiation*

Observations uncovered many inconsistencies in adherence to values, and the supervisors in the service business contend that it breeds political manoeuvring and compromises fairness.

“Sometimes promotion decisions are political. I have seen people selected because of ‘caste’ affiliations and this certainly compromises merit and creates many performance problems.” (Project Leader)

The contract employees in IT support do not integrate much with others and generally sat together at lunch. One of them asked poignantly: *“we do similar work like the permanent employees; why do they keep us on contract? What values are they bragging about?”* Many of them confided that they were looking for an opportunity to leave. Thus, there are conflicting interpretations of how values affect effectiveness.

6.1.1 ‘People first’ and effectiveness: differentiation

The unstructured interviews and observations captured the service managers’ irritation that ‘people first’ places individual employee needs over business. In the service business, which addresses short-term customer requirements, ‘people first’ has many negative implications for effectiveness, such as delayed delivery, lower productivity and people management problems.

“We do business with cutting edge technology players. If we need to honour our commitments, we need to display discipline and dedication...The clients are not concerned whether you are people first or not.” (Senior Manager)

The researcher observed many instances of ‘people first’ prompting some employees to sit idle rather than join unattractive projects, making projects team composition difficult. Many senior managers argue that the high tolerance of business mistakes that follows ‘people first’, borders on unaccountability. There are instances of many stories having alternate interpretations. For instance, a senior manager recruited 200 people for an unrealised project, leaving them ‘on bench’ for four months. Two senior managers complained that still no action was taken against him.

6.1.2 High technology orientation and effectiveness: differentiation

The product group was annoyed that Teleware's distinct product identity has been diluted by its foray into the services. Some argued that 20 % attrition in Teleware is indicative of the failure of the high technology orientation to retain people. Rather, they argue that cultural orientations result in inadequate training, leading to software errors and rework.

"It is not ingrained in our culture to give a steady flow of technical inputs. I have seen many instances where projects have suffered due to insufficient training, yet we do not take action". (Senior Software Engineer)

6.1.3 Spirit of enquiry and effectiveness: differentiation

Observations uncovered frustration regarding the spirit of enquiry that results in undue managerial interference in technical work, when projects develop trouble. Even 'unrelated' people interfere, thus lowering operational effectiveness.

"The vagaries of the client resulted in a series of problems...My reporting officers, from Project Manager to the Senior Managers, started to poke their nose into the nitty-gritty of the project and it was very frustrating." (Project Leader)

The laterally recruited managers argue that role differences necessitate differentiated facilities and that 'single status' that goes with the 'spirit of enquiry' prevents this. On 27 occasions, the researcher observed that senior managers struggled to get rooms for urgent meetings. High power distance in India accentuates their grouse (Hofstede *et al.*, 2010).

Thus, from the differentiation perspective: the exclusive focus on telecom creates strategic vulnerability; and entry into services has compromised Teleware's product identity. Various stakeholders view culture effectiveness differently: cultural values promote unfairness, poor quality and productivity; and they breed incessant monitoring. Thus, culture is shown to be either counterproductive or unrelated to effectiveness.

7. Organisational culture and effectiveness: a fragmentation viewpoint

Participant observation and in-depth interviews uncovered a number of contradictions, ironies, and ambiguities in organisational life. A Programme Manager remarked that the absence of a main door in Teleware is symbolic – ‘*virtually anything could get in*’.

Furthermore, many employees shared anxieties about the continuation of Teleware’s cultural features, such as ‘*single status*’. Some feared that the ambiguities about flexibility were a ‘*sort of liability*’. The researcher observed many instances of chaotic situations and for instance, people who were rejected at the selection process in one project were selected in others. After a call from an annoyed customer, they appeared critical of cultural values, whilst on other occasions, they were neutral. Views about organisational life are irreconcilable, not clearly consistent or inconsistent and characterised by contradictions and ironies. Effectiveness is sometimes considered situational and even a chance event (Budhwar *et al.*, 2017). Interestingly, the top management argue that the very presence of envisioned values is an indicator of effectiveness.

