A THREE PERSPECTIVE ANALYSIS OF THE RELATIONSHIP BETWEEN ORGANISATIONAL CULTURE AND EFFECTIVENESS

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ABSTRACT

Although a number of studies have examined organisational culture and effectiveness, such studies have often resulted in inconclusive findings. Through an intensive ethnographic case study, this study explores and analyses this relationship in the context of a knowledge-intensive firm. The study adopts the three perspective framework of organisational culture (see Martin 1992, 2002) as the theoretical framework through which the links between organisational culture and effectiveness are examined.

The adoption of the three perspective framework throws rich insights into the nature of organisational life. However, although the study finds overall support for the three perspective framework, it suggests that this framework could be strengthened in regard to the conceptualisation of integration and fragmentation, particularly in the context of an organisation based in a developing country undertaking work for the MNCs. Similarly, the adoption of the different theoretical approaches to effectiveness leads to the identification of a series of interesting measures of effectiveness. In this regard, an integration based analysis highlights the certainty of the measures of effectiveness whereas the differentiation and fragmentation analyses show the problematic, inconsistent and transient nature of effectiveness.

The adoption of the three perspective framework sheds interesting insights into culture-effectiveness relationship. While the integration perspective presents a positive relationship, the differentiation perspective holds that the inherent inconsistencies and conflicts have a negative influence on effectiveness. The fragmentation based analysis shows that culture is a neutral factor *vis a vis* effectiveness. Furthermore, the ironies, contradictions and ambiguities are shown to have a negative influence in this regard. This work therefore concludes that the argument that there is a relationship between culture and effectiveness is the result of adopting a particular analytical lens (generally, integration perspective). This study also shows that the proposition that non-financial aspects of effectiveness mediate the relationship between organisational culture and financial performance can work only in the case of adopting an integration perspective.

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INTRODUCTION

The relationship between organisational culture and effectiveness has been a topic of intense academic interest (see Denison *et al.* 2004; Martin 2002). A review of the leading journals in management and organisational theory suggests that although many studies have explored culture-effectiveness linkages, such studies have often attracted criticism on the grounds of methodological shortcomings and conceptual inadequacies (see for example, Fey and Denison 2003; Kotter and Heskett 1992). It is surprising to note that many studies reported in leading journals have not addressed the important grounds of such criticisms; rather many such studies switched contexts and by default continued to perpetuate the shortcomings of the earlier studies (see Denison *et al.* 2004; Fey and Denison 2003; Denison and Mishra 1995). Even when new contexts were studied, such changes mostly ignored culturally dissimilar contexts such as developing and emerging economies (see Hofstede 1984) which have attracted great interest in recent years due to their exponential economic growth (see Khanna and Palepu 2004), or knowledge-intensive work contexts where the competence of people is considered the prime lever for enhancing competitive advantage (see, Alvesson 2004; Newell *et al.* 2002).

One of the fundamental limitations of the existing culture-effectiveness studies is related to the adoption of a positivist or functional approach. The consequence of the adoption of the functionalist approach has been the employment of purely quantitative methods for analysing this relationship (see Kotter and Heskett 1992; Calori and Sarnin 1991; Gordon 1985). Given that the existing literature documents ample proof of the multi dimensionality of the constructs of organisational culture (see Martin *et al.* 2006) and organisational effectiveness (Quinn and Rohrbaugh 1983) and their problematic and complex nature (Martin 1992, 2002); such a functionalist approach has often failed to illuminate insights into the dynamic nature of culture-effectiveness relationship (see Siehl and Martin 1990). Furthermore, such studies have often resulted in inconclusive and conflicting findings (Wilderom *et al.* 2000). This study attempts to address the above concerns and to explore the relationship between culture and effectiveness in-depth through an ethnographic case study in the context of a knowledge-intensive organisation in India.

An exploration of the relationship between organisational culture and effectiveness presupposes a comprehensive presentation of the dynamics of organisational life, capturing not only the areas of apparent agreements and harmony, but also conflicts, ambiguities, and the areas of fluidities which might underlie subtle expressions of harmony and unity. To achieve such a comprehensive presentation of the complexities of the cultural phenomenon as they are played out in an organisational context, this study adopts the three perspective framework of Martin (1992, 2002) and Martin *et al.* (2006). The unique advantage of the three perspective framework is that it has the potential to capture consistency, inconsistency, and ambiguity contemporaneously and this is achieved by analysing organisational life from integration, differentiation, and fragmentation perspectives. The integration perspective presents the widely shared aspects of culture; the differentiation perspective documents the conflicts and dissent; and the fragmentation perspective captures the ambiguities, ironies, and contradictions. Together the three perspectives combine the advantages of a range of perspectives and hold the potential to present a comprehensive and insightful picture of organisational life.

A systematic analysis of the culture-effectiveness relationship requires a comprehensive analysis of organisational effectiveness. Although the existing literature emphasises the multidimensionality of the construct of effectiveness, a critical review of the literature shows that effectiveness is often treated inadequately in extant empirical studies with the result that effectiveness is often equated merely with financial performance. This needs to be viewed in the light of theoretical argument that culture is not conceptually related to financial performance, but to a set of processes such as productivity and commitment. This study addresses this key issue by examining organisational effectiveness from all the five theoretical approaches and the three perspectives of Martin (2002). Such an examination is expected to lead to a range of aspects of effectiveness and this is particularly significant since this facilitates analysis of cultural values to a variety of aspects of effectiveness. This provides the researcher with an option to explore the relationship of culture with a variety of measures, thus leading to a more comprehensive evaluation. Furthermore, the analysis of effectiveness from the three perspectives of Martin (1992) sheds light on the integrated, differentiated, and fragmented nature of effectiveness. Such a comprehensive analysis, which is lacking in extant conceptualisations, reveals insightful findings.

To achieve the objectives stated above, this thesis is organised around the above mentioned themes. The first two chapters examine the constructs of organisational culture and effectiveness (respectively) in detail. Since organisational culture has a long history and rich variety in methodological approaches, more discussion is devoted to organisational culture. The third chapter analyses the existing culture effectiveness studies and this leads to the formulation of the research objectives. The fourth chapter describes the research design and methods. The fifth and sixth chapters present the background of the Indian software sector and Technostar respectively. The description of Technostar in chapter six is short since many aspects of the organisation are discussed in detail in the subsequent chapters. The seventh, eighth and ninth chapters analyse culture-effectiveness from the integration, differentiation and fragmentation perspectives respectively. The thesis culminates with analysis and conclusions in the tenth chapter.

CHAPTER 1

ORGANISATIONAL CULTURE

1.1 INTRODUCTION

The objective of this chapter is to explore the concept of organisational culture. This is done by examining the key studies conducted in this area, analysing the philosophical underpinnings of such studies as well as by discussing the conceptual development of the organisational culture construct. First, the evolution and growth of the concept is explained and the concept of culture is defined. This is followed by a description of the confusion surrounding the treatment of the concept, especially with respect to organisational climate and the differences are analysed with a view to delineating the meaning of the concept. A brief discussion of the debate about culture as a form of control is provided to clarify further the conceptualisation of culture. In the next stage, the differences in the conception of culture are examined by tracing it back to the different schools of thought and to different philosophical viewpoints. Finally, the methodological approaches for studying and analysing culture are examined.

1.2 CULTURE RESEARCH: EVOLUTION AND GROWTH

Although the study of organisational culture is argued to be relatively new in organisational theory (Hofstede *et. al.* 1990), a perusal of the literature reveals that different aspects of the culture construct are found in the conceptualisations of a number of earlier organisational theories. Barley *et al.* (1988 p. 31) observe that the origin of organisational culture research can be traced back to the works of a group of theorists influenced by the Chicago School of sociologists such as Schein (1971) and Van Maanen (1976) who emphasised the study of 'local interpretive structures and ritualised practices' in fully understanding organisational dynamics. These works did not explicitly discuss organisational culture, but culture was clearly an underlying theme. It was this outcome that influenced many academics to work on the term specifically and this took two directions. The practitioner oriented perspective (for example, Ouchi and Price 1978; Peters 1978) argued that by paying attention to an

organisation's ideals, values and norms rather than rational strategies, the organisation can enhance effectiveness. A more theoretically inclined perspective (for example Pettigrew 1979; Van Maanen and Schein 1979) with leanings to anthropology and symbolic interpretive perspectives, held that organisations can be conceived as 'socially constructed systems of meaning' and noted that the 'intersubjective realities' could heavily influence organisational dynamics (Barley *et al.* 1988 p. 32). Both schools of thought encouraged research in the study of organisational culture and the 1980s saw a sudden rise in the number of scholarly and applied papers on organisational culture.

Brown (1995) observes that the fascination for organisational culture developed partly out of the work on organisational climate during the 1970s. It can also be seen that in some studies, the constructs of climate and culture were used interchangeably but many studies also made a clear distinction between them. This issue is discussed subsequently after the description of the concept of culture. Martin *et al.* (2006) observe that there is an intense interest in organisational culture by both practitioners and academics alike. The practitioner interest is argued to be the result of the success of Japanese management and the perceived failure of traditional organisational analysis (see Peters and Waterman 1982) and the academic interest is considered to be the result of the belief that a cultural framework would broaden organisational research, which emphasised the rational model of human behaviour and theory enshrined in the quantitative and neo-positivist approach (see Meyerson and Martin 1987).

Barley *et al.* (1988) argue that the commercial success of the best sellers - *Theory Z* by Ouchi (1981), *In Search of Excellence* by Peters and Waterman (1982) and *Corporate Cultures* by Deal and Kennedy (1982) reflected the keen interest in organisational culture. Martin *et al.* (2006) also observe that the managerially oriented publications such as those of Deal and Kennedy (1982), Ouchi (1981), and Peters and Waterman (1982) advocated the creation of a unified culture with emphasis on a set of corporate values, which would enhance the profitability of organisations. This approach has been termed 'value engineering' by some since it offers instructions for manipulating the values of employees. The special issues of *Administrative Science Quarterly* (1983), *Journal of Management Studies* (1986), and *Organisational Dynamics* (1983) are examples of this intense interest in organisational culture during this period. Gregory (1983) argues that the cultural approach was used by every branch of organisational research at some time or other.

It can be observed that sustained interest into organisational culture started in the early 1980s. Since then a significant number of studies have been conducted and disseminated in leading journals. Hofstede *et al.* (1990), Hofstede (1998), Hatch (1993), Denison (1996), Ogbonna (1993), Ogbonna and Harris (1998, 2002), Ogbonna and Wilkinson (1990, 2003), and Ogbonna and Whipp (1999) are some of the examples of these studies. One specific aspect in which such research further evolved is related to the linkages between organisational culture and effectiveness. Sorensen (2002), Siehl and Martin (1990), Harris and Ogbonna (2001), Fey and Denison (2003), Denison and Mishra (1995) and Calori and Sarnin (1991) are all examples of such studies. This aspect is pertinent to this thesis and is discussed in chapter 3.

1.3 ORGANISATIONAL CULTURE: THE CONCEPT AND DEFINITION

The term culture carries different meanings for different people (Sathe 1983; Bourantas *et al.* 1990 and Ogbonna and Wilkinson 1990). Denison (1996) and Hatch (1993) hold similar views and observe that, in spite of the numerous articles appearing on culture, the definition and boundaries of culture are often confused. Smircich (1983) argues that one reason for this is the difference in the anthropological origins of the concept, where there are differing views on culture. In this regard, many theorists and researchers have attempted to clarify and define the concept of culture.

Hofstede *et al.* (1990) observe that the term organisational culture appeared for the first time in US academic literature with Pettigrew's article in the *Administrative Science Quarterly* in 1979, which defined culture as a "system of publicly and collectively accepted meanings operating for a given group at a given time" and introduced the anthropological concept of culture as well as showing how the related concepts of symbolism, myth, ritual and others can be used in organisational analysis (Pettigrew 1979 p. 574). Viewing culture as a family of concepts which includes symbol, language, ideology, belief, ritual, and myth, he stresses the significance of symbols and language in the study of culture. Pettigrew (1979) argues that culture, through symbols and language, becomes the force behind all human action. Rituals create distinctiveness and exclusiveness, whereas myths maintain what is legitimate and what is not acceptable.

Clearly, many researchers conceptualised culture in similar vein. Koprowski (1983) and Broms and Gahmberg (1983) highlighted the significance of myths whereas Smith and Simmons (1983) emphasised symbols, tales, legends and myths in culture and management, with specific and pertinent empirical examples. These studies show that myths not only embody the values of culture but also play a vital role in perpetuating culture. A detailed description of understanding culture myths is given in the methodological approaches of conceptualising culture in the latter part of this chapter.

One of the most widely-cited definitions of culture was given by Schein (1985). He gives a detailed account of the way culture evolves in an organisation. He argues that organisations are purposeful entities formed by the actions of the founders, who have strong assumptions about what to do and how to do things. They also have strong views about the nature of the world, human nature, truth, relationships, time, and space and they influence the way culture is formed and shared in the organisation.

Schein (1985 p. 14) defined organisational culture as "a pattern of shared basic assumptions that a given group has invented, discovered or developed in learning to cope with the problems of external adaptation and internal integration - a pattern of assumptions that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems". This definition covered a great number of issues and it is evident that many academics and researchers conceptualise culture in a similar vein. Wilkins (1983) argues that culture is thought of as both the 'taken-for-granted' and the shared assumptions as to how work is to be done and the customary behaviour (overt manifestation). Culture assumes a great deal of power since it prescribes a 'right' way to look at the world, which is never challenged by others and is reinforced since it is taken for granted by both the organisation and its members. However, he further argues that it is difficult to study shared assumptions since these are not openly expressed by people but are implied in concrete examples; some assumptions go against overtly stated norms and hence they would not be manifested directly and it is difficult to study them in large organisations, owing to their large size and the prevalence of different subcultures in parts of the organisation.

Defining culture in a similar vein, Sathe (1983) discusses two types of shared understandings which form part of culture: beliefs and values. Beliefs form the fundamental assumptions about the world and the way it works. Values are beliefs with an implicit 'ought to' in them. Long-held values and beliefs continue to direct behaviour despite their disappearance from the level of awareness of people. Sathe (1983) argues that culture can be articulated through explicit forms such as rules and implicit forms such as rituals, ceremonies, stories, metaphors, heroes, logs, decors, dress, and other symbolic forms of communication. In his view, stories are more credible in communicating values since they are more concrete and the moral is not explicitly stated.

Treating culture from a symbolic-interpretive perspective, Hatch (1993) points out the limitations of the Schein's model and observes that it does not mention the relationship between the three layers and how they influence one another - artefacts, values, and assumptions and she attempts to explain this by introducing the concept of cultural dynamics. She also introduced symbols as a new element between artefacts and assumptions, as described in figure 1.1 below.

FIGURE 1.1

The Domain of Cultural Dynamics Showing Objectivist and Subjectivist Theoretical Orientations Subdivided by the Discourses of Activity and Reflexivity
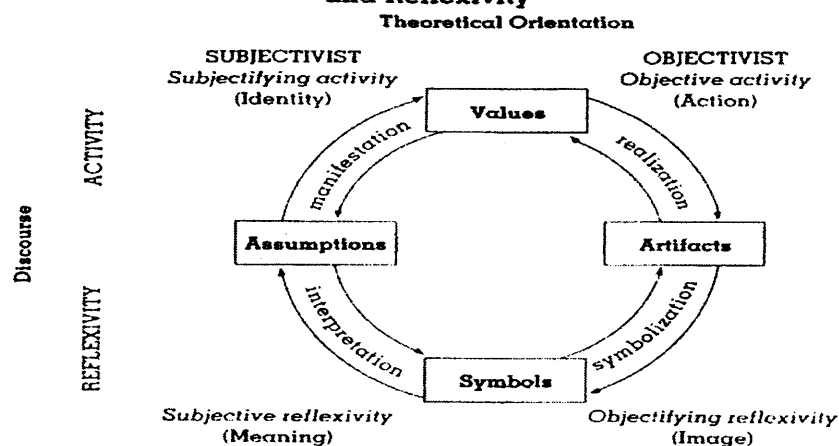
Source: Hatch (1993, p. 685). The dynamics of organisational culture, *Academy of Management Review*

Secondly, she shifted the emphasis from the centrality of the elements of culture - assumptions, values, and artefacts - to the relationship between cultural elements. This, in

effect, makes a shift to a dynamic concept of culture from a static concept of culture, in that it describes how the elements of culture affect one another. This can be observed from figure 1.1. While maintaining that Schein's model is extremely relevant, Hatch (1993) suggests that this model can be meaningfully combined with the perspectives drawn from symbolic interpretivism. She reformulated Schein's model by introducing four processes - manifestation, realisation, symbolisation, and interpretation. Manifestation is a process by which cultural assumptions find their expression in the perceptions, cognitions, and emotions of organisational members. This occurs both proactively (the processes through which assumptions influence values) and retroactively (processes through which values influence assumptions). Cultural realisation is the process of making values tangible in organisational life by transforming expectations or values into tangible reality (proactive realisation) and sustaining or changing values through the artefacts (retroactive realisation). Symbolisation can be both prospective and retroactive. Prospective symbolisation is a process which "links an artefact's objective form and literal meaning to experiences that lie beyond the literal domain," (Hatch 1993 p. 670). Although symbolisation begins as an artefact, gradually, it takes on a symbolic form and according to Hatch produces a 'surplus meaning' in the process. Aspects of the meaning of the artefact may be made more intense or significant by feedback from the employees, what she terms retrospective symbolisation. In short, symbolisation can be defined as the generation of meaning that is contextualised. Interpretation then provides an acceptable meaning to the different symbols (prospective interpretation). Conversely, the process of interpretation makes possible the expansion of or changes in symbols by the inclusion of a newly symbolised content. Thus, interpretation also works both ways.

Hatch (1993) argues that the four boxes in the above figure cannot be deemed to be four separate processes, but are wheels of an interconnected process. A unique aspect of the conceptualisation of Hatch is that assumptions do not influence values in a unidirectional way, as is implied in Schein's framework, but values also impact on assumptions thereby leading to a change in the assumptions themselves and this is true of the relationship between all the three dimensions including the artefacts. Consequently, they work as a process whilst simultaneously influencing each other.

Gregory (1983) defines culture as a learned way of coping with experience and argues that coping with experience involves sense making and acting in terms of meanings. He describes

culture as a system of meanings explicitly expressed as behaviours and implicitly implied as meanings motivating behaviours. Although culture is conceived in an individual capacity, it means shared meanings. Natives take their culture so much for granted that actions based on other cultures are treated as alien.

Thompson and Wildavsky (1986) argue that culture denotes the ways of life which arise out of social interaction and which continuously change according to social viability. Cultures are essentially internal to organisations and evolve as people exercise their preferences within such organisations. The important decisions made by people in an organisation are reflective of the values and beliefs of organisational life. Therefore, when an individual becomes part of an organisation, he or she is constrained with respect to his or her choices. For example, Thompson and Wildavsky (1986) argue that people are often bound by cultural limits, even as regards the collection of information required for decision making thereby imposing limitations on their preferences for choices. This means that the information managers need to control the organisation is itself biased and mediated by the culture of the organisation.

As can be seen from the above, there are vast differences in the definitions of culture. Some of the eminent theorists such as Pettigrew (1979) used an anthropological approach, whereas others such as Schein (1985) used perspectives from psychology and it is clear that the psychological definitions treat the individual as the focus whereas the anthropological and sociological definitions focus on the group, organisation, or society. Pettigrew (1979) emphasised semiotics while Hatch (1993) conceptualised culture from a symbolic perspective, and some of her later writings made use of the interpretive and postmodern paradigms. Therefore, in this work organisational culture is defined as the values, beliefs, and assumptions of employees which are expressed in varied forms and which have significant implications for the working lives of organisational members. A perusal of the conceptualisations and definitions of culture reflects the epistemological and ontological differences of the different schools of thought on culture and these are examined in detail later in this chapter.

Nonetheless, the concept of organisational culture is often shrouded in confusion. One of the reasons for this is that organisational culture is confused with many other concepts such as

power and politics, ideology, and climate (see Harris and Ogbonna 1998). An examination of the literature reveals that organisational culture is most often confused with organisational climate and it is therefore necessary to explore the conceptual similarities and differences between culture and climate.

1.4 ORGANISATIONAL CLIMATE AND CULTURE

It can be seen that some studies used the concepts of culture and climate interchangeably, whereas some of them distinguished between the two concepts. For example, Lawler *et al.* (1978) maintain that culture is the same as climate and note that climate or culture is the nature of day to day properties of a particular work environment as perceived and felt by those who work in it and are familiar with it. Interestingly, this view does not distinguish between the insider and outsider perspectives on climate and culture. Graves (1985) argues that although the terms are used interchangeably by authors, and while there is confusion about the distinction between them, in his view, the concepts are different and need to be distinguished.

Denison (1996) conducted an in-depth analysis of the concepts of climate and culture and their epistemological and ontological niceties. He argues that culture in the traditional literature required qualitative research, whereas climate required quantitative research; culture researchers were more concerned about the evolution of social systems over time, whereas climate was concerned about the implication of organisational systems for groups and individuals; culture research emphasised underlying assumptions and individual meaning while climate research emphasised the organisational members' perceptions of practices and procedures closer to the 'surface' of organisational life (Guion 1973) and culture studies generally used ethnography as a method, whereas the climate perspective was based on Lewin's (1951) studies of experimentally created social climates and qualitative observation of organisational settings. From the above analysis, it appears that climate refers to the perceptions of people at a more or less superficial level, while culture denotes the underlying processes which create those perceptions. He presents a summary of the commonly held perceptions in a table (see Table 1.1 in the following page).

Denison (1996 p. 626) argues that the culture and climate debate has fundamentally been about the problem of "social contexts being the product of individual interaction and a powerful influence on individual interaction." Culture research expalins how social contexts evolve out of the interaction of individuals, whereas the climate literature is more concerned about the perception of social contexts and its impact (Schein 1985; Taguiri and Litwin 1968). The second difference is about the level of analysis. Although academics are not unanimous about the level of analysis in the case of climates as to whether it merely describes the perceptions of people, there are academics (for example, Glick 1985) who argue that socially constructed conditions should also be explored in climate.

TABLE 1.1: CONTRAST BETWEEN ORGANISATIONAL CULTURE AND ORGANISATIONAL CLIMATE

Aspects	Culture literature	Climate literature
Epistemology	Contextualised and idiographic	Comparative and nomothetic
Point of view	Emic (native point of view)	Etic (researcher's viewpoint)
Methodology	Qualitative field observation	Quantitative survey data
Level of analysis	Underlying values and assumptions	Surface-level manifestations
Temporal orientations	Historical evolution	Historical snapshot
Theoretical foundations	Social construction; Critical theory	Lewinian field study
Discipline	Sociology and Anthropology	Psychology

Source: Denison (1996, p.625). What is the difference between organisational culture and climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review.*

Furthermore, Denison (1996) maintains that the roots of climate literature can be traced back to the field theory of Lewin (1951) whereas the organisation culture literature is based on the symbolic interaction and social construction perspective developed by Mead (1934) and

Berger and Luckmann (1967). According to Lewin's perspective, the individual is separate from the social context, and this creates climate. However, from the symbolic interaction and social construction perspective, individuals cannot be separated from the environment and hence they are conceived as both the agent and the subject simultaneously. Furthermore, symbolic interaction and social construction perspectives help to understand the evolution of social processes as regards the creation of meaning and social structure. The Lewinian perspective emphasises the understanding of the influence of environment on human behaviour. However, while culture literature emphasises that context is of utmost significance, climate literature typically maintains that climate is a cognitive construct. Denison (1996) also argues that climate refers to a situation that impacts on the employee and is temporal, subjective, and manipulable whereas culture is an evolved and complex construct, which makes it difficult to be directly manipulated. However, Denison (1996) notes that many aspects of Lewinian frameworks as well as work on climate such as that of Poole (1985) also describe the social construction of organisational contexts. Denison (1996 p. 645) concludes the analysis with the observation that climate and culture should be "viewed as differences in interpretation rather than differences in the phenomenon." Of the two traditions which attempt to study organisational contexts, culture is of a more recent origin than climate.

Viewed in this light, it can be seen that although some theorists and researchers argue that both culture and climate denote the same phenomenon; it can also be observed in extant literature that culture is generally treated as a more complex construct than the perceptions of people; it includes not only the artefacts but also the values and assumptions of people, the meaning making processes in organisations and the contradictions, complexities, and irreconcilable tensions in organisations. Climate, on the other hand, is conceived, in extant literature, as describing the perceptions of people, although there are theorists and researchers who advocate more depth to the concept of climate. In short, although they denote a similar phenomenon, culture does this in much more detail and depth. Nothing summarises the issues involved better than the observation of Denison (1996) who states that there is a striking similarity between the concepts but the definitions of both concepts are not independent of the individual theorists and researchers and also reflect their biases and preferences.

Another interesting dimension in the treatment of the concept of culture is the argument that culture is a form of control and according to some academics and researchers, the most

powerful form of control. It should be stated that it is not the objective of this work to discuss the wider issues arising out of conceptualising culture as a form of control. However, given that this study is partly informed by this perspective, it is useful to explore the issue of culture and mention briefly this aspect of control.

1.5 CULTURE AS A FORM OF CONTROL

In the literature there is a strongly debated issue as regards whether or not culture is a source of strategic control. This debate partially results from Smircich's (1983) observation that culture is sometimes viewed as a strategic variable, implying that it can be manipulated. Her views found support from many researchers. For example, Robbins (1983) categorically argues that it is the potential of culture as a strategy of control that motivated managers to embrace theory Z.

Ray (1986), using the sociological framework of Emile Durkheim, argues that the corporation is the site for establishing the moral order and culture is an effective means of control, which becomes more powerful, by engaging sentiment and emotion, especially in the context of the United States. She argues that the conflict between the interests of the individual and the company is similar to the conflict between the self and society, as described by Durkheim. The bureaucratic form of control that evolved in the context of the United States ensures that control is based on structure, thus replacing it with control by individuals.

The bureaucratic form of control gradually gave way to humanistic control and it was Elton Mayo (1946) who first made significant contributions in this regard, by emphasising the influence of the environment on individuals and by stressing the need for teams and participation in the work place. Another significant development of the work of Mayo was the need for managers to listen to the concerns of workers and this gave rise to the practice of counselling in the work place. The ideas enshrined in his work led to the development of concepts such as job enrichment, job enlargement, and job rotation introduced by industrial psychologists. World War II and the ensuing labour unrest together with the works of Kurt Lewin and the like (especially Douglas McGregor) led to the acceptance of the Human Relations approach in both theory and practice. Although the ideas outlined in this approach could elicit cooperative behaviours from employees, it was not successful to ensure a

synthesis between organisational and individual values and goals; and was not powerful enough to arouse sentiment and attachment. According to Ray (1986 p. 294), the failure of the Human Relations approach led to an attempt to usher in corporate culture in order to tie a knot between the values and goals of the employees and the organisation and to tap into employee emotion and sentiment thereby resulting in "devotion, loyalty, and commitment to the company". She even compares this to Rousseau's notion of the relationship of individual citizen to the 'General Will'. The three methods of control were summarised by Ray (1986 p. 294) and are presented in table 1.2 below.

TABLE 1.2: THE DIFFERENT APPROACHES TO CONTROL

Bureaucratic control **Manipulation of rewards → loyalty → increased productivity**
Humanistic control **"Satisfying" task or work group life → loyalty → increased productivity**
Culture control **Manipulation of culture including myth, ritual → love of firm and its goals → increased productivity**

Source: Ray, (1986, p. 294) Corporate culture: the last frontier of control. *Journal of Management Studies.*

According to Ray (1986, p. 295), control through culture has the potential to "ensnare workers in a hegemonic system." However, she admits that the evidence for culture as a form of control is lacking and it cannot be said that it would eliminate worker resistance. Thus, although culture might harmonise relationships by imbibing shared values, this has the potential to develop into possible activism.

Lebas and Weigenstein (1986) argue in a similar vein that rule-based controls are giving way to controls embedded in organisational culture. Through control, the management directs the behaviour and resources towards desirable actions. This cannot be achieved mechanically since a control system exists within a social situation and hence it should be powerful enough to motivate the people in the organisation. Control could be with respect to inputs like behaviour or outputs such as variance. Drawing from the works of Ouchi (1980), they argue that the market, rules, and culture are the different facets of control. In the market approach,

external factors such as supply and demand press the levers of control with transfer pricing acting as the centre of the control system.

The rules approach combines strong input and output control and is feasible when the causal model is clear and the environment is stable. However, being rule-based, this approach does not facilitate responding quickly to external changes. Culture makes possible the quickest response to changes since rules and procedures are internalised at this stage. Indeed, culture as a philosophy gets ingrained in the lives of organisational members at all levels through systems such as recruitment, the physical aspects of organisation such as the design of buildings, beliefs about the use of power and privilege, heroes who personify the values of the organisation, and stories and the rituals dramatising the progress towards goals. All these lead to the internalisation of common goals, the evolution of shared expectations about roles and the behaviour and reduction of perceptual differences among sub-units. Culture transcends the personal supervision implied in input control, by powerfully reinforcing the values and norms across the organisation. This holds good even in new situations because even if the situation is new, the values are the same. In their view, even when culture is not used as a primary approach to control, it can reinforce the approach and address the issues arising out of the adoption of such an approach. For example, Hopwood (1973) points out that if a budget-constrained style is adopted, it could lead to short-term orientation which could, in the process, result in many unpleasant consequences such as the manipulation of accounting data and poor relationships between employees and changing the budget system would not address these concerns. It is against this background that Drucker's (1964) assertion that control takes place in a human social situation and those who ignore it do so at their own peril is to be viewed.

Wilkins and Ouchi (1983) extend this argument further and identify three forms of control - bureaucratic control, market control and clan control. They adopted a transaction cost theory and contrasted the application of these controls in the context of ambiguities and changes in the external environment. Goldthorpe *et al.* (1968) argue that in the bureaucracy, employees agree to be supervised, monitored, and controlled and work is conceived as having an instrumental value. In market control, however, prices discharge the control function and fairness in exchange is moderated by demand and supply. Both bureaucratic and market control are ineffective if ambiguity and complexity are high. They suggest that clan is a more

effective mode to govern transaction. It can be observed that clan here is a synonym for culture where organisational members are socialised internally to share similar objectives and values. Since values take on the functions of formal rules and are shared among the members, the monitoring required is much less. However, they were of the view that if the cost of developing a clan is disproportional, it would not be an attractive proposal. They note that three conditions must be satisfied if clan control is to work: long and stable membership, absence of institutional alternatives and effective interaction between members.

Ouchi and Johnson (1978) distinguish between two types of control systems by taking two categories of organisations - type A and type Z organisations. Type A organisations have traditional control systems such as strict rules, the division of labour, and downward communication. Type Z organisations have a control system based on employee commitment and enthusiasm. Stability of employment is a critical factor and must be present if culture control is to be effective. In Japan, for example, commitment is typically elicited by ensuring security of employment and by employing inexperienced people who cannot find jobs elsewhere. Many organisations in the United States and Europe have also tried to emulate type Z organisations and this is achieved by keeping the permanent staff to a minimum and providing security of employment and by employing casual workers and subcontracting the non-core activities (Atkinson 1987). Jaeger and Baliga (1985) argue that for culture, as a control system to be effective, there should be an organisation-wide congruence of norms and values. However, the value congruence as envisaged might not occur due to the high level of individualism, which characterises western civilisations and because of the prevalence of subcultures.

Many researchers questioned the use of culture as a form of control on ethical grounds. For example, Hochschild (1985) argues that it is tantamount to manipulating the emotions of workers. Alvesson's (1992) study of a computer consultancy firm describes the open and charismatic managerial style followed by management, with an emphasis on fun and social support systems. The reasons for the management style displayed were attributed to the difficulty of following conventional control systems since the consultant employees were mostly working at client sites and thus undermining the consultant's sense of identity and the managerial style and social activities, therefore, were intended to develop the sense of company as a community.

There is also evidence from the retailing sector that many attempts at behaviour change are tantamount to control. Ogbonna and Wilkinson (1988) and Ogbonna (1992) describe the control element involved in the extensive staff training programmes in a supermarket, one of which was to start a 'smile campaign'. Ogbonna (1992 p. 85) quotes supervisors as saying "we are able to detect when a check-out operator is not smiling or when she is putting on false smile. ....we call her into a room and have a chat with her." Willmott (1993) argues that culture control is an extreme form of controlling the affective spheres of individuals.

However, it can be observed that there are conflicting views on this argument. For example, Ray (1986) observes that the attempts at control through culture would lead to homogenisation of the workforce, which could then turn out to be a threat to the management since it provides an opportunity for the employees to threaten the management through collective action. Thompson and McHugh (2002) maintain that the argument that culture is the ultimate form of control amounts to overextending the concept and culture cannot be isolated as the central feature of contemporary forms of control. Rather they argue that culture is intended to complement and not replace the traditional forms of control. An example of this could be the case of the supermarket mentioned earlier, which had closed circuit TV cameras in the manager's cabin to ensure compliance. Kunda (1992) also shares this view. He notes that employees are also aware of the ways culture is operationalised in an organisation. Therefore, it is not entirely in the domain of the management to enforce culture. Rosenthal *et al.* (1997) also argue that staff might use this to force management to fulfil the commitments made in terms of the treatment of the customers and employees.

Parker (2000 p. 228) argues that managing organisational culture is extremely difficult and gives three reasons for this view. First, it is challenging to define culture since the meanings people attach to 'materials and social technologies' are very fluid and dynamic. Second, the views of managers themselves on aspects of organisational life are biased and partial; their efforts to evolve a consensus on culture are not likely to succeed. Third, since organisations can also be construed as processes that change in response to environmental changes, the managerial attempts at evolving and reinforcing a set of values which are not affected by such changes are unlikely to succeed.

It can be observed that although extant literature highlights the possibility of culture as a form of control, there is no unanimity as to whether it is a substitute for or more efficient than the traditional forms of control. Implied in the arguments for and against the view of culture as a form of control is the negativity attached to the control concept. However, if organisation is conceived as a purposive organism, control is essential for organisational survival. The real problem arises when control is used against a particular class of employees, for example, workers. By inculcating values and beliefs in people, culture has a definite impact on the choices of individuals in an organisation. However, for the purposes of this research, it can be noted that, even in the arguments of culture as a form of control, the conception of culture as the fundamental values and beliefs of people has not changed.

These conceptions, moreover, reveal the vast differences in the perspectives from which culture is viewed and analysed in extant studies and such differences can be traced back to their epistemological and ontological differences, reflected quite succinctly in the different schools of thought. Therefore, what follows is a brief review of the different schools of thought which have influenced organisational culture research.

1.6 SCHOOLS OF THOUGHT ON CULTURAL RESEARCH

Alvesson (2002 p. 126) observes that "the frameworks or perspectives used to identify culture shape what is perceived to be culture." There have been many differences even in the way different researchers and academics attempted to classify the schools of thought and the classifications given by Burrell and Morgan (1979), Smircich (1983) and Allaire and Firsirotu (1984) are therefore described and compared in the ensuing section. The main headings of such a classification are first described (in Table 1.3 in the following page), with classifications within similar themes appearing in the same or nearby rows, and subsequently explained.

As can be seen from the table, the classifications sometimes overlap. However, they capture the different and rich shades of perspectives from which culture can be analysed and in that sense, presents a comprehensive picture. This research will draw from the different perspectives while analysing culture with the exception of the structural school. Radical change is concerned with explanations for change in terms of structural conflict, issues of

TABLE 1.3: THE DIFFERENT SCHOOLS OF THOUGHT IN THE STUDY OF CULTURE.