7.1 Adherence to values and effectiveness: fragmentation view

Observations uncovered the negative impact of value contradictions and ambiguities on effectiveness. For instance, some employees were seen frequently involved in prolonged social conversations, internet surfing and trading on stocks whilst still at work: “*Assume that only 5% misuse this. Isn’t it the customer who will ultimately pay the price?*”: (Head of Engineering). Thus unrealised cultural manifestations lower operational effectiveness and directly lower profitability. Another senior manager questioned the truthfulness of the year’s medical claims amounting to Rs. (Indian currency) 50,00,000.

An ambiguous expression of ‘people first’ is the absence of attendance monitoring, and for instance: “*many colleagues work less than the mandated eight hours, under the guise of flexibility*”, (Software Engineer). A confidential document prepared by HR identified 37 such cases but no action was taken. A rather shocking observation of a closed HR meeting was

that since one third of the quarter's appraisals were not closed, the average of the previous years' ratings was applied (basis for variable pay: 50% compensation)! Thus, disintegration of cultural values lowered operational effectiveness. A discussion on the impact of the fragmentation of values on effectiveness follows.

7.1.1 People First and effectiveness: fragmentation view

There were irreconcilable interpretations of 'people first' policy such as placing personal concerns over business. For instance, a trainee software engineer applied for leave on the day of an important project release citing 'date' as the reason!

"People are reluctant to go to China as opposed to Northern America or Europe. Recently a junior software engineer refused to go to China, citing 'people first'. How will I manage the project?" (Project Manager)

An ambiguity surrounding '*people first*' created an unintended assumption of '*people pleasing*' which gradually emerged from in-depth interviews and observations. Many managers admitted that were hesitant to take '*people unfriendly*' decisions. On the other hand, the top management contradicted that '*people first*' is a key attraction for top ranking professionals. Thus, a great deal of ambiguity prevailed that lowered effectiveness.

7.1.2 Technical Orientation and effectiveness: fragmentation view

Ambiguities regarding the organisation's technical orientation have an unclear relationship with effectiveness. Many argued that informal systems of knowledge management are ambiguous and means 'reinventing the wheel', loss of tacit learnings and lower productivity, thus increasing costs and lowering effectiveness.

"Often we need to literally plead with people for information. Sometimes people will barge into you for information. With the high rate of attrition, we are losing out on a lot of tacit learning." (Project Leader)

Detailed probing revealed that unrealised technical orientation sometimes creates chaos. For instance, software codes are sometimes not independently reviewed as quality norms require. The researcher was shown 13 instances of this by the Quality Manager. Two

of them caused software bugs. Another unintended consequence is loose project execution. Teleware had to pay a multinational a hefty fine of £ 3 million for late delivery, thus directly hitting profitability; an irony viewed against the claims of high technology orientation.

7.1.3 Spirit of enquiry: fragmentation view

The senior executives' attempt to foster an environment of enquiry, is sometimes mistakenly perceived as 'soft' on poor performance: this drives behaviour so much that some managers confided to the researcher that they were afraid to give employees low appraisal ratings (see Schein, 2010)! Understandably, this has perverse negative implications for effectiveness. All 75 appraisal forms selected at random had been awarded a medium or top rating.

".... They need to do what a doctor does. If he believes that your leg has cancer, he cuts it. If he says, 'I don't want to give you pain', he is actually killing you. Most of our managers are killing the whole business." (Senior Vice-President)

Furthermore, observation revealed that the provision for putting poor performers on 'performance watch' is rarely followed and the opportunity for poor performers to take up other roles is seen as violating high regard for customers. However, some credited spirit of enquiry with Teleware's patents.

Thus fragmentation analysis presents a rather complex view of the linkages: effectiveness itself is problematic; prevalence of cultural values, in itself, is considered indicative of effectiveness; and high levels of ambiguity and confusion result in 'action paralysis'. Unrealised and misconceived cultural values compromise high regard for customers; create issues of unfairness; prevent tough business decisions; breed several issues in performance management; prevent systematic knowledge-sharing and create severe quality issues. On the other hand, alternate views offer positive interpretations.