Smircich (1983)	Allaire and Firsirotu (1984)	Burrell and Morgan (1979)
Functionalism or culture as a variable	**Organisation as sociocultural systems**	**Functionalism**
Comparative management or functionalism	Functionalism	
Corporate culture or structural functionalism	Structural functionalism	
Culture as root metaphor	Ecological Adaptionist	**Interpretivism**
	Historical Diffusionist	
	Culture as an ideational system	
Organisational cognition or Ethnoscience	Cognitive or Ethnoscience	
Organisational symbolism or symbolic anthropology	Symbolic	
Unconscious processes and organisation or structuralism	Structuralism	
	Mutual equivalence structure	
		Radical humanism
		Radical structuralism

domination and structural contradiction. This has the objective of emancipating man from his deprivations. Objectivism is characterised by a search for causal relationships and follows an

approach in natural sciences whereas the subjective dimension believes that the social world is relativist and that understanding it requires one to step into the shoes of the participant in action and learning from inside rather than outside. Combining these two dimensions, Burrell and Morgan (1979) identified four schools in studying social reality. Smircich (1983) provides an in-depth analysis of the concept of culture used for organisational analysis and argues that the work on culture reflects the different assumption about the nature of culture and organisations. She further argues that the culture concept is borrowed from anthropology and that the differences in the basic assumptions about culture are succinctly captured in organisation studies in the conceptions of culture as a critical variable and as a root metaphor. Drawing from several authors, she traces the differences in these assumptions to the "ontological status of social reality - the objective - subjective question and a range of assumptions about human nature - the determinist - voluntarist question." (Smircich 1983 p.340). These differences find their expression in the various kind of metaphors used for organisations. (For example, the case of the metaphors of machine and organism are frequently used.) The metaphor of a machine consigns an organisation to the role of an instrument ready for a task accomplishment with an emphasis on efficiency and the metaphor of an organism reflects the application of the system theory. Hence, organisations are depicted as struggling for survival (see Morgan 1997).

Smircich (1983) further argues that the choice of the metaphor brings out the underlying assumptions made about the subject. She describes five content areas representing the different conceptions of culture and organisations: comparative management, corporate culture, organisational cognition, organisational symbolism and unconscious processes and organisations. She argues that the first two areas conceive culture as a variable under the functionalist paradigm and the last two depict culture as a root metaphor.

1.6.1 CULTURE AS A CRITICAL VARIABLE (FUNCTIONALISM)

In the first two content areas - comparative management and corporate culture - Smircich (1983) suggests that researchers treat culture as something that an organisation has and this falls within the functionalist paradigm. Both the approaches conceive organisations as organisms and the social world as "expressing itself in general and contingent relationships among its more stable and clear cut elements" (Smircich 1983 p. 347). The difference is that,

culture is viewed in the former, as a 'determining force' and in the latter as 'a result of human enactment'. The underlying interest in both the approaches is the need for control and management and hence causality is significant in both.

Burrell and Morgan (1979) argue that the functionalist paradigm can be traced back to sociological positivism and originated from France in the early nineteenth century. They note that this was greatly influenced by the works of Auguste Comte, Herbert Spencer, Emile Durkheim, and Vilfredo Pareto and reflects the attempts to apply the principles of natural sciences to the study of human affairs. According to Burrell and Morgan (1979), this approach assumes that the social world is made up of concrete empirical artefacts and relationships and the principles of natural sciences can be applied to the study of social relationships. Hence, the mechanical and biological analogies used in the functionalist approach are indicative of their roots in the approaches of natural sciences.

However, Burrell and Morgan (1979) also note that functionalism was influenced by the German idealist tradition of social thought in the early decades of twentieth century, which was opposed to sociological positivism and this is reflected in their opposition to the use of mechanical and biological metaphors. This approach focuses on understanding societal issues from the point of view of social actors. The works of Max Weber, George Simmel and George Herbert Mead incorporate elements of the idealistic tradition. The Marxist influences (in 1940s) especially those of the sociology of radical change, also had an impact on functionalism and this has been incorporated within this paradigm to ward off the criticism that functionalism is so conservative that it cannot explain social change. Burrell and Morgan (1979) argue that, of all the different influences, sociological positivism has had the most impact on the functionalist paradigm. They also argue that the functionalist paradigm is characteristic of the works of many organisational theorists, industrial sociologists, psychologists, and industrial relation theorists.

Allaire and Firsirotu (1984) maintain, however, that according to functionalism, culture is an instrumental apparatus, which helps a person to cope with the problem of satisfying basic needs. They point out that in the human relations school and self-achieving concept of man, man's search for need satisfaction through work and organisational participation should be reflected in the organisational structures, policies, and processes. If this does not occur, the

consequences could be disastrous for the organisation. In other words, the structures of the organisation reflect the need structures of the members.

Drawing from different authors, Smircich contends that in comparative management studies, culture is conceived as a variable that influences the development and reinforcement of values. Culture is considered an independent variable influencing the attitudes and actions of organisational members. Smircich (1983) argues that the research agenda of this view is to find out the differences and similarities in culture and how it impacts organisational effectiveness.

1.6.2 STRUCTURAL FUNCTIONALISM

Smircich (1983) highlights one more category in functionalism called structural functionalism as do Allaire and Firsirotu (1984) as well. Smircich (1983) argues (in her content theme - corporate culture) that organisations are deemed to produce not only goods and services but also culture as a by-product with rituals, legends, and ceremonies as artefacts. The emphasis is on the socio-cultural qualities developing within organisations, which operate in a wider cultural context and this approach is based on the general systems theory framework. Pfeffer (1981) argues that managers respond to environmental changes through symbolic means and Smircich holds the view that this symbolic or cultural dimension leads to systemic balance and effectiveness. According to this approach, culture is conceived as the "social glue that holds an organisation together" and as the values and beliefs shared by members which are manifested in symbolic devices such as myths, rituals, stories, legends and specialised language (Smircich 1983, p. 344). The origins of the concept of culture as an internal organisational variable can be traced back to the literature on organisation development which began with Jacques (1952), Harrison (1972) and French and Bell (1978). The focus of another stream of research in this vein is on the subjective interpretive processes which influence adaptability and how these processes impact outcomes such as turnover, absenteeism, and commitment. Drawing from studies which adopted this perspective, Smircich argues that culture, conceived as the shared values and beliefs, fulfil the functions of conveying an identity, generates commitment to something larger than the self, enhances social system stability and guides and shapes behaviour.

Allaire and Firsirotu (1984) argue that the functional-structuralist perspective views organisations as systems with goals, which are engaged in functional interaction with the environment. Viewed in this light, the value system of an organisation has to mirror the values of the social system of which it is part (see, Parsons 1960). Allaire and Firsirotu (1984) argue that the permeation of the organisation by social values legitimises the goals and activities of the organisation. However, there is a school of thought within this perspective that notes that although values of the organisation would reflect the generalised values of the society, this does not preclude the possibility of organisations developing value systems different from those of the society due to past leadership and a different history.

Smircich (1983) argues that this approach positions culture as a key lever by which managers can influence the course of their organisations. It is also argued that organisations with cultures, that support the strategy, are likely to be more successful. (This perspective is further analysed in chapter three, where the culture-effectiveness studies are discussed) However, there are critics of this perspective who argue that culture cannot be managed and the contributions of these researchers will be discussed later in this chapter.

1.6.3 CULTURE AS A ROOT METAPHOR

Smircich (1983) points out that there are theorists who advocate that organisation should be understood as cultures and they maintain that culture is something an organisation 'is' rather than what an organisation 'has'. In this tradition, culture is understood as an ambiguous social phenomenon. Culture is conceived as a root metaphor, a view of an organisation as expressive forms and a manifestation of human consciousness. The economic perspective of an organisation is replaced by its subjective experience in terms of its expressive, ideational, and symbolic aspects. The epistemological roots of this perspective can be traced back to anthropology and it is possible to analyse this from the differing schools of thought within anthropology: cognitive anthropology, symbolic anthropology, structural anthropology, and psychodynamic theories. Research in this area focuses on language, symbols, myths, stories, and rituals as in the functionalist perspective; however, they are not viewed as cultural artefacts but as generative processes, which shape meanings and are fundamental to the very existence of organisation. According to Smircich (1983 p.353) this perspective explores "how is organisation accomplished or what does it mean to be organised as different from

what do organisations accomplish and how may they be accomplished more efficiently" as in a functionalist paradigm. The three schools in these perspectives are mentioned below.

1.6.4 COGNITIVE PERSPECTIVE

According to ethnoscience (a branch of cognitive anthropology), culture is a system of cognitions created by the human mind through rules, or unconscious logic (Rossi and O'Higgins 1980). Smircich (1983) argues that in order to discover how the members of a culture see and describe the world according to the cognitive perspective, all that the anthropologist is required to do is to determine what the rules are. She quotes the work of Harris and Cronen (1979) who view organisational culture as a 'master contract', which contains the self-image of the organisation, and the rules which organise beliefs and actions in tune with that image. In a similar vein, Argyris and Schon (1978) described organisations as 'cognitive enterprises' and their work has revealed the important distinctions between 'theories in use' and 'espoused theories' accounting for behaviour.

Allaire and Firsirotu (1984) concur with this view that culture is viewed as a system of knowledge and learned standards. It may be observed in this regard that this perspective is akin to the interpretive paradigm of Burrell and Morgan (1979) described later in this chapter. Such a conception of culture is reflected in the conceptions of organisational climate and organisational learning. Organisational climate is a cognitive map evolved out of the encounters of the individual with the organisation, which in turn, helps an individual to adapt his or her behaviour to the demands of the organisation. While referring to organisational learning, Allaire and Firsirotu (1984) also note that organisations themselves can be conceived to be endowed with cognitive processes. Arrow (1974) maintains that organisational 'codes' impose behavioural requirements and ensure organised activity. Allaire and Firsirotu (1984, p. 204) conclude that organisations become 'social artefacts of shared cognitive maps' and they are the enactments of the collective mind, which is different from that of the individual members.

1.6.5 SYMBOLIC PERSPECTIVE

In dealing with this perspective, Smircich (1983) refers to the works of Hallowell (1955) and Geertz (1973) that treated cultures as systems of symbols and meanings. According to Smircich (1983), when this approach is applied to organisational analysis, the organisation is conceived as 'a pattern of symbolic discourse'. The researcher attempts to discover how experience becomes meaningful for the participants by analysing the symbol systems and their significance; and through this process, the researcher attempts to find out the themes, which reveal both the pattern in symbolic discourse and the relationship between values, beliefs, and action. Smircich (1983) argues that the most important component in the symbolic analysis of organisations is the themes embodied in the symbols. The study of Van Maanen (1973) is a case in point. In this regard, the central issue in this analysis is to establish how the interpretations of experiences by people move them to action. The processes through which people develop shared interpretations and meaning of experience is the object of enquiry in this approach. It is worth mentioning here that this paradigm is consistent with Burrell and Morgan's interpretive paradigm.

Allaire and Firsirotu (1984) argue that the creation of values is treated in three ways, one with an emphasis on history, one with a focus on past leadership and a third with an emphasis on the contemporary actors. The school of thought which emphasises the first is called the institutional school, the second the action school and the third symbolic interactionism. Symbolic interactionism precludes an external reality in which wherein meanings are created by the people's interpretation of organisational life. Brown (1978) also advocates this view and argues that organisational realities are constituted intersubjectively. The line of enquiry called ethnomethodology is an offshoot of this school and investigates the ways in which actors make sense of events and occurrences in organisational life.

1.6.6 STRUCTURAL PERSPECTIVE

Smircich (1983) argues that in this perspective, culture is viewed as the expression of unconscious psychological processes. It is this perspective which is at the core of the structural anthropology of Levi Strauss as well as the psychodynamic approaches to organisational analysis. It is assumed that the organisational forms and practices reflect the

unconscious processes and this perspective describes how such processes result in conscious manifestations. Smircich (1983 p. 352) observes that if this perspective is applied to the study of organisations, the questions to ask would be "what problems are solved by such persistent patterns in organisational arrangement as hierarchy? What do the patterns of organisation reveal about the human mind?" She holds that in this perspective a researcher would attempt to go beyond the surface level of manifestations, and would attempt to uncover their foundations.

Allaire and Firsirotu (1984) also argue that the structuralist school views culture as products of the unconscious processes of the mind. Cultural products and artefacts are viewed as the clues to understanding the unconscious. They also note that Levi-Strauss was influenced by his fascination with Rousseau for 'the savage mind', structural linguistics, and Durkheimian sociology and attempted to uncover the cultural universals in the unconscious structures of the mind.

1.6.7 INTERPRETIVE PARADIGM

Burrell and Morgan (1979) argue that the interpretive paradigm is an offshoot of the German idealist tradition of social thought (prevailing from the mid–eighteenth century onwards). The works of Kant laid the foundation for this tradition and theorists such as Dilthey, Weber, Husserl, and Schultz contributed to the establishment of this tradition as a framework for social analysis. Burrell and Morgan (1979) argue that the interpretive paradigm emphasises subjective experiences, as opposed to the observer's frame of reference. In their view, the paradigm envisages the enquiry to be 'nominalist, anti positivist, voluntarist and ideographic'. The social world is viewed as an emergent social process and this tradition seeks to find the subjectively created social world. Burrell and Morgan (1979) maintain that this tradition has generated considerable interest in organisation theory. It can also be observed that the symbolic and cognitive perspectives mentioned earlier are akin to the interpretive paradigm in that they are also based on the subjective interpretations of people or they can be viewed as two strands of the interpretive paradigm. They described in detail how people make subjective interpretation of reality. The symbolic perspective emphasised language and symbols and the cognitive perspective focused on rules and cognitions.

1.6.8 THE RADICAL HUMANIST PARADIGM

According to Burrell and Morgan (1979), the approach of the radical humanist paradigm (like the interpretive paradigm) view the social world from a 'nominalist, anti positivist, voluntarist, and ideographic' perspective but this perspective differs from the interpretive paradigm in that its focus is on surpassing the limitations of the existing social order. One of crucial notion of this perspective is that the ideological superstructures with which a human being interacts preventing his or her true human fulfilment by creating a gap between the person and the person's true consciousness. Release from the constraints imposed by the social arrangement is the concern of the theorists and they criticise the social status quo since they consider that society is anti-social and prevents people from realising their full potential. The radical humanists emphasise 'radical change, modes of domination, emancipation, deprivation, and potentiality'.

According to Burrell and Morgan (1979), as with the interpretive paradigm, radical humanism also has its roots in the German idealist tradition and can be traced back to the work of Kant and Hegel. It was Marx, who first used it as a social philosophy. The phenomenological perspective of Husserl also influenced this paradigm. The interest in this paradigm was keenly observed in 1920s through the works of Lukacs and Gramsci and the works of Habermas and Marcuse, Satre, and social theorists such as Illich, Castaneda and Laing all reflect this paradigm.

1.6.9 THE RADICAL STRUCTURALIST PARADIGM

According to Burrell and Morgan (1979), Karl Marx was the foremost proponent of this paradigm and many theorists like Engels, Plekhanov, Lenin, Athusser, and Poulantzas contributed to this perspective. Max Weber also strongly influenced this perspective. "They advocated sociology of radical change from an objectivist standpoint" (Burrell and Morgan 1979 p. 33). In its objective approach, this draws from functionalism, and in the commitment to social change from radical humanism. It emphasises 'structural conflicts, modes of domination, contradiction, and deprivation' and is committed to 'radical change, emancipation, and potentiality'. This is different from radical humanists in that it emphasises radical change through structural relationships rather than through 'consciousnesses'. According to the radical structuralist perspective, radical change is inherent in the structure of

contemporary society, although there is a debate as to what makes social change possible, whether it is the internal contradictions or power relationships. However, they all agree that contemporary society is marked by fundamental conflicts that lead to radical change and this ultimately liberates man from social structures.

1.6.10 ECOLOGICAL ADAPTIONIST

Allaire and Firsirotu (1984) argue that the ecological adaptionist school conceives culture as socially transmitted behaviour patterns, enabling human communities to adapt to their environment. This finds a parallel in the contingency theory and the ecology theory of organisational survival and attrition. Organisations influence their environments through their actions on the one hand, but on the other hand, societal culture is one of the factors affecting the structures and processes of organisations as revealed by cross-cultural studies. Although social culture is likely to influence organisations, according to Child (1981), if the influence of other contingency factors is stronger than those of the society, the organisational values and beliefs might also differ from those of the society. This is where this perspective differs from a structural functionalist perspective, which advocates that social factors determine organisational culture. However, this perspective maintains that organisational culture will reflect the social structure of the organisation.

1.6.11 HISTORICAL DIFFUSIONIST

Allaire and Firsirotu (1984) argue that the Historical Diffusionist school regards culture as evolutionary and a product of historical circumstances and processes. This occurs through acculturation and assimilation processes. Allaire and Firsirotu (1984) maintain that although no direct equivalence is found in organisational theory, the works of Chandler, Stinchcombe, Filly, and House hold that organisational structure and processes reflect their genesis and historical circumstances. Although culture is not directly mentioned in studies of this stream, the work of Stinchcombe (1965) explains that organisational structure and culture are products of the time, place, and circumstances of organisation's origin rather than having a functional necessity or adaptive usefulness. Therefore, it can be seen that organisational values and beliefs might diverge from those of the society; instead, organisational values might reflect historical roots and particularities.

1.6.12 THE MUTUAL EQUIVALENCE SCHOOL

Allaire and Firsirotu (1984) view the mutual equivalence school of culture as a standardized cognitive process, generating a general framework for the mutual prediction of behaviour. This makes possible cooperative actions devoid of common goals, purposes, shared beliefs, and meanings with the exception of a limited set of cognitions which helping predict the behaviour of others. Organisation is conceived as a forum for achieving the varied needs of the participants. Allaire and Firsirotu (1984 p.205) hold that "Weick's linkage of mutual equivalence structures with Allport's notion of collective structures" forms the basis of this framework. They argue that people will not become involved in forming collective structures unless collective structure becomes critical for their interests and depending on the criticality in achieving their interests, they will invest only part of their behaviour in collective structures. Therefore, the study of organisational culture would entail the analysis of individual cognitions for involvement with different levels of stakes in the organisation as well as a framework for a mutual prediction of behaviour. Silverman (1970) describes the involvement of members as instrumental and based on the expectations of the behaviours of others.

The descriptions of the different schools of thought bring home the epistemological and ontological differences in the conception of culture. The first two classification of culture, according to Smircich, are the comparative management school and corporate culture school; Allaire and Firsirotu's functional and structural functional school and Burrell and Morgan's functionalism have an objective orientation to the study of culture. The difference between the functional and structural functional school is that the former describes the pattern of beliefs and attitudes and the latter depicts the interrelation of these dimensions and shows how they influence organisational processes and outcomes. However, they do treat culture as an organisational variable.

The cognitive school conceives organisations as systems of thought and describes the rules or understanding which makes organisational activity possible. The symbolic school's attempts to decipher the pattern of symbolic action which creates and maintains a sense of organisation. The structural school, however, attempts to penetrate the surface level of appearance to unravel the unconscious mind which is expressed through forms and practices

(Smircich 1983). These three schools (cognitive school, symbolic school, and structural school) treat culture as what the organisation is and have a subjective orientation. Whereas the first two emphasise prediction, generalisability, causality, and control, the last three attach importance to meaning and the processes. The interpretive paradigm is also subjective in orientation and shows how the subjective experiences create the social world. The radical paradigms, both humanist and structuralist, describe how social change occurs. The difference is that the former has a subjective orientation whereas the latter has an objective orientation. The former describes change as naturally occurring whereas the latter describes change as a product of structural conflicts and clashes. The ecological adaptionist school emphasises the impact of society and societal values (with which organisation and its members are interacting on a continuous basis) on organisational culture. The historical diffusionist school stresses historical roots and events as influencing organisational values rather than societal values or functional necessities. The mutual equivalence school holds the view that individuals would invest only part of their behaviours in an organisation in so far as it helps them to achieve their objectives and hence organisational values are intended to be the framework of individual cognitions and motives and for the mutual prediction of behaviour. The underlying differences are the subjective and objective orientations and the influence of social values on organisation. The adherence of the theorists and researchers to these philosophical perspectives therefore finds its expression in the way culture is conceptualised.

The different perspectives enshrined in the different schools of thought are immensely helpful for conceptualising culture in the present study, with the cognitive perspective emphasising the role of rule, cognitions and thought processes; the symbolic perspective the symbols, languages and meanings; the structural perspective power, politics and structural issues like hierarchy; the interpretive paradigm the subjective interpretation of reality; the radical paradigms the change processes; the ecological adaptionist the role of environment and society; the historical diffusionist the evolutionary processes; the mutual equivalence school the cognitive and predictive aspects; and the functionalist paradigm the treatment of culture as means for achieving organisational objectives. These theoretical paradigms therefore help the researcher to understand the different approaches through which culture can be studied and evaluated.

Although the schools of thought mentioned above cover a wide variety of perspectives on culture, one paradigm, which needs a separate mention, is postmodernism. Postmodernism challenges the paradigms of modern science and its views on culture are radically different from the other perspectives. It is not the objective in this research to dwell at length on the case of postmodernism and its application in the study of organisational culture. However, it is useful to provide a brief explanation of this.

1.6.13 POSTMODERNIST VIEWS OF CULTURE

Postmodernism is not a unified theory but rather it has a variety of proponents such as architects, philosophers and literary critics and it challenges the postulates of modern science such as 'rationality, order, clarity, realism, truth and intellectual progress' (Martin *et al.* 2006). It is also an argument of postmodernism that the seeds of its destruction are inherent in any point of view and many theorists and researchers argue that this is dangerous. Calas and Smircich (1999) point out that reflexivity, concern for language and representation and reconsideration of subjectivity and power are some of the characteristic features of postmodernism and that postmodernists question the conventional approaches to theory development. However, in their view, postmodernism cannot offer theorising like other alternative views because of the elusive nature of theory under postmodernism. Martin *et al.* (2006) further argue that in the context of culture, postmodernism offers an ideological and theoretical critique rather than a theory of political action.

Alvesson and Berg (1992) indicate that in the postmodern view, reality is a 'series of fictions and illusions'. Smircich (1995) criticises the portrayal of objective reality, which is described as 'out there', and the impersonal language, which reinforces the authority of the author. Alvesson (2002) also had this in mind when he observed that organisational culture capture organisational life in all its richness. Postmodernists use analytical techniques such as deconstruction to lay bare the strategies aimed at creating an illusion of truth in a text. Martin *et al.* (2006) argue that deconstruction delineates how credibility is established by the author, convenient data selected to the exclusion of others, how uncertainties are avoided, how opposing meanings are concealed and how suppressed viewpoints are made less obvious. For example, Calas and Smircich (1999) observe that deconstruction analyses the metaphors which are largely ignored in the central discussion of the text and such metaphors often

contradict the themes in the main text. What makes postmodernism different is the attempt not to contradict the author with the assumption that the critic knows better, but to make the point that "language always exceeds the writer's control" (Calas and Smircich 1999 p. 657). The work of Martin (1990) is an example of this. Postmodernists also use textual analysis to interrogate and challenge the claims of truth or theoretical superiority (for example Gagiliardi 1991).

Similar views have also been expressed by other theorists and researchers. For example, Mills *et al.* (2001) argue that postmodernism is not swayed by the dominant voice heard in the hierarchical order. Reality is portrayed as a series of fictions and illusions shared by all the players and power is neutralised. Clarity and order are presented to be in state of flux. The postmodern approach has been criticised on the ground that it tends to be highly relativistic because it questions the basic tenets of the scientific method. This section can be concluded by presenting the perspective of Martin *et al.* (2006) that the postmodern tradition is useful for culture research since it acts as a check against false claims of certainty, promotes intellectual honesty, offers insights unavailable in accepted theories and facilitates greater reflexivity. From this perspective, postmodernism is viewed as immensely helpful. In the ensuing section of this chapter, the methodological approaches for studying culture are presented.

1.7 METHODOLOGICAL APPROACHES TO STUDYING CULTURE

Wilkins (1983) argues that culture assumes great significance since it prescribes a 'right' way to look at the world, which is never challenged by others and it is reinforced since it is taken for granted by both the organisation and its members. However he argues that it is difficult to study shared assumptions since these are not openly expressed by people but are implied in concrete examples; some assumptions go against overtly stated norms and hence they would not directly be expressed and is therefore difficult to study them in large organisations, owing to the size and prevalence of different subcultures in parts of the organisation. Wilkins observed that since an organisation is composed of a set of contracts, studying culture would imply analysing contracts to find out about the expectations of employees and the rewards and punishments associated with performance of the contract. Since there may not be explicit

contracts for all the jobs, informal sources and the ongoing relationship with the supervisors and subordinates need to be analysed.

Employees pick up cues from different sources and develop implied assumptions, and according to Wilkins (1983) such sources can be of two types: implied work assumptions and implied reward assumptions. Implied work assumptions are about the understanding as to what the corporate interest is and how it can be achieved. The work assumptions can be about work means and work ends. Work ends include understanding the objectives of the organisation such as growth and size, and assumptions about 'work means' include considerations such as the means to accomplish the set objectives. The second aspect is about implied reward assumptions and it forms the basis for motivation in a work culture and is about the assumptions regarding the fairness of rewards and whether individual interests are served by collective efforts. These assumptions determine the ability and motivation of groups to coordinate and direct efforts. Wilkins notes that there are three occasions when culture becomes apparent. The first is when employees change roles such as with promotions. This provides an occasion for cultural assumptions to emerge with the reaction of the existing employees to the actions of the newcomer who violates certain "taken for granted assumptions" and this may be expressed as advice, ridicule, and so on. These experiences and stories, encountered while violating the traditional ways of doing things gives newcomers a lot of valuable information about the company. The second is when subcultures conflict and the members of the subcultures describe each other. This produces a lot of rich information about both the culture and subculture. The third is when critical decisions are made and implemented by top management. The personal behaviour of the top management can be full of their implied assumptions. For example, if the top management spends 80 percentage of their time on innovation related activities, it would send a clear signal that innovation is highly regarded by the organisation.

Treating culture from an interpretive perspective, Pettigrew (1979) argues that culture is a family of concepts. Arguing against adopting a unitary perspective for the study of culture, he holds the view that culture has many 'offsprings' such as symbols, language, ideology, beliefs, rituals, and myths. The significance of the concept of family of concepts can be understood from the numerous works of theorists and researchers who incorporated many such 'offsprings' in their study. Koprowski (1983) and Broms and Gahmberg (1983)

highlight the significance of myths in corporate culture management with many practical examples. Smith and Simmons (1983) delineate the relevance of symbols, tales, legends, and myths in the study of culture. Koprowski (1983) dwells at length on the significance of myths by explaining their significance in solving three management challenges - the increasing role of women in workplace, the application of Japanese management techniques and the leadership role of managers. For example, with respect to the application of the principles of Japanese management in the context of the United States, Koprowski (1983) conducts an in-depth analysis of the cultural underpinnings of both American and Japanese management practices and demonstrates how this difference is powerfully captured in cultural myths by tracing it back to the historical origins of the differences in Oriental and Occidental mythology. It is this basic difference, which distinguishes Japanese and American management systems. He gives an insight into the American systems by dwelling on the Occidental worldview, which is time bound and is highly individualistic. This has implication for the American management systems in many ways such as with rapid evaluations and promotions. Some aspects of Japanese management cannot be applied in the American context at all such as slow promotions whereas some practices could be applied with suitable modification in the form of a hybrid as with the rechristening of 'ringi' way of making decisions by consensus, with consultative decision-making. Campbell (1959) observes that symbols in mythology touch and release the deepest centres of motivation.

It can be observed from the above that myths are not imaginative stories but embody the values, beliefs, and mores of the society to which they are related, and they do this subtly and succinctly and are pregnant with meanings. More often than not, these values and assumptions cannot be found elsewhere and hence they are significant in understanding culture.

Broms and Gahmberg (1983) also emphasise the role played by myths and autocommunication (communication to one's self) in corporate culture. The power of symbols in corporate life is succinctly explained by describing them as value-laden images embedded deep in the subconscious. They define culture as "the collection of central values hidden in the shared myths and symbols" (Broms and Gahmberg 1983 p. 482). Taking a cue from semioticians, they argue that culture is the information passed from generation to generation and is a store of powerful signs and images. These images take different forms

such as words, pictures, and actions and these images, in turn, form and preserve culture. Arguing that mythology is a new research method, they highlight its significance by arguing that leadership and decision making in organisations is more about discernment beyond quantifiable factors and reaching a realistic picture of reality related to values and these values are subsumed in subconscious images. They argue that rational communication is transmitted from the sender to the receiver whereas the mythical communication goes from the self to the self or group to group, such as diary writing, which enhances the ego of the self or the group. When this process is strong, this is likely to reconstruct the inner self. The qualitative information described here depicts the deeper forces behind the spatial and temporal information.

Analysing the reasons why myths are extremely powerful, Broms and Gahmberg (1983) make clear that myths have the potential to involve the entire personality and enhance creativity by invoking both thoughts and feelings. Many theorists have postulated the existence of autocommunication. For example, the work of Argyris and Schon (1978) revealed that people actually act according to the 'theories- in-use' rather than the 'espoused theories' which are the reasons people give for their actions. Theories in use, in this case, denote autocommunication. The concept of double loop learning of Argyris (1964) is another example of the application of mythical thinking. This extends the scope of autocommunication by dwelling on its relevance in planning especially long range planning.

Schein (1985) argues that culture is not the overt behaviour or the value system emphasised by the founders but rather it is the assumptions that underlie those values. Such values determine both the behaviour patterns and the visible artefacts such as dress code and office layout. Schein advocates that culture has three levels (see figure 1.2 given in the following page). He stresses the role of the founders of an organisation in evolving culture and argues that the founders implant their theory about how to succeed by inculcating their values or cultural paradigms in the organisations they set up. The paradigm evolves out of the consensus about the assumptions about how to do things. In his view, the interaction of these assumptions and theories and the group's learning from experiences would play a significant part in shaping organisational culture. The group develops assumptions about the world with which it interacts and these are shared among its members. These assumptions serve the function of making life comfortable for organisational members by providing them with a set

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of values which they can fall back upon when they are confronted with the conflicting issues regarding both external and internal aspects.

FIGURE 1.2: LEVELS OF CULTURE
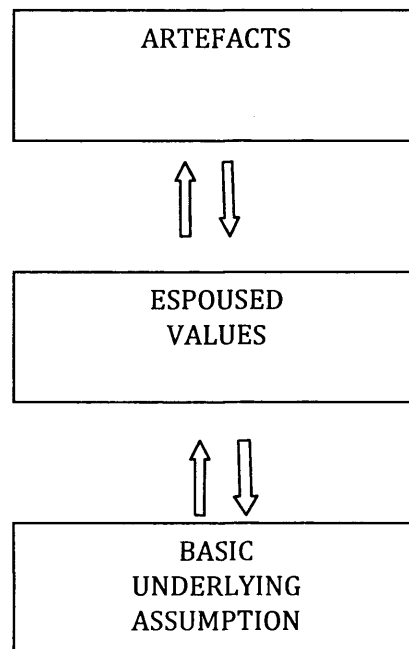
(Adapted from Schein (1985, p. 17) *Organisational Culture and Leadership*)

External adaptation would include the issue such as developing the core mission and business strategy and the means for accomplishing the goals set, evaluative mechanisms to assess the progress in attaining the goals and the remedial measures for the non-attainment of targets. Internal integration would include issues such as consensus on membership and criteria for inclusion and exclusion, the allocation of power and status, intimacy and openness, rewards and punishments. The internal and external aspects are complementary and are required to be resolved simultaneously. Culture gradually evolves through the process of resolving these problems and since it works well enough for the group, it is gradually taken-for-granted so that over a period of time it drops out of awareness and becomes an unconscious assumption. It then prescribes the way of viewing things and hence taught to new members. It is clear that behaviour stems naturally and spontaneously from these assumptions, thus effectively denying a choice to the members of the group. Culture, in this sense, reflects the fundamental

assumptions about core issues such as the organisation's relationship to its environment and the nature of reality.

Schein (1985) goes to the extent of arguing that to unravel unquestionable assumptions, exploration needs to be done clinically. Although Schein (1985) maintains that culture relates to basic assumptions, he acknowledges the practical difficulties faced by the researcher in unravelling the core assumptions. He suggests that this difficulty can be overcome by analysing the central values which guide day to day operating principles and which govern behaviours. On analysis, it can be seen that Schein's views on culture reflect the psychological perspective on the study of culture, where the unconscious mind is perceived to harbour the 'not-to-be questioned' assumptions, from which the values and artefacts flow. This is different from the anthropological perspective of Pettigrew, where language and symbols were emphasised. However, the unconscious in Schein's framework resembles the collective unconscious in the structural or psychodynamic perspectives in anthropology, which were discussed earlier.

Exploring the anthropological paradigms used in cultural studies, Gregory (1983) dwells at length on the native view paradigm for studying culture. 'Native' is used in anthropology to refer to the researched subjects and it is assumed that meanings are linked to behaviour. Therefore those who adopt a native view to study culture, assume that culture is a system of meanings. Gregory (1983) quotes Sandy who distinguished between two versions of native view paradigms: Geertz's "thick" description and Goodenough's (1981) version of ethnoscience. The former is interpretive (describing the whole) and the latter is explanatory (interested in describing the causal relationships). He also argues that there could be more than one native view paradigm and the difficulty is to understand and classify experiences through language, which could be unique. For example, even among the experts specialising in the language used by Eskimos there is difficulty in analysing their language. In the external perspective, culture will be analysed according to the perspectives or conceptual frameworks of the researcher and Gregory (1983) argues that this perspective is used even to analyse culture as a system of meanings. In his view, although industrial research uses both perspectives, the emphasis is on the external and sometimes a middle position is taken.

In his study of computer companies in the Silicon Valley, Gregory (1983) employed a native view paradigm in which language was used to understand conceptual systems and intrinsic meaning and this was mapped with the help of a tree diagram called taxonomy. For example, the tacit conflicts between different functional areas such as those of engineers and marketing people are brought out and explained in terms of ethnocentricity. He also argues that the benefits of this paradigm will apply even as regards the management's attempt to alter behaviour. This is done through what he described as 'redirecting' cultural values by making the management aware of the nuances of the existing culture, which might conflict with new values.

Martin (2002) analyses the same issue in terms of emic and etic perspectives. In the etic perspective, the researcher approaches the study of culture as an objective outsider who chooses the dimensions to be studied. Hofstede's study of national cultures is an example of this. Many etic studies use a questionnaire with Likert scale (Likert 1932) and such studies are termed etic since the researcher decides the dimension categories and retains an outsider position throughout the studies. The questions are framed by the researcher and they might represent verbalisation from the point of view of the natives. In the emic studies, the researcher approaches the study of culture from the native's point of view and attempts to capture his vision of the world and reality, as far as is humanly possible. Evans-Pritchard's (1937) study of Azande beliefs in witchcraft is an example. Geertz (1973) advocates a modest approach when he tried to strike a balance between both perspectives and argues that the objective of the researcher is to understand as much as possible from the perspective of the native yet he retains his own existence which cannot be the same as the ethnography of witchcraft described by a geometer. According to Geertz (1973), the significance of the emic perspective is not so much to achieve a communion with the researched, as it is to understand reality through their eyes by grasping a proverb or catching an illusion. It is clear that this debate highlights the necessity of understanding issues without the preconceptions and biases of the researcher and emphasises reflexivity and providing a voice for the marginalised, as advocated in the postmodern studies of culture.

Smith and Simmons (1983 p.390) also explain, with the help of the case study of Dexter, how the tales and symbols used by organisational members are capable of "representing the emotional dynamics in a more complex, holistic way than any other systems of metaphors

used." They further argue that such symbols and stories capture the unity underlying them and show how they create local pictures of the whole. This is achieved by looking at the separate parts parts from different perspectives and treating them as anchors for exploration. They also maintain that the difficult task is to understand the unconscious processes from the observable and this can be done by analysing what is manifest and by looking with different eyes into the spaces, the gaps, and the hollow areas. They give the example of understanding the wind by looking at the movement of different objects.