8. Discussion

The findings suggest a range of contributions and implications for both theory and practice. The first contribution relates to the adoption of the three-perspectives framework for analysing

culture effectiveness relationship This advances theory by providing a comprehensive theoretical rationale for the conflicting findings of the extant studies (see Wilderom *et al.*, 2011; Denison *et al.* 2004; Fey and Denison 2002). Indeed, multiple cultural values prevail across an organisation and they influence effectiveness in varied and often unexpected ways. Such multiple cultural expressions have been captured in previous studies also; however, they stopped short of examining the impact of such cultural expressions on effectiveness (Harris and Ogbonna, 1997). Cultural values exert a positive influence on effectiveness by creating dynamic capabilities (Rindova and Kotha, 2001); sub-cultural conflicts largely undermine this; and fragmentation of values exerts a neutral, problematic or even positive influence, contemporaneously. Combining the three perspectives, different aspects of both constructs appear to be neutral, related, unrelated, negatively related and differently related at the same time. Singular perspective studies employ narrow lenses and capture only parts of this complex phenomenon. This conclusively explains their conflicting findings (see Ogbonna and Harris, 2014; Denison *et al.*, 2004). This study also illuminates the futility of the call of many researchers for a large scale survey as a solution (Wilderom *et al.*, 2011) as quantitative studies would be clearly incapable of capturing the dynamic nature of subcultural tensions and the contradictions and ironies that are part of culture, thus failing to present a comprehensive picture of organisational life. Thus, whilst culture can exert a significant influence on effectiveness, the nature of this relationship is, at best, complex and problematic. Similarly, the above discussion undermines Siehl and Martin's (1990) argument that non-financial aspects of effectiveness - productivity, quality and commitment - mediate the relationship between culture and financial performance (also see Mathew *et al.*, 2012). The proposition for such a mediating role has been motivated by the research in a near similar field, that of HRM and performance (see Guest 2001); however, it has limited utility in analysing the impact of culture on effectiveness as the relationship of culture with both the mediating and outcome

variables are equally complex and problematic. Importantly, knowledge intensive and technologically sophisticated software development work demands an environment of experimentation and tentativeness which are likely to create ambiguities and uncertainties at workplace. Managerial need for control and planning needs to be sufficiently nuanced to accommodate this need rather than viewing such complexities and uncertainties as aberrations.

Secondly, the above raises an interesting theoretical debate: what role, then, culture plays in present-day organisations, or is culture research dead? The conflicts in Teleware, between product and service cultures, are ongoing. Despite generating dynamic capabilities (Barney *et al.*, 2011), cultures fail to constitute a sufficient condition for effectiveness. It is clear, however, that cultures constitute a necessary hygiene factor (see Herzberg, 1966) and a resource endowment for achieving effectiveness in a knowledge-intensive firm that relies on people for gaining ‘inimitable’ competitive advantage (see Hislop, 2013; Newell *et al.*, 2009). Thus, despite its inability for a fuller explanation, cultural values are prerequisites to achieving effectiveness and in particular for talent attraction and retention in the people intensive software industry. Furthermore, cultural values are the springboards of innovation by facilitating a range of both formal and informal knowledge sharing mechanisms. In a society where high power distance presents itself in hierarchical and tall organisations, appropriate cultural values has helped develop unique people management strategies in Teleware (see Hofstede *et al.* 2010). It is evident that cultural values are a source of attraction for the predominantly young workforce (average age 25 years). Therefore cultural values play a crucial role in ensuring effectiveness although they cannot directly predict effectiveness. This settles the decades long theoretical debate on the relationship between culture and effectiveness (see Alvesson, 2004; Wang and Rafiq, 2014). It can, therefore, be argued that culture creates dynamic capabilities that are essential for organisational effectiveness.

Thirdly, the findings challenge the theorisation that strong cultures lead to increased effectiveness (see Deal and Kennedy, 2000; Kotter and Heskett, 2011). High degree of differentiation and fragmentation of cultural values that is prevalent in Teleware challenge the formation of strong cultures. Indeed, the high rate of employee turnover (20%) and the induction of an equal number of new employees both fresh graduates and experienced people are managerially challenging. This means that in five years most of the organisational members would be new and this poses considerable challenges for cultural integration. Consequently, the potential of organisational culture, as a unidirectional set of values and sanctions, that drives organisational effectiveness is substantially reduced (see Schein, 2010). Similar Indian software firms also experience this problem (see NASSCOM, 2017). Fast growth is premised on a set of commonly shared values and how such organisations would retain their focus on fast growth without cultural integration, is an area for future research.