1.7.1 QUANTITATIVE VS. QUALITATIVE STUDIES OF ORGANISATIONAL CULTURE

The qualitative versus quantitative debate can be seen as an extension of the discussion of the study of culture from emic (native view paradigm, Gregory 1983) or etic perspectives. The objective attempts at quantification of culture emphasise breadth, instead of depth, analyse fewer cultural manifestations, and are aimed at generalisation and such studies were generally quantitative. A few qualitative studies, as a matter of exception, attempted generalisation through, within and across case studies (Martin 2002). These studies reflect the etic perspective. On the other hand, some studies analyse culture qualitatively, emphasise both depth as well as breadth and do not attempt generalisation and these are mostly qualitative studies. Clearly, this is an application of the emic or native view paradigm and it should be noted that there are a number of hybrid studies combining both approaches as well.

While some theorists and researchers like Schwartz and Davis (1981) and Trice and Beyer (1993) are vehemently opposed to quantification, others such as Hofstede (1984, 1991), Den Hartog *et al.* (1999), Denison and Mishra (1995), and House *et al.* (1999) see merit in the case for quantification. Qualitative methods involve ethnographic studies, participant observation, and analysis of artefacts and photographs, and discourse analysis. It can be observed that in the mid 1960s, qualitative studies were criticised extensively and there was a proliferation of quantitative studies. Martin (2002) argues that they were considered as a dichotomy even in the method courses in the United States in the 1960s and this perception detracted from appreciating the strengths of each other and prevented the adoption of intermediate approaches. Daft (1980) has observed that the preference for quantitative studies is reflected in the proportion of quantitative studies accepted by Administrative Science Quarterly

between 1959 and 1979. Martin (2002) goes to the extent of arguing that the United States had a severe disliking for qualitative studies and it was difficult to have such studies published in leading journals. However, this preoccupation with positivism had come in for sharp criticism in Europe and Japan, where there was a leaning towards critical theory and postmodernism. This trend attacked the assumption that quantitative studies are superior. As has been observed earlier, the 1980s saw a keen interest in the studies of culture and partly owing to the qualitative methodology adopted by such researchers, qualitative methods received great acceptance in the 1980s and the 1990s.

Hatch (1993) maintains that culture can be represented equally well in either objective (quantitative) or subjective (subjective) theorising but bridging them provides a more satisfying picture. According to her, their usefulness lies in the existence of different appreciations of organisational reality. She further observes that the externalised aspect of culture such as artefacts can be theorised better using the objectivist perspective, whereas cultural assumptions can be more adequately theorised from the subjectivist perspective and in her concept of organisational dynamics, she acknowledges both views. The same views are endorsed by Martin (2002) when she observes that a look at other methodologies would facilitate informed choice and conceptual richness not possible with exclusionary studies.

An in-depth analysis of the arguments for and against quantification reveals that they arise from what Burrell and Morgan (1979) described as a subjective versus objective debate in sociology as reflected in positivism and antipositivism. The basic opposition comes from the premise that social phenomena are not amenable to the techniques of quantitative analysis in the same way as natural sciences. This finds full support in the observation of Martin et al. (2006) that the struggles between objective and subjective choices are due to the ontological and epistemological differences underlying qualitative and quantitative methods, as well as choices arising from the fundamental ideas about the nature of organisations. Many eminent academics believe that quantitative techniques could be used for analysing social phenomenon and culture, as can be seen from the above analysis. They believe that there are aspects which are amenable to quantitative analysis, as Hatch (1993) noted earlier. Martin poignantly remark that if qualitative methods such as ethnography alone had been used in the study of social phenomenon, the study of culture may not have reached the heights it has reached today. However, it is true that there are aspects of culture such as basic assumptions which may not be amenable to quantitative analysis.

Schein (1985) argues that depth of understanding is not possible through quantitative studies and they are not able to penetrate what is superficial in order to decipher the assumptions and values held by people. A more pertinent example could be what Argyris called "theories in use" which was discussed earlier. 'Theories in us' are the actual reasons for behaviour, which people rarely acknowledge and a questionnaire may not be able to capture this. It should also be noted that there are disagreements between qualitative researchers about the depth of understanding with some advocating years of participant observation, while others prefer short-term interview based research (Martin *et al.* 2006). On the other hand, it may not be possible to do ethnographic studies in large organisations employing innumerable employees who are spread across distant geographical locations. Clearly, there are aspects for which qualitative analysis is suitable just as there are aspects where quantitative approach is appropriate and they should be used only to capture those aspects for which they are best suited. The caution of Martin *et al.* (2006) merits special mention in concluding this, because one manifestation might not be consistent with others, and it is not possible to generalise about the whole range of manifestations based on the study of one or more manifestations.

1.7.2 STRUCTURATION AS A MEANS OF STUDYING ORGANISATIONAL CULTURE:

Structuration is another approach used in studies as a means of studying culture. Structuration is a meta theory with the objective of relating human action with the structural analysis (Giddens (1979). McPhee and Poole (1980) observe that structuration bridges the gap between the quantitative and qualitative studies through the conceptualisation of structure - the rules and resources used by people in their interaction. Riley (1983) explores structures as a means for analysing and understanding organisational culture. She argues that systems of structures embody organisation life with people acting as both the creators and carriers of structure. She further argues that the structuration processes begin as individual interactions, which then go on to constitute structures. Furthermore, what happened in the past creates a bias in the sense that it becomes part of the systems and reproduces itself.

Since social systems are interconnected, their interaction leads to changes in the structuring process and one important aspect of the structuring process is to identify the conditions which lead to the continuity or transformation of structures and the 'reproduction' of systems. Riley

(1983) argues that since structuration theory takes an intermediate position in the subjective objective debate it permits the use of a variety of research methods. She notes that three structural features are important in the context of organisational culture - signification, domination, and legitimation. Signification is studied through the analysis of codes or modes of coding in communication. Some codes might remain stable, however, new codes might emerge and symbols can take on new meanings by being associated with structures. In structuration, 'symbolic orders' are analysed through the study of institutional forms. These orders, in turn, are conceived as cultural components. Riley gives the example of the stories of hard work in the organisation which capture the symbolic orders prevailing in the organisation. Domination is composed of authorisation and resources. Authorisation denotes competencies creating power over 'material phenomenon' and allocation refers to the allocation of resources and they constitute the political and economic systems in organisations respectively and are significant for studying culture. Legitimation (normative regulation) denotes the dynamics between value criteria and the interests of different groups in the organisation. This means that legitimate orders should be recognised as the 'structural conditions' of action in the organisation by a group of employees thus precluding a consensus by all the organisational members. Riley (1983) argues that it is crucial to understand the structuration perspective. She quotes Giddens (1979) for the argument that the normative integration of dominant members is more significant in ensuring the continuity of organisational systems than the consensus on values and this implies the existence of sub groups and subcultures with emphasis on different sets of values.

The focus on analysis is to explore how the three processes mentioned above are evolved and sustained and this occurs through mediation and transformation. Mediation is said to occur when an interactant perceives the contextual message from another's responses and transformation occurs when structures undergo changes through 'interaction with other structures. Riley (1983) further argues that culture is multivalent and this can therefore be studied by analysing the key structuring elements. The cultural nature of office politics requires a study of the symbolic structures. The political images can be studied from the patterns of institutional structures and this can be achieved by focusing on symbols and language denoting political intentions as well as by analysing them in terms of the structuring properties. Riley's study had the objective of uncovering the symbols that generate political images of an organisation's culture and understanding how these symbolic structures are

reproduced or transformed across the sub groups of the organisation. She conducted the study on a comparative basis with two organisations which differed on their 'task embeddednes' though in-depth interviews. Verbal symbols, action symbols, and material symbols were analysed. The study shows that the behaviours of the organisational members are heavily influenced by largely unconscious patterns which are driven by structures (in the form of rules and procedures). By repeating structures, people 'relegitimate the past', 'give a medium for the present', and present 'a pattern for the future' (Riley 1983). The images produced by people at different hierarchical structures were different and indicated the power of the dominant subgroup thereby providing a dysynchronous view of organisational culture. It is worth mentioning in this context that the structuraion concept is implicit in many studies and that the findings of many studies corroborate Riley's perspective. For example, Bartunek and Seo (2002) focused on five different subcultures mostly based on the hierarchy reacting differently to the quality of work life intervention by the management.

It can be observed from the above that structuration depicts the role of power and politics in the evolution of culture. This perspective is akin to the radical paradigm of Burrell and Morgan (1979). The three perspective framework advocated by Meyerson and Martin (1987) and Martin (1992, 2002) merits discussion both as part of describing the methodological approaches for studying and analysing culture and as the theoretical framework adopted in this study. The three perspective framework is therefore discussed in the ensuing section.

1.7.3 THE THREE PERSPECTIVE FRAMEWORK

Meyerson and Martin (1987), Martin (1992, 2002), and Martin *et al.* (2006) argue that organisational culture studies can be broadly categorised into three main paradigmatic perspectives, namely integration, differentiation, and fragmentation and these are briefly explained below.

1.7.3.1 INTEGRATION PERSPECTIVE

The integration perspective of culture is characterised by organisation-wide consensus, consistency, and clarity. Consistency consists of action consistency, symbolic consistency and ideological consistency (Martin 1992). Action consistency refers to the congruence

between formal and informal practices. For example, Martin (1992) argues that employees in the organisation she studied shared the management assertions of egalitarianism as expressed through their initiatives in profit sharing and participation in charities. Similarly, symbolic consistency occurs when the cultural forms are consistent with content themes. For example, a common canteen for workers and management reinforces the belief of equal treatment for all employees. Ideological consistency refers to the consistency between content themes and an example of this is the policy of treating all employees fairly which is consistent with a high level of empowerment.

This perspective assumes that manifestations of culture are consistent with each other, thereby creating a net of 'mutually reinforcing elements' and there is consensus and clarity in the organisation with respect to those elements. For example, concern for employees is a hallmark of the theory Z culture (Ouchi 1981) and this value is shared across the organisation. Some examples for studies in this tradition include Schein (1985, 1996, 1999) and O'Reilly *et al.* (1991). Martin *et al.* (2006) quote Berger and Luckmann (1967) who observed that culture in integration studies is an area of meaning amidst meaninglessness and formlessness. Furthermore, Schein (1991) argues that what is ambiguous is not part of culture. It can be seen that integration studies can be either quantitative or qualitative. It was observed by O'Reilly *et al.* (1991) in their qualitative studies, that when professional employees shared the values of their companies, it had the result of enhancing their job satisfaction and reducing labour turnover. The study by Denison (1990) using a questionnaire with dimensions of cultures which were widely shared in the organisation positively correlated with the various measures of financial performance. However, Martin *et al.* (2006) maintain that not all integration studies have functionalist and value engineering overtones, as with, for example, those who take a more symbolic approach. An example is the study of Barley (1983) where funeral directors, with the help of different rituals, attempt to create an impression that death is life-like. They make this attempt by closing the corpse's eye and by changing the sheets on a deathbed. Alvesson (2002) termed the studies in this vein as 'unitarist' in orientation.

Martin *et al.* (2006) also observe that integration studies differ in their choice of cultural manifestations. Some of these, especially those following a qualitative approach like Pettigrew (1979), analyse a variety of manifestations. Some of the quantitative studies also examine a number of manifestations (for example, Siehl and Martin 1988).

Specialist integration studies, on the other hand, focus on only one or two types of cultural manifestations, usually values such as the study of Ashkanasy *et al.* (2000) whereas others focus on a single type of cultural manifestation as Brown (1990) did on stories.

Integration studies are criticised on the grounds that if cultural views are made about the entire organisation then, all the types of employees have to be studied. It is further argued that, given the turbulence characterising the present day organisation, it is difficult to sustain organisation-wide harmony and homogeneity. However, the proponents of this approach frequently defend their standpoint. For example, Schein (1985) maintains that basic assumptions are so ingrained that variations from them are difficult. It may further be seen that deviations are treated in a negative light in integration studies. Katz and Khan (1966) maintained that in an integration study, ambiguity with respect to an issue could be perceived as a "stressor" resulting in emotional strain and performance decrement.

1.7.3.2 DIFFERENTIATION PERSPECTIVE

Meyerson and Martin (1987) argue that the differentiation perspective is characterised by differentiation and diversity. Martin *et al.* (2006) observe that the differentiation perspective is characterised by:

- inconsistent interpretations of cultural manifestations
- consensus emerging only within subcultural boundaries and
- clarity existing only within subcultures

Martin (1992) argues that inconsistency can assume three forms: action inconsistency, symbolic inconsistency and content inconsistency. Action inconsistency occurs when actions are not congruent with content themes. For example, the policy of 'consensual decision making' and maintaining tight controls is inconsistent. Symbolic inconsistency arises when the cultural forms are not in conformity with the content themes. An example of this is separate canteens for workers and managers where there is a policy of equal treatment for all employees. Ideological inconsistency occurs when content themes are inconsistent with each other. The policy of according high significance to people is in conflict, for example, when set in the context of inadequate opportunities for training.

Martin (2002) compares subculture to 'islands of clarity in a sea of ambiguity' and argues that differentiation studies should be able to go beyond the superficial and identify aspects of organisational life which do not conform to managerial ideals. These studies also require transcending of cognitive and symbolic aspects of culture and the study of material aspects such as working life and pay inequalities which, in turn, would unravel the inconsistencies between formal and informal norms, and stated attitudes and actual behaviours. Drawing from Rosen (1991), she argues that subcultures can be horizontal and vertical. Horizontal subcultures describe functions or jobs of equivalent status (for example, Trice and Beyer 1993) whereas vertical subcultures describe the differences between groups of unequal status (for example Alvesson 1993). The study of Van Maanen (1991) describes the vertical nature of subcultures where food vendors, ride operators, and supervisors differ with respect to the treatment of customers. Kunda's (1992) study brings out inconsistencies on the part of the engineers to company values as evident from their sarcastic remarks during the period of ease. Martin *et al.*(2006, p.13) argue that this perspective was stretched to its extreme when some researchers started describing differentiation studies as the new dominant mode of culture research and she quotes Alvesson (2002 p.157), " today most scholars emphasise the presence of subcultures in organisations." It is further argued by Martin that the environmental influences, such as societal cultures and occupational subcultures spanning organisational boundaries, affect subcultures. One example is the study of Gregory (1983), where it was found that accountants create a particular type of culture, wherever they work. Maintaining that differentiation studies are sensitive to the influences of the environment, Martin *et al.* (2006) argue that cultural changes occur because of the pressures from the environment, but the rate of change would be different in subcultures depending on the extent of pressure exerted by the segment of environment influencing it and hence from a differentiation perspective, culture is not conceived to be unitary. A pertinent example of this is the study of Bartunek and Seo (2002), which highlighted five different subcultures reacting differently to the quality of work life intervention by the management - the top management emphasising control, in-house consulting staff members adopting cooperative attitudes, the management of local plants being paternalistic, line employees adopting conforming reaction, and machinists resisting intervention.

It can be observed from the above that differentiation studies challenge the unitary monolithic conception of culture with shared values and interpretations across the organisation. The

focus is on cultural manifestations which have inconsistent interpretations. There is consensus but such consensus is confined to subcultures and inconsistencies between stated attitudes and actual behaviour are focused. Ambiguity exists amidst consistency, consensus, and clarity. An example of this is a study of Disneyland by Van Maanen (1991), where he identified the subcultures among the workers and Riley (1983) also views organisational culture as a system of integrated subcultures. Barley (1986) brings out the conflicts among subcultures in a study of hospitals. Louis (1985) noted that the relationship among subcultures might be mutually reinforcing, conflicting, or independent. Martin (2002) further argues that ambiguity, in differentiation studies is described as occurring in the interstices among subcultural 'islands of consistency, consensus and clarity'.

1.7.3.3 FRAGMENTATION PERSPECTIVE

Meyerson and Martin (1987) argue that this paradigm is different from the others in its treatment of ambiguity. Meyerson and Martin (1987) and Martin (1992, 2002) argue that interpretations of cultural manifestations need not essentially be consistent or inconsistent but can be complex, encompassing elements of contradiction and confusion. Martin (2002, p.104) admits that "fragmentation perspective is the most difficult to conceptualise because it focuses on ambiguity and ambiguity is difficult to conceptualise clearly". The fragmentation perspective is marked by ambiguity, the complex nature of cultural manifestations, and multiple interpretations of the aspects of organisational life. Ambiguity can assume three forms: action ambiguity, symbolic ambiguity and ideological ambiguity. Action ambiguity occurs when the relationship of themes to organisational practices are not clear. For example, ambiguity can arise when employees are unaware of how decisions are taken due to improper documentation of the processes. Symbolic ambiguity is manifested when cultural themes bear an unclear relationship to cultural forms. For instance, some employees might view open offices as examples for transparency whereas others might view these are intended for close supervision; or intended for transparency on some occasions and close supervision on other occasions. Ideological ambiguity arises when there is ambiguity in the relationship of the content themes. The policy of according top priority to customers and providing a high degree of flexibility for employees might lead to situations when both aspects contribute to each other, but might also create situations when they might conflict, with the result that it is difficult to determine whether they are complementary or contradictory to each other. This

perspective goes beyond ambiguity and embraces the complexities which the opposites of dichotomous thinking fail to notice. In this perspective, consensus is perceived as transient and issue specific and not as organisation-wide or subculture specific and affinities to issues are conceived to be a short-term phenomenon, giving way to a different pattern of affinities as problems change and new ones emerge. Meyerson (1991) and Feldman (1991) observe that ambiguity is hallmark of culture. Clarity is conceived as an illusion created by management and culture is not a "clearing in the jungle of meaninglessness," or "an island of clarity" but rather is "the jungle itself" (Martin *et al.* 2006, p. 16). This perspective encompasses ambiguity and views ambiguity as normal and not problematic, arising out of the irreconcilable tensions between opposites, such as ironies, paradoxes and contradictions and multiple meanings. Ambiguity is perceived as normal and part of contemporary organisations. Lack of consistency, lack of consensus, and ambiguity are the characteristics of the fragmentation perspective.

Relationship among manifestations is viewed in multivalent terms, as partially congruent, partially incongruent, and partially related by tangential, perhaps random connections. The work of Schultz and Hatch (1996), for example, is characterised by the fragmentation perspective. Furthermore, Martin *et al.* (2006) maintain that power is not concentrated at hierarchical positions in the organisation and change is treated as a constant flush rather than a rare occurrence beyond the control of the individual and triggered by the environment and other forces. Alienation, apathy, confusion, and satisfaction are all portrayed in detail without suggesting a solution. Martin *et al.* (2006) describe the observations of Brunsson (1985) regarding organisational irrationality and hypocrisy, the studies of March and his colleagues (March and Olsen 1976) on ambiguities in decision making, and Weick's (1995) observations about sense making as the precursors of the concept of fragmentation. Presenting ambiguity as the focus, fragmentation perspective implies that the certainties of integration and clearly defined distinctions of differentiation are simplistic. For example, Meyerson's (1991) description of the work of social workers where there was pervasive confusion about objectives, means for attaining the objectives and criteria for success brings out the all-pervasive ambiguity in the organisation. Robertson and Swan (2003) in their study about a knowledge-intensive firm also highlighted ambiguities as the central component of any cultural study, which lies in the interpretations of people.

The fragmentation perspective is not without its critics. Schein (1991), for example, refused to accept ambiguity as part of culture. Alvesson (2002) provides an insight into this by arguing that although some ambiguity characterise organisations, this is the result of viewing organisational life from the ambiguity perspective itself. Meyerson (1991) observes that the acknowledgement of ambiguity by researchers proves the point and suggest that this aspect of organisational life should be examined.

Martin (2002) proposed that culture should be viewed from all the three above-mentioned perspectives simultaneously. She goes on to argue that some aspects of culture will be shared among most of the members leading to consistent and clear interpretation of manifestations, and thus justifying the integration perspective. At the same time, according to the differentiation perspective, there could be aspects of culture which will be interpreted differently by different groups, for example, what is important, giving rise to subcultures, existing in harmony, independence, and or conflict. In this case, only subcultures are characterised by consistency. At the same time, certain aspects of culture could be interpreted ambiguously marked by irony, paradox and irreconcilable tensions, and constant flux. The three perspectives of culture differ on three aspects, as mentioned earlier: relationship among cultural manifestations, orientation to consensus in a culture and treatment of ambiguity.

Martin (2002) notes that the three perspectives complement each other since they emphasise three different aspects of the same phenomenon. Together they describe the aspects not captured by each of the perspectives separately. For example, the integration perspective ignores or silences all dissent and ambiguity, which the fragmentation perspective captures vividly. Moreover, they offer a wider range of insights than is available from any single perspective. Martin (2002) further observes that most of the culture research has focused on only one of these perspectives; a composite perspective, however, makes it possible to draw on and contribute to these works. Martin *et al.* (2006) give a number of examples of studies, employing all the three perspectives and argue that in the three perspective framework, the attempt is to subject the collection and interpretation of data to all the three scientific viewpoints from social sciences. Implicit in this is the assumption that some aspects of culture would be congruent with all three perspectives at any time. The application of the three perspectives is therefore envisaged to develop a more complex, broader, and deeper understanding. Martin *et al.* (2006) preferred to call the three perspective framework as meta

theory since it attempts to provide a higher level of abstraction and this has both positive and critical dimensions. On the positive side, it acknowledges the search done under the different perspectives. On the critical side, it might be viewed as an attempt to dominate the other approaches. Meta theory has been criticised for their attempts to present grand theories by dominating the theories that precede them thus stifling variety in theoretical perspectives (for example, Gagliardi (1991). Martin (2002) concede that there is merit in the argument that the three perspective framework ignores the studies overlapping the boundaries of perspectives, ignores the unclassifiable research, and undermines the uniqueness of their contribution and knowledge.

It can be seen from the above that the three perspective framework is a meta theory and for this reason incorporates many theoretical paradigms in a single framework. It also embodies many philosophical perspectives. For example, integration can be thought of as positivistic, fragmentation tending to be postmodernist as well as differentiation akin to critical theory in certain respects. The integration perspective can further be viewed as functionalist, with differentiation and with fragmentation perspective having a strand of interpretive paradigm and the fragmentation having a flavour of radical humanism, although these approximations are debatable. Indeed, it is arguable that there is scope to explore the structuration theory too in the differentiation perspective. This framework appears to be pertinent for this study since it attempts to capture the culture phenomenon in all its complexity, without diluting the coherence and order that may characterise some other aspects of culture. Moreover, it gives the researcher the freedom to move between paradigms and give a much more comprehensive explanation of organisational life.

1.8 CONCLUDING REMARKS

From the above discussion, it is clear that the culture construct, which organisation theory has borrowed from anthropology, reflects the different traditions of conceptualising culture in anthropology. These are also reflections of the epistemological and ontological differences. The views of culture as a variable and culture as a root metaphor, in an in-depth analysis, are not contradictory positions, but two sides of the same coin. Just as quantity and quality are parts of social life and make social life more meaningful and richer, both the positions are required for a fuller appreciation of the concept of culture. However, theorists and

researchers frequently adopt one of these paradigms and consequently, on the face of it they present an incomplete picture.

There are many different methodological approaches for the study of organisational culture beginning with the Pettigrew's family of concepts to Martin's three perspectives framework. The three perspective framework, being a meta theory, holds the potential to incorporate many of the methodological approaches (for example, structuration, quantitative and qualitative approaches, myths and native view paradigms) and has the potential to present a more detailed, comprehensive and richer picture of social reality. The next chapter describes organisational effectiveness in detail and chapter three extends the organisational culture construct by discussing the links between organisational culture and effectiveness.

CHAPTER 2

ORGANISATIONAL EFFECTIVENESS

The objective of this chapter is to explore and analyse the construct of organisational effectiveness from the extant literature. The conceptual models of organisational effectiveness are described and critically analysed and the philosophical underpinnings of such models are examined in this part. This is followed by a discussion of the integrated, differentiated, and fragmented perspectives of organisational effectiveness.

2.1 INTRODUCTION

Effectiveness is a central topic in organisational studies and this can be observed from the treatment of the construct in extant literature. Hall (1980, p.36) highlighted the significance of the construct when he argued, "effectiveness is the ultimate question in any form of organisational analysis." It can be observed that the different theorists and researchers approached the study of organisational effectiveness from a wide variety of perspectives and this is succinctly reflected in the different definitions of the construct. Katz and Khan (1966), after an in-depth analysis of such definitions, observed that such definitions are full of advice and are tautological and contradictory. The definitions vary from the relatively simple conceptualisation of Barnard (1938, p.20) that an action is effective "if it accomplished its specific objective aim" to Hannan and Freeman's (1977) argument that effectiveness reflects an engineering focus and is suggestive of a concept in applied science rather than the abstract theory of pure science. It was further argued by them that effectiveness studies become difficult due to the complex issues involved, such as the dynamic nature of organisational goals and that their measurement and such analyses are comparative and not scientific.

Zammuto (1984) lays bare the complexity of the construct when he argues that organisational effectiveness is a 'value concept' and since value perspectives are infinite, there are an infinite number of effectiveness models too. He further observed, "the construct of organisational effectiveness refers to human judgement about the desirability of outcomes of organisational performance from the vantage point of the varied constituencies directly and indirectly affected by the organisation" (Zammuto 1984 p.614). The complexity of the construct is

captured in the argument of Friedlander and Pickle (1968) that organisational effectiveness is not a unitary concept. Quinn and Rohrbaugh (1983 p.374) viewed organisational effectiveness as "a socially constructed, abstract notion carried about in the heads of organisational theorists and researchers." Campbell (1977) summarised the complexity of issues involved in assessing organisational effectiveness succinctly when he observed that in the ultimate analysis, organisational effectiveness is what the relevant parties decide it should be. A perusal of the definitions reveals the complex nature of the concept. Terms such as values, varied constituencies and varying goals, which are part of the definitions, bring home this point.

There are a number of schools of thought in organisational effectiveness studies. The early conceptualisations on organisational effectiveness fall within the framework of two theories, namely the goal-centred view and the natural systems view and these two theories are described and analysed first. This is followed by a description and analysis of the later models.

2.2 THE GOAL-CENTRED VIEW

The goal-centred view assumes that organisation is focused on a set of goals and it is managed by a group of people, who structure organisational activities around these goals (Campbell 1977). It is further assumed that these goals are few in number and that they can be precisely defined. Organisational processes begin with the setting of goals and the next step is to formulate strategies to achieve them. The task of organisational effectiveness is therefore reduced to evolving appropriate criteria to assess whether the goals set are being met.

Categorising organisational effectiveness studies in a similar vein, into three categories, Zammuto (1982) describes the goal-based approach as 'whose values approach'. He argued that if goal is a desired state of affairs, which an organisation tries to realise (as argued by Etzioni 1964), the crucial issue is to decide whose goals are to be used to judge effectiveness. The answers oscillate between two extremes. One view is that managerial goals are to be considered (Etzioni 1960). There are others, who argue that goals are to be decided by an independent set of assessors (Perrow 1961). It is also argued that goals are the goals of the society, as derived by researchers (Parsons 1956). Parson (1956) is of the explicit view that it

is the society, which gives legitimacy to an organisation and he maintains that societal values have a significant bearing on organisational goals which, in turn, regulate the actions of the individuals constituting the organisation. Parsons (1959) holds that there are four fundamental processes for every social system: adaptation, goal achievement, integration and pattern maintenance, and tension management and these processes provide a structural framework to explore the internal and external relationship of the system. It can be observed that these processes were incorporated by Quinn and Rohrbaugh (1983) in their spatial model of organisational effectiveness. Friedlander and Pickle (1968) also argue in a similar vein that the effectiveness criteria should include some element of the organisation's contribution to society and the returns of society to the organisation. Arguing that organisational effectiveness is a multidimensional concept, they maintain that the different stakeholders in the organisation are not likely to maximise their satisfaction, rather "they are likely to seek satisfactory solutions under several areas of their activities with few trade-offs" (Friedlander and Pickle 1968 p. 293).

Campbell (1977) argues that there are a number of variable approaches within the goal-centred view and according to him, those listed below are the important ones. He concedes that some of them are taken out of their original context but he uses them to illustrate how such approaches influence the measurement of organisational effectiveness.

2.2.1 INDUSTRIAL OR ORGANISATIONAL PSYCHOLOGY CRITERION MODEL

In this model effectiveness is conceived not as a single factor but rather as the aggregate of a number of independent criteria. Another important feature is that it emphasises the relationship between the component criteria. This model suggests that the organisation lays down the description for different jobs and individual criteria are decided based on this. Campbell (1977) suggests that a large number of individuals should be assessed on each criteria component and multivariate analysis techniques should be used to analyse the pattern of the relationship between them. The decisions about the way in which individual criterion component scores are combined are taken by the experts on the job and such decisions are based on subjective value judgements.

2.2.2 COST-BENEFIT ANALYSIS

Campbell (1977) argues that cost-benefit analysis is usually used to assess the relative merits of alternate courses of action in order to achieve a goal, rather than assessing the effectiveness of an entire organisation. It has traditionally been applied in the assessment of training programmes and product development. This approach assumes that an achievement standard is developed against which the different alternate courses of action can be compared. An example of its application is the evaluation of social programmes. A positive aspect of this approach has been that marginal rather than average cost-benefit ratio can be used for analysing relative effectiveness.

2.2.3 MANAGEMENT BY OBJECTIVES (MBO)

Originally conceived by Drucker (1964), MBO can be viewed as a system of management planning and control (Odiorne 1965, 1969). It can also be viewed as a model of organisational effectiveness (Campbell 1977). MBO envisages the setting of goals first at organisational level, followed by departmental and individual levels, all of which are regularly reviewed at the different levels and at different points of time. This then leads to a unique set of criteria for different organisations. Like other approaches, MBO, is not without its share of criticism such as limiting the individual to the objectives, which have been laid down thereby discouraging one from going beyond, and putting the organisational members into a means ends chain. Campbell (1977) argues that MBO represents the ultimate in a goal oriented model of effectiveness.

2.2.4 BEHAVIOURAL OBJECTIVES MODEL

Gagne (1962) argues that designing any educational or training programme in an organisation requires deciding initially what the organisation is striving to achieve. The next stage is to lay down what is to be learned in specific terms. Evaluation or assessment is based on these clearly laid-down criteria. Campbell (1977) argues that Gagne's dictum was a revolution in the training and curriculum development during his time, since it maintained that what is to be learned is more important than the application of any psychological or educational theory. Another related domain influenced by this thought has been the individual performance measurement. The application of the critical incident method to assess individual

performance is a case in point (Smith and Kendall, 1963). Another related development in this tradition has been the development of criterion referenced testing. Criterion referenced testing, as opposed to norm referenced testing, does not indicate the relative standing of an individual in a group but directly highlights the person's level of competence.

2.2.5 CONCEPTUAL AND METHODOLOGICAL PROBLEMS WITH GOAL EFFECTIVENESS

As Hannan and Freeman (1977) observe that outcomes or goals are conceptually simpler but difficult to measure. They note that the comparison of organisational effectiveness is characterised by the same problems as those confronted by economists when comparing interpersonal utilities. Given the fact that organisations have many goals, some of which are explicit, some implicit, some weakly stated and some which are trade-offs between different raters and constituencies, the issues involved might become conflicting. There could be many goals, such as profit maximisation, steady growth (Galbriath 1967), sales maximisation or the maximisation of executive salaries (Williamson 1967). Organisations can have public and private (operative) goals, and it is a complex task to identify them. The specificity of the goals also poses another problem. Keeley (1984) observes that goal-based theories tend to represent the values of the participants who have the most to gain by the accomplishment of a goal, rather than the interests of the organisation as a whole.

The temporal dimension of the goals poses another problem. Conflicts between short-term goals and long-term goals are frequent in many organisations. If the organisation strives for a quick return on investment, the emphasis is more on short-term goals. However, long-term goals would be more pertinent in some contexts. For example, a newly started firm might have to face short-term fluctuations in performance. It is often not clear how organisations should deal with the temporal issues and it is common for organisations to place differing emphasis on the speed of the return on investment. Furthermore, Barnard (1938) found that different time perspectives were employed at different levels within the same organisation. Hence, it is clear that the temporal dimension is an important aspect in assessing organisational effectiveness.

Campbell (1977) observes that in the goal-based approach, effectiveness is based on the preferences of a section of stakeholders in an organisation, especially the organisational

managers and in most cases; this ignores the preferences of other stakeholders. Although managerial preferences are important, managers are not clearly the only stakeholders in an organisation. The criticism against the goal-based approach is that it employs a static model to assess performance in an ever-changing environment and it ignores the goals of the less powerful constituents whilst assessing effectiveness. Another significant drawback of the goal-based assessment is that it does not acknowledge the impact of environment on performance.

In spite of the criticism levelled against the goal-based approach, it can be seen that organisations are purposeful entities which cannot exist in the absence of goals and it is the very presence of goals which hold members of an organisation together. However, there are many practical difficulties in assessing goals such as their ever-changing nature, the temporal dimensions, and the selection of the constituent who sets the goals.

2.3 THE SYSTEMS PERSPECTIVE

Drawing from the general systems theory, a systems-based approach evolved as an alternative to the goal-based theory of effectiveness in the 1950s. The system-based model of effectiveness is also defined in a variety of ways. The first study in this tradition was carried out by Georgopoulos and Tannenbaum (1957 p. 535), who defined organisational effectiveness as "the extent to which organisation as a social system.....fulfils the objectives without incapacitating its means and resources and without placing a strain on its own members." Zammuto (1982) describes the general systems approach of the study of organisations as a 'value free approach'. A number of studies of organisational effectiveness were undertaken under the broad framework of this tradition and examples of which are those by: Katz and Khan (1966); Yutchman and Seashore (1967); Evan (1976); Pennings and Goodman (1977); Pfeffer and Salancik (1978); and Keeley (1978). The natural systems view stipulates that because of the complexities confronting the organisations, it is not possible to identify a given number of goals for an organisation and hence the predominant concern of the organisation is to retain its viability over time. To assess effectiveness in this case implies evaluating whether an organisation is internally consistent and whether it is using its resources judiciously.

Katz and Khan (1966) argue that the systems approach dwells on the problem of relationships and their interdependence within a system. In their view, an organisational system is part of the larger system and is involved in the process of importing (input), transforming, and exporting (output) energy with the environment. It has the capability to reach a particular state by different paths (equifinality) and to adapt to changes through feedback and regulatory mechanisms. They argue that organisational effectiveness reflects the degree to which an organisation maximises all forms of energetic return in its relationship with the environment and to be effective, an organisation needs to be internally efficient and politically effective.

According to Yutchman and Seashore (1967), the capacity of an organisation to influence the environment in the acquisition of scarce and valued resources is critical for effectiveness. They argue that of all the organisational processes, procuring scarce and valued resources is the most important one and an organisation is effective if its managers are able to ensure a steady supply of essential resources from the environment. For example, a reputable management institute will organise its selection process for students such that only the brightest students will be given entry into the institute in order to have excellent results. According to them, the mobilisation of scarce and valued resources is a necessary but not sufficient condition for effectiveness. They pointed out that rather than the availability of scare and valued resources, the bargaining position to acquire them determines organisational effectiveness. Such a strong bargaining position would be highly helpful in the acquisition of inputs, the transformation of inputs to outputs and the 'exportation' of the output. In other words, they assumed that any change in the relationship between an organisation and its environment will affect its bargaining position *vis a vis* that environment. They argued that the bargaining position of the organisation is relevant to all three processes. Effectiveness is its highest, when the bargaining position and the resource procurement are at their optimum level. Hence, the effectiveness of an organisation depends on its bargaining position, as reflected in its ability to exploit the environment and in the acquisition of scarce and valued resources. It can be noted that the concept of bargaining position precludes any specific goal as the criterion measure of effectiveness

This model is not without its share of criticism. Hannan and Freeman (1977) contend that ensuring quality inputs does not in itself lead to effectiveness and absence of inputs, in itself, is not catastrophic for organisations, although the absence of inputs will eventually lead to

such a catastrophic result. Aldrich and Pfeffer (1976) also argue that effectiveness is about managing the environment rather than merely procuring inputs.