Managerial Implications:

The paucity of studies of HRM in the Indian context has prompted many researchers to call for more research on HRM in India (Varma and Budhwar, 2013). This study provides one of the few insightful delineations of the complexities of managing human resources in the Indian software industry that is an integral part of the global value chain and that commands a great deal of economic significance. Indeed, high differentiation and fragmentation capture the wide prevalence of the informality of the HRM systems in Teleware and indeed this is typical of Indian organisations that experienced rapid growth (see Srinivasan and Chandwani, 2014). Although such informality of HRM systems is logical in a rapid growth sector, there is a need for greater formalisation, as the industry moves towards the maturity phase. The great deal of difficulties experienced by line managers in Teleware in exercising managerial control needs

to be viewed in the light of such informality that characterizes HRM systems. In a way, such informality provides the much needed flexibility and is helpful in improvising HRM systems in a rapidly evolving business scenario. However, the absence of formalised HRM systems create several issues such as those of fairness and control, as captured in the differentiation and fragmentation perspectives (Srinivasan and Chandwani, 2014). This would prompt high levels of employee turnover and loss of goodwill, ultimately leading to the inability to attract top talent. Therefore, it is imperative for managers to nuance HRM systems that would create and reinforce a set of shared values, thus ensuring organisational integration.

The immediate context of the software sector makes the influence of culture on effectiveness profound. It was indeed the spate of outsourcing that created 'born-global' Indian software firms which are often referred to as dragon multinationals (see Mathew and Ogbonna, 2009). The hyper growth of the sector (40-45% initially) and the intensification of MNC operations challenged labour supply (see Mathew *et al.*, 2012). The labour arbitrage business model that Indian software industry adopted for achieving competitive edge prevented considerable rise in wages to attract and retain talent. A plausible intervention was to create a work culture, that would make workplace both attractive and stimulating (see NASSCOM, 2017). The football pitches, gymnasiums, elaborate food courts and even crèches that are situated in the premises of the software firms are artefacts of such attempts to create attractive cultural values. The considerably low age group of the workforce made this even more significant. Furthermore, intense competition also forced the Indian IT firms to make their offerings more value-added and this reinforced the emphasis on culture, as captured in the many great places to work surveys in which software engineers enthusiastically participate (see Thite and Budhwar, 2014). The high cultural emphasis of the Indian software firms is consistent with the huge investments in culture made by multinational technology firms such as Google and can be

viewed as clear signs of the movement of the Indian software firms towards mature HRM systems (Steiber, 2014). This has tremendous implications for managers. Managers have to, on a constant basis, design, implement and monitor HRM interventions that would ensure appropriate cultures.

Finally, this study documents a range of context specific measures of effectiveness in addition to financial performance: a steady supply of top technical professionals, 'repeat business', innovation, product development and patents, lines of code written (productivity), complexity of codes, quality and commitment. Such measures are particularly relevant for managers who are tasked with enhancing operational effectiveness in knowledge intensive software firms. .

Conclusion

This paper documented the multiple particularities of an interesting and economically significant work context and makes insightful theoretical and managerial contributions. The employment of the three-perspectives framework of organisational culture provides insights into the conflicts and indeterminacies of the findings of culture effectiveness studies. Appropriate cultures are prerequisite for effectiveness in the knowledge intensive, software firms, although it is not a direct predictor of financial performance. Contextual particularities challenge the formation of strong cultures and this poses challenges for cultural integration. Several contextual factors of the Indian software sector have contributed to a high emphasis on culture. As the Indian software firms move towards maturity, there is a heightened need for formal and sophisticated HRM systems. Whilst admitting the limitations of culture, this study highlights the criticality of sustaining appropriate cultures in a knowledge-intensive firm.

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