Evan (1976) holds that organisations have four major processes - inputs, transformation, output, and feedback from the environment. He proposed nine ratios to represent the relationship between inputs, transformation and output, and maintained that organisational effectiveness can be assessed by comparing these ratios. These ratios will provide information for the decision makers so that they can maximise or minimise the values associated with the organisational processes. In short, Evan viewed organisational effectiveness as the capacity of the system to influence these processes, with respect to the goals it has set for itself. This model is called the system efficiency model.

Steers (1975) outlined a process model for effectiveness integrating the four major influences on the organisation, namely environment characteristics, employee characteristics, organisational characteristics and managerial policies and practices and he included three components in his model: optimisation of goals, systems perspective, and behavioural emphasis. According to Steers, each of these components must function in harmony with the others to achieve effectiveness. Thus, the organisation will be effective, if the harmony among its constituent parts is high.

2.4 GOAL APPROACH AND THE SYSTEMS APPROACH: ARE THEY COMPLEMENTARY?

Campbell (1977) argues that there are two possible way of looking at achieving objectives. One option is to set clear objectives and then initiate action to achieve them. The second choice is to view this as a continuous process and then to select behaviours appropriate to those processes. Campbell is of the view that the second perspective is characteristic of managerial action. He emphasises processes in place of goals and argues that it is counterproductive to follow multivariate studies to assess effectiveness, if organisation is the level of analysis. In his view outcome measures are not important since environmental variables rather than organisational choices would have a major bearing on outcomes. He further argues that the environmental variables are outside the control of management. Cummings (1977) criticised this perspective and argued that it was the responsibility of

management to influence the environment. According to Cummings, processes are not seriously considered by managers in a competitive world.

However, Campbell (1977) argues that if both the goal-based approach and system-based approach take their next logical steps, they would converge. The goal approach has to draw from the system variables to achieve the goals, once they are set. The debate between the approaches can be summarised in the outcome vs. process conflict and according to Campbell, the approaches are complementary. If one begins the search for goals, the exercise will ultimately have to take into account the processes to achieve those goals; it can be seen that any one of these approaches is taken to its natural conclusion, the results will converge. Hence, processes in the organisational context are devoid of meaning in the absence of clearly defined goals. Miles and Cameron (1982, p. 375) also argue in a similar vein and propose a synthesis of goals and systems perspectives in what they called an "Ecology Model" which defines organisational effectiveness as "the ability of the organisation minimally to satisfy the expectations of its strategic constituents."

Against the background of the issues involved in the goal-based and system-based perspectives, other models have evolved to address the issue of organisational effectiveness and they are described and analysed in the following section.

2.5 MULTIPLE CONSTITUENCY APPROACH (OR "MULTIPLE VALUES" APPROACH)

The multiple constituency approach arose against the background of the severe criticism against the goal and system-based models of organisational effectiveness. This approach views organisation as a group of multiple stakeholders with divergent interests and organisational effectiveness is expected to reflect the nature of interaction among these constituents. Barnard (1938) is one of the earliest proponents of this perspective. He made a clear distinction between efficiency and effectiveness. Efficiency is the aggregate satisfaction of individual subjective purposes and the ability of the system to maintain itself by returning human benefit to induce participant cooperation. Effectiveness refers to the ability of the organisation to bring about an objective state of affairs. Although he is of the view that both efficiency and effectiveness are the essential requisites for an organisation, efficiency is a

more general and critical quality. Pennings and Goodman (1977) hold the view that the multiple constituency approach emerged from the Carnegie-Mellon workshop on organisational effectiveness held in 1976, but Zammuto (1982) observes that this approach can be traced back to the articles by Bass (1952), and Friedlander and Pickle (1968). Bass (1952) holds that the criteria of organisational effectiveness should be expanded by including measures relevant to employees, as well as society in general. It can be seen that the multiple constituency perspective, instead of ascertaining effectiveness from a purely managerial perspective, highlights that there can be different goals for the different stakeholders and in this regard, it is akin to the goal approach but extends the goal approach by pointing out the complexity that underlies the goal approach. Therefore, in describing effectiveness from the standpoint of different stakeholders, the multiple constituency approach is akin to the differentiation perspective of effectiveness (described later in this chapter).

Bass (1952) suggests that effectiveness should reflect the extent to which the organisation is of value to the employees and society in addition to profitability and productivity and although these three measures may not show any correlation, they need to be considered on their own merits. He further argues that this proposition finds wide support in Industrial Psychology, Labour and Industrial Relations, Law and the military service. The same issue was raised by Connolly *et al.* (1980), who argue that it is arbitrary to term the perspective of a single constituent as the 'correct' one. They argue that the perspective of each constituent is equally valid, right, and legitimate. Keeley (1984) terms this the relativistic approach and holds the view that it makes no sense to argue that one perspective is more deserving than another. Van de Ven and Ferry (1980) approach the question of organisational effectiveness in this tradition and termed this as the 'from whose perspective' approach. Multiple constituency approaches are fundamentally different from others in that they lay down how decision makers should employ evaluative information about their organisation bearing in mind that different constituents or stakeholders are likely to give conflicting views on effectiveness.

The multiple constituency approach was advocated by Friedlander and Pickle (1968), in a study of 97 small businesses. They argue that profitability, the satisfaction of the members, and the contribution of value to society should be considered equally while assessing effectiveness and that these three components are related to one another. Friedlander and

Pickle (1968) further maintain that organisations do not attempt to maximise the fulfilment of the preferences of any constituent but rather they attempt to fulfil them minimally. Zammuto (1982) argues that Friedlander and Pickle do not conceptualise what is effectiveness from a multiple constituency perspective; instead, they analysed effectiveness from a variety of perspectives.

The multiple constituency model gave rise to another significant issue: which criteria will conclusively decide effectiveness. In the goal-based approach, effectiveness could be decided in terms of the managerial goal. In the multiple constituency perspective, however, there are many such criteria and the crucial issue is to isolate which one of them conclusively deals with the question of effectiveness. Zammuto (1982) advocates what he called a 'meta criterion' and which he argues is the ultimate decision rule in determining effectiveness and which amount to choosing one of the constituent preferences for representing organisational effectiveness. He observes that the existing literature suggests that there are three clear meta criteria in the multiple constituency approach based on the notions of relativism, power, and social justice.

Relativist meta criterion deems that there cannot be a single criterion which decides whether an organisation is effective and an overall criterion is considered neither possible nor feasible. On the other hand, according to the relativist meta criterion, one would get multiple views of the same phenomenon. The model presented by Connolly *et al.* (1980) is an example of this perspective.

Pennings and Goodman (1977) argue that power can be considered a meta criterion. Power also finds a place in the models of Pfeffer and Salancik (1978) and Hrebiniak (1978). The conceptualisation of Pennings and Goodman can be traced back to Thompson's (1967) concept of 'dominant coalitions'. Thompson argues that each interest group in the organisation has its own criteria and attempts to impose its criteria of effectiveness on the organisation. Whether an interest group succeeds in imposing its criteria of effectiveness on the organisation depends on its position in the power structure of the organisation. Power, in his view, is determined by the group's ability to cope with the uncertainty facing the organisation and the degree to which the group is critical of the functioning of the organisation. Control is exercised, in practice, by the control of the critical inputs,

transformation process, or output. He notes that the different interest groups bargain to impose their criteria as the significant definition of an organisation's effectiveness and the dominant coalition synthesises the preferences of the various interests groups into a single perspective of organisational performance. Zammuto (1984) is of the view that the power perspective is based on a resource dependence model. According to him, the power perspective views an organisation as effective, when it is capable of satisfying the demands of the most powerful members of the dominant coalition.

Pfeffer and Salancik (1978) view effectiveness in a slightly different light and they do not address the question of a single criterion for effectiveness. Rather they argue that each constituent approaches effectiveness from its own perspective. They make a distinction between efficiency and effectiveness and define efficiency as an internal standard, whereas effectiveness is determined by external evaluators. They proposed a four-stage model for evaluating effectiveness information. The first step is to identify the different constituencies, the critical resources for the organisation and who could provide those resources. The second step involves developing a system for weighing the relative power of the participants to control the critical resources. In this way, the constituent which controls the critical resources of the organisation has power over the organisation. The third step involves identifying the criteria for evaluating performance (by various participants) and the fourth and final stage involves identifying which constituent's criteria would be used to decide the final evaluation of performance. From this viewpoint, effective performance is that which satisfies the preference of its most powerful constituency. Keeley (1984) observes that Pfeffer and Salancik (1978) also offer a 'reasoned defence' of their position by arguing that rewarding uncommon skills (those possessed by the powerful coalition) enables the organisation to provide benefits to all participants including the less powerful.

However, the power-based theory has been sharply criticised on different counts. It can be observed that individuals are given only an 'instrumental worth' in the model and it overlooks the intrinsic worth of individuals. This assertion is debatable. For example, Keeley (1984) points out the dangers involved in the argument most succinctly and he argues that it might encourage activities which could be beneficial to the organisation but not to all the participants. He further observes that the claim that all the participants have an interest in organisational survival is debatable. Pfeffer and Salancik (1978) concede that an organisation

might create the illusion of satisfaction to avoid an open expression of some demands. They give the example of drugging patients to reduce the demands on the staff in a hospital. Furthermore, people might work in anticipation of benefits, which might never be realised, such as the consumer of a beauty product dreaming of social approval or popularity. This illustrates the point that the power-based theory does not explain the issues arising out of the neglect of the preferences of the less powerful, which could give also rise to issues of justice. Keeley (1984) further argues that many organisational members would realise that the benefits they received from the organisation were much less in proportion to the costs they incurred such as a hidden occupational hazard contracted after retirement, and this is a devastating argument against the model.

2.5.1 SOCIAL JUSTICE AS META CRITERION

Keeley (1978) developed a model of organisational effectiveness drawing from Rawls' (1971, p. 3) theory of justice, which hold that "justice is the first virtue of social institutions." The classical theories of justice are criticised by Rawls for their partiality in respecting the interests of the participants in a social system. Rawls (1971) takes this argument forward and argues that effectiveness means maximising the welfare of the 'least advantaged participant' in the social system and he believes that this would ensure wide spread support for an organisation and would lead to the resolution of not only intergroup conflicts but also individual and organisational conflicts.

Another argument of Keeley is that impartiality means that every person is given equal consideration and every one's basic interests are taken care of, however, it precludes treating every one in the same way. Keeley (1978) succinctly summarises the philosophical underpinnings of this perspective, when he observed that human beings are not merely means to organisational well-being but ends in themselves. Therefore, an organisation would be effective if the basic well-being of each participant is given equal consideration. He further argues that social organisations could be judged on two principles of social justice. The first is that each person has an equal right to basic liberties. The second principle stipulates that social inequities should be so arranged to benefit the least advantaged member of the society. Viewing the issue in a similar vein, Balu and Scott (1962) also argue that adherence to social justice would also be administratively advantageous, by checking the pressures of union,

regulatory agencies, and pressure groups. House (1980) succinctly summarised the philosophical underpinnings and practical implications of this perspective by arguing that the standard of performance would be the perspective of the 'least advantaged person' and Keeley (1978) claims that the most effective organisation would be one where the regret of the participant would be minimised. The same view is endorsed by Zammuto (1982) when he argues that it is the public, represented by different constituents, which gives an organisation its social legitimacy. Moreover, attaining goals also necessarily requires the active involvement of the constituents.

Keeley (1978) argues that applicability of the Rawl's theory to complex systems is not devoid of problems. It is also acknowledged that the drawback of this unqualified relativism is that it recognises no limits to the validity of demands that the different organisational participants may place on one another. In its attempts to avoid bias, it could legitimate the bias and prejudice, which it intends to avert. Ordering participant preferences would turn out to be a complex task. Connolly et. al. (1980) also admit that conflicts among perspectives are quite common in organisations and administrators often leave such conflicts unresolved. It can be noted that Keeley (1984) himself called this perspective the social justice approach to organisational effectiveness. The evolutionary model of effectiveness is presented in the following section.

2.6 AN EVOLUTIONARY MODEL OF ORGANISATIONAL EFFECTIVENESS (DEVELOPMENTAL APPROACH)

Zammuto (1982) proposes an evolutionary model of effectiveness. According to the postulates of this model, effectiveness is the result of an organisation's ability to satisfy its constituent preferences over time. It is assumed in this tradition that constituent preferences will vary over a period of time and the conflicts arising out of varying constituent preferences are not irresolvable. This model is developmental in approach and is similar to the multiple constituency approach in its normative outlook but takes the multiple constituency approach forward by identifying a direction for organisational improvement (Keeley 1984). However, this model is akin to the system perspective in that it highlights the process of attaining effectiveness. The model conceives that organisations operate in niches limited by physical, biological and social constraints which define and limit the choices available to them, and an

organisation is deemed to be effective when it can expand its niche, which, in turn, will enable the organisation to satisfy the participants in the long run. 'Niche' is a significant concept in the model and, according to Zammuto (1982, p. 61), niches are "the interstices of elementary conditions in the environment whether they are physical, biological or social." Boulding (1978) argues that biological and social evolution happens by filling the empty niches through mutation. Zammuto (1982) argues that it also the implies that the interaction of these conditions sets the limits for performance since social forms, like biological forms, require conducive conditions for their survival and niches define these conditions. Keeley (1984) termed this participant interest view and the model allows for conflicts arising among constituent preferences to be resolved by imaginatively expanding the range of possible outcomes, rather than subordinating one set of preferences in favour of others.

Three important elements and their interactions are central in the evolutionary approach: the role of constituent preferences in deciding the preferred direction of social evolution; the ways in which constraints create organisational niches; and the effect of time on organisational performance.

2.6.1 CONSTITUENT PREFERENCES AND VARIETY

According to the evolutionary model, constituent preferences and their variety determine the criteria of effectiveness. However, the different constituents might define effectiveness differently. Friedlander and Pickle (1968) maintain that organisations are engaged in an exchange relationship with different segments of the environment. The stability and growth of the organisations are determined by the extent of success in these relationships. Seven constituents are identified: owner(s), employees, customers, suppliers, creditors, local communities, and government agencies. Friedlander and Pickle (1968) developed a set of criteria for representing the interests of these groups. A scale was also developed for mapping these preferences and the preferences of the constituents were correlated. It was shown that there was only a low convergence between constituent preferences.

2.6.2 CONSTRAINTS AND NICHES

Constraints form the niches, within which organisations can operate. Constraints are the boundaries of niches. They could be physical (for example availability of materials),

biological (restriction due to the biological nature of products) or social (technology or tradition). Furthermore, the interaction of physical, biological and social constraints determine the niches within which organisations have to function to cater to constituent preferences. Niches have are limited in their carrying capacity and might restrict organisational choices. Zammuto gives the example that if the number of deer in a forest exceeds the limit food supply can support, they would perish. Niches, according to Zammuto (1982 p.61), "are the confluence of conditions, which allow something to happen in terms of evolutionary potential." With the change in conditions, which created them, niches also will undergo change.

2.6.3 ELEMENT OF TIME

According to Zammuto, time is also an important element in the analysis of organisational performance. With the passing of time, the constituent's concept of performance also undergoes change and this dynamic aspect should be considered while assessing effectiveness. For example, because of the heightened awareness of environmental issues and the consequent public pressure, many refrigerator manufacturing companies had to forgo technologies using CFCs, which turned out to be a costly decision and this had a bearing on their performance.

2.6.4 EVOLUTIONARY PERSPECTIVE OF ORGANISATIONAL EFFECTIVENESS

The evolutionary perspective attaches paramount importance to the environment in which organisations operate and the model is based on the belief that an organisation cannot be assessed or evaluated in isolation from its environment. The separation of the environment from the organisation results in the ecological effects of organisational performance being ignored. According to the other models of effectiveness, an organisation can be effective but still can damage or destroy its environment, which according to Zammuto amounts to self-destruction. He equates this to the organs in the human body where the performance of the organs cannot be considered alone but only in the context of the whole human biological system. He also argues that the performance of one component in the whole system may be mediated by the performance of other components. He gives the example of what happens to an individual who moves into a higher altitude. This experience reduces the amount of oxygen in the blood, increases heart rate, and the person will experiences shortness of breath.

If, however, the individual continues to stay at a high altitude, the physiological stress disappears as the person becomes acclimatised it. It is this flexibility in the performance of the system that allows the body to adapt to the new environment. Clearly, the body has evolved over time in response to a demand from the environment and it is this perspective that Zammuto has incorporated in his conception of organisational effectiveness. He argues that organisations evolve over time and he equates effectiveness to evolution.

Moreover, Zammuto (1982) also argues that this detracts from the ability of the system to make further adjustments. He demonstrates this by elaborating further on his example. The individual who has moved to a place of high altitude has reduced ability to respond to further stress because he or she is already physiologically stressed by the move into the higher altitude. This could be true of social systems as well. As a social system adapts to one set of changing conditions, it drops its flexibility to face other changes. If a person continues to stay in a place of high altitude, that person's descendents would treat that condition as normal and their physical characteristics would change to suit the condition. Zammuto (1982) argues that social evolution over time enhances social adaptability, just as physical evolution enhances physical adaptability. Constituent preferences discharge two roles in this pattern of evolution. Firstly, they denote the preferred direction of evolutionary change and secondly, they create pressure in the system for change. Preferences could exert pressure to change in different ways. New preferences for performance, which cannot be fulfilled in the context of the constraints of the existing niche, might emerge over time. Conversely, the change in constraints would make the satisfaction with existing preferences more difficult. Changing preferences could be satisfied only to a certain extent since modification in performance would detract from the adaptability of the system by consuming the slack that existed in the system.

According to Zammuto, the conflicts between constituents are resolved not by subordinating one group's preferences to others, nor by distributing outcome among the groups, but by expanding the range of possible outcomes to satisfy the current and emerging preferences. This perspective, however, does not lay down a clear criterion of effectiveness. Zammuto also argues that conflicts are resolved by the evolutionary meta criterion.

2.6.5 THE EVOLUTIONARY META CRITERION

"Organisations enhance the adaptability of the social system by creating new niches within which constituent preferences can be satisfied over time," (Zammuto 1982, p. 78). Through this, organisations, instead of reducing their own flexibility, increase the adaptability of the system as well as their own. Making a distinction between biological and social systems, Zammuto argues that biological systems evolve to fill niches created by the environment, whereas social systems often develop to the extent that they change a constraint or create niche which they fill subsequently so that they can satisfy the constituent preferences over time. It is to be noted that niche expansion is relative since it denotes the dynamic relationship between organisational performance and the constraints on performance. Zammuto gives the example that if there is a new law stipulating the reduction in polluting emissions, an organisation can deal with it by inventing a technology making possible emission free production. Inventing an emission free technology would, in addition to meeting the new regulations, be beneficial to the organisation, in addition to its benefits to society. It, therefore, has the effect of enhancing the organisation's niche. It is this evolutionary process, with its dynamic interface with the environment, which Zammuto describes as determining effectiveness. On the other hand, if an organisations react to the situation by trying to put in place emission controls, it would have become costly for the organisation and would reduce its flexibility.

It can be seen that frameworks, other than the evolutionary perspective, attempted to analyse organisational effectiveness definitively, laying down a well-determined criterion. The evolutional model, on the other hand, assumes that there are many alternative formulations of effectiveness since there are many views about satisfying constituent preferences. Since many constraints might hinder organisational performance, alternative courses of action could be evolved to overcome the constraints and satisfy preferences. The evolutionary meta criterion clearly focuses attention on the relationship between constraints and preferences. Since there are no standard solutions to complex organisational problems, the evolutionary model suggests that what is good performance is to evolve over time in a unique manner through different permutations and combinations of niches and constraints, rather than viewing it as a rational problem with a standard answer. There could be innumerable ways of expanding niches and satisfying preferences. An organisation becomes effective, when it

increases its legitimacy within the social system and by adapting to the environment. In short, effectiveness is judged on the basis of the organisation's ability to raise its viability and the system's viability. A clear distinction of this model *vis a vis* the other frameworks is that the evolutionary model does not specify whose preferences are to be satisfied. Rather, it focuses its attention on how the constituent preferences are being satisfied.

Since the problems organisations are faced with are both complex and unique, organisational effectiveness is also unique and, consequently, it has to be assessed against the particular niche in which it is operating. "The model specifies that effectiveness is related to the satisfaction of the preferences within a particular context over time, through niche expanding activities which increase the adaptability of the organisation or environment." (Zammuto, 1982, p. 83).

2.6.6 EVOLUTIONARY MODEL: AN ANALYSIS

The implications of the evolutionary perspective for the evaluation of organisational effectiveness are manifold. In the first place, the significance of constituent demands in assessing organisational performance is recognised. Secondly, effectiveness is conceived as a function of organisational innovation, which results in the satisfaction of constituent preferences. Thirdly, it is acknowledged that an organisation is operating in an environment and insensitivity to the changing needs of the environment is self-defeating, since organisation itself is part of the environment.

On the other hand, the model is criticised on several grounds. Keeley (1984, p.8) argues that the theory has a conservative bent and this indirectly results in "supporting the most extreme pattern of social or economic advantage by implying that there are no good reasons for changes that redistribute system benefits, in contrast to expanding them". He argues that the abolition of slavery in American plantation organisations did not necessarily represent a real improvement according to Zammuto's criterion, since it neither reduced constraints on performance nor enhanced their capacity to satisfy future preferences and many constituents remained dissatisfied after the abolition. Keeley (1984) observes that the theory ignores the possibility of conflicts between the interests of organisational participants. Thurow (1981) argues in a similar vein that many social changes lead to gains for some constituents and loss

for others. Brickman and Campbell (1971) see further problems and in a severe criticism of the model, they argue that as the system's capacity to meet participant expectations rises, the participants' subjective expectations also tend to go up and satisfying constituent preferences can remain only an illusion. Keeley (1984) argues that since some constituents might gain more from changes than the others, there is a need to have a criterion with which to order preferences. Clearly, the model does not suggest a criterion for prioritising the conflicting preferences. He also argues that one cannot set aside the question as to whose preference has precedence over others and there are objective limits to satisfying participant preferences. Hence it has become a practical necessity to identify legitimate preferences and this theory leads to both "indecisive evaluations" and "troublesome normative implications" (Keeley 1984, p. 8).

It is clear from the above discussion that the evolutionary model does not lay down an objective and specific criterion for evaluating organisational effectiveness. It can also be observed that this criticism comes from a positivistic conception of effectiveness and since organisational effectiveness is an applied concept, there is merit in the criticism. However, it may be worth mentioning that the process of attaining effectiveness is also equally significant as a yardstick for measuring effectiveness and the evolutionary model attempts to map that process by analysing how an organisation overcomes its constraints by enlarging its niches and how the preferences of the constituents contribute to that process. This makes a significant contribution to the debate on organisational effectiveness in that it highlights the processes necessary to achieve effectiveness and this model will be used in this study to examine how the organisation attempts to enhance effectiveness.

2.7 COMPETING VALUES FRAMEWORK

Competing values framework is the result of the rigorous research undertaken by Quinn and Rohrbaugh (1983, p. 374) who define organisational effectiveness as a "socially constructed, abstract notion carried about in the heads of organisational theorists and researchers." Quinn and Rohrbaugh worked with a group of organisational theorists to examine 30 criteria listed from an extensive survey of literature. They eliminated the overlapping criteria and grouped similar ones together and in doing so identified three value dimensions. These dimensions are

orthogonal to each other and are representative of the organisation's structural properties with:

1. internal, person oriented emphasis focusing on the well-being and development of people to an external, organisation oriented emphasis focusing on the well-being and development of the organisation itself;

2. centralised with an emphasis on structure, stability, and control to decentralised with an emphasis on flexibility and change;

3. a contrast between a concern for means or processes (planning or goal setting) and a concern for ends (productivity).

They observe that these dilemmas are well-recognised in organisational theory as the conflicts between:

a) the external view of organisation as a tool for attaining some set objectives versus the internal view of organisation as a socio-technical system, with employees having unique feelings, likes and dislikes and (It should be noted that the maximisation of one tends to adversely affect the other);

b) order or control versus innovation and change, which is the subject of heated debates in Sociology, Psychology, and Political Science. It should be pointed out that Lawrence and Lorsch (1967) traced the same issue, which they called integration versus differentiation, to be the core issue in the history of organisational design and found that those organisations which could balance them were effective;

c) the issue of means and ends in terms of the different time scales used and the balance between them.

Although these conflicts were long debated in literature, it was Quinn and Rohrbaugh who integrated them into a single framework and mapped the effectiveness constructs onto what they called a "Spatial model" of organisational effectiveness. The same is succinctly captured in the 'spatial model of organisational effectiveness' depicted in figure 2.1 (in the next page).

The vertical axis represents the continua from instrumental concerns to consummatory concerns and the horizontal axis represents the continua from internal to external concerns. It can be seen that the four criteria reflecting ultimate ends are mentioned in the innermost circle: resource acquisition, productivity, stability, and development of human resources. The four criteria reflecting the processes are mentioned in the second ring: maintaining flexibility, planning, information management, and managing cohesion. The third ring shows the value

continua, flexibility-control focus, and internal-external focus and the fourth ring depicts the four models: human relations, open systems, rational goal, and internal process models. Outside the last circle, the functional prerequisites of any system - adaptive, goal attainment, integrative and pattern-maintenance and tension management function (as identified by Parsons 1959) are presented. Quinn and Rohrbaugh (1983, p. 372) observe that "the open systems model parallels the adaptive function, the rational goal model parallels the goal attainment function, the internal process model parallels the integrative function and the human relation model parallels the pattern maintenance and tension management function."

FIGURE 2.1: SPATIAL MODEL OF ORGANISATIONAL EFFECTIVENESS'
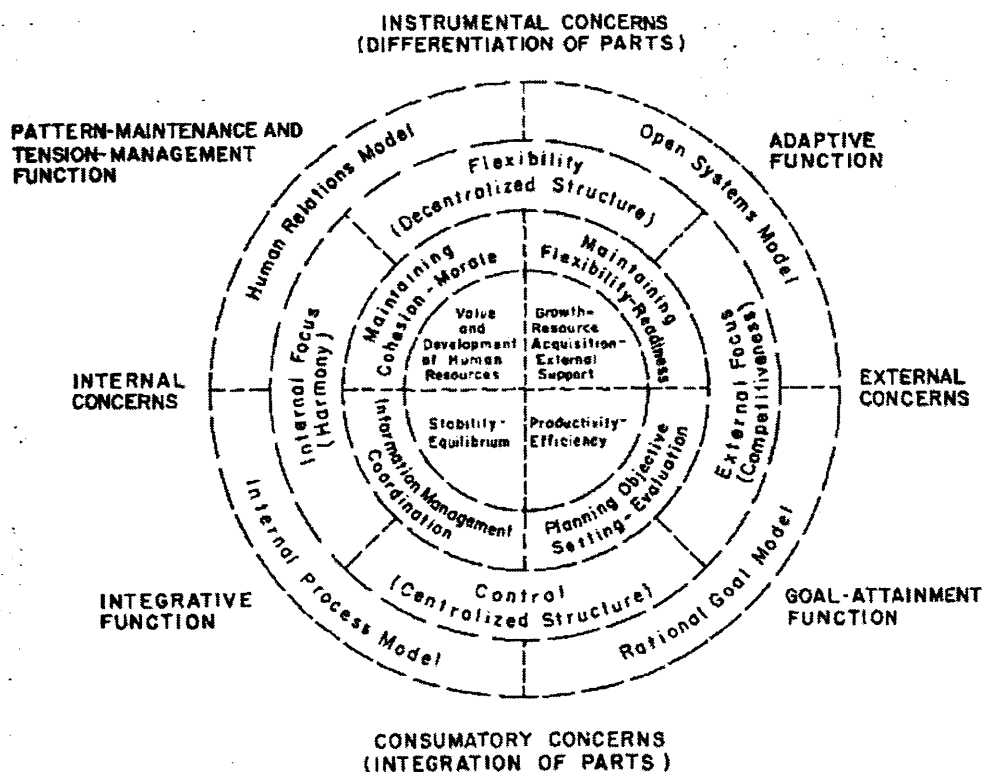
Source: Quinn, R.E. and Rohrbaugh, J. (1983, p. 372). A spatial model of effectiveness criteria: towards a competing values approach to organisational analysis. *Management Science.*

Based on the above framework, they specify four models – the human relations model, the open systems model, the rational goal model, and the internal process model. It is clear that the model is embedded in a set of competing values and it represents the opposites with contrasting emphasis. Quinn and Rohrbaugh (1983) observed that the human relations model, with flexibility and internal focus as effectiveness criteria, is the opposite of the rational goal

model with control and external focus as effectiveness criteria. The open systems model with flexibility and external focus as effectiveness criteria is the direct contrast of the internal process model with control and internal focus as effectiveness criteria. There are also similarities between the models. Human relations and open systems models are similar on their emphasis on flexibility. External focus is the concern of open systems and rational goal models. The rational goal and internal process models share the emphasis on control; and internal process and human relations model have an internal focus. Quinn and Rohrbaugh (1983) also maintain that in spite of the high level of differentiation between the four models, the rational goal model and the internal process model are the most similar.

Quinn and Rohrbaugh (1983) conclude that organisational effectiveness is not a concept but rather a socially constructed abstract notion. The model represents the issues and contradictions involved in the construct by integrating the three value dimensions, which were long debated in the organisational effectiveness literature. They even argue that although certain pairs of concepts are at opposite locations in value space, they need not be empirical opposites. For example, an organisation can be stable and flexible at the same time. Furthermore, the model lays down a range of 'value choices' and acts as a caution against being biased towards any particular 'value choice'.

The model reflects a competing framework of means, ends, management values, and structural preferences and is representative of the complex issues involved in assessing effectiveness. The model supports Cameron and Whetten's (1983) argument that there cannot be a single model of organisational effectiveness. It should be noted that this model has its antecedents in the philosophies, principles, and guidelines of earlier research, as has already been pointed out.

Quinn and Cameron (1983) present the case of an organisation as it passes through the different life cycles, when the relative emphasis on the criteria of effectiveness also undergoes changes. The initial stage in the growth of the organisation, also called entrepreneurial stage, places emphasis on growth, resource acquisition and the development of external support. Although the focus at this stage is on external constituencies, as reflected in the bias for resource acquisition and development of external support, which is vital at the start of an organisation, this is to be achieved by emphasising the internal domains. The second stage

(also called collectivity), stresses human resource development, morale, and employee satisfaction for augmenting and retaining the momentum for the growth generated in the entrepreneurial stage, and hence the focus is on growth and external constituents at this stage. In the third stage (also called formalisation), effectiveness is assessed in terms of internal processes and goal attainment with primary emphasis on productivity, efficiency, and stability. The emphasis shifts primarily to internal constituents and domains at this stage, thus reflecting the greater maturity of the organisation. At this stage, the unstated assumption is that the focus is to retain the momentum for growth created in the third stage. In the fourth stage (also called the elaboration of structure), the focus reverts to the external environment, in search of renewing the organisation itself or expanding its product or service base. Since the focus is on external constituents and domains, the criteria of effectiveness would also be centred on dominant external constituents. Thus, it can be seen that the effectiveness measures would reflect the different stages a firm passes through in its life cycle. Quinn and Cameron (1983) maintain that the type of effectiveness measures would be determined by the relevant domains and constituencies in which the organisation is operating at a given time.

It can be seen that the competing values framework is a combination of a goals and systems approach. While acknowledging the different goals of the organisation, it highlights the pressures from the conflicting goals and the trajectory of movement of the organisation responding to the conflicting goals, thereby reflecting the differing emphasis on goals at the various stages of the development of the organisation.

The competing values framework made a significant contribution to organisational effectiveness by simultaneously highlighting the significance of seemingly contradictory values such as control and flexibility and internal and external focus integrating the various conceptualisations and theoretical postulates. It also stressed the need to take into account the life cycle perspective. However, assessing the lifecycle is problematic and there are no yardsticks for assessing the lifecycle position of an organisation. On a more in-depth examination, it can be observed that the contribution of the competing values framework is that it raises an awareness of the complexity of the effectiveness construct by illuminating the differences and relationship between the seemingly contradictory values and integrating them into a comprehensive framework.

2.8 A COMPARISON OF THE DIFFERENT APPROACHES TO EFFECTIVENESS

The different models of effectiveness mentioned in the extant literature have been described and analysed in detail earlier in the chapter and it is clear that they depict the different aspects of organisational effectiveness. The goal model emphasises the objectives set by the organisation, while the systems approach stresses the processes, which would result in effectiveness. As analysed earlier, they are complementary and not contradictory, processes are not relevant in the absence of the goals they seek to achieve, and goals presuppose processes to achieve them. The multiple constituency approach, however, holds that effectiveness cannot be confined to the objectives set by any particular group in the organisation; rather the views of the different stakeholders need to be considered. This approach could be seen as an extension of the goal model; the difference is that the goals in this model are not confined merely to managerial choices.

A careful analysis of extant literature and organisational practices also brings home the point that the multiple constituency approach is followed for organisational analysis in a variety of ways. For example, the balanced score card approach (Kaplan and Norton, 1996), which incorporates the evaluation of internal business processes, employee learning and growth, the customer perspective and the financial perspective is a case in point, where multiple constituents are jointly involved in examining effectiveness. It should also be pointed out that the multiple constituency approach is akin to the paradigms of the postmodern perspective in that postmodern perspective emphasises the expression of the voices of the 'less powerful' (in the traditional sense): which are argued to be suppressed in the traditional approaches. Hence, if the goal approach is positivistic, the multiple constituency approach has slight leanings to postmodernism. Being an extension of the goal model, the multiple constituency approach suggests varied measures (goal approach) to assess effectiveness of the different constituents. The limitation of the multiple constituency perspective is that it does not lay down any specific criteria for choosing between the different objectives. The evolutionary approach goes one step further and attempts to map the processes through which an organisation attempts to renew itself and thus becomes more effective in the process. This is different from the other models and is a definite extension of the systems approach, in its unique emphasis on the process of innovation, which is singled out as contributing to effectiveness.

The competing values framework is the outcome of rigorous research, which heavily drew from the existing models of effectiveness. It succinctly portrays the complexity of the effectiveness construct which is expressed as the equilibrium which result from the pressures exerted by the seemingly contradictory values: internal versus external focus, control versus innovation, and means versus ends. In addition, it emphasises the life cycle perspective. In the different life cycles of an organisation, different measures (goal approach) can be used to assess effectiveness. It is clear therefore that the different models draw from and contribute to each other and also emphasise the different aspects of effectiveness. Together they contribute to a holistic understanding of organisational effectiveness. Ultimately, it can be seen that the models of organisational effectiveness fall into two broad categories: the systems perspective and the goal approach. The evolutionary model is a variation of the systems approach, whereas the multiple constituency approach is an extension of the goals approach. The competing values framework is a mix of both systems and goal approaches. The discussion in this chapter demonstrate that these approaches examine the different facets of effectiveness and are complementary in nature.

After an in-depth analysis of the different models, Campbell (1977) observes that when the organisational environment is changing, the goal-based model might not be capable of reflecting the changing conditions and for this reason might not be a suitable measure for assessing organisational effectiveness. Another serious problem of the goal-based model is that the decision makers will take decisions, based on a particular set of information and ignore other relevant sources. When a problem arises, the attempts of the organisation to follow predictable patterns may aggravate the problem. This is because the decision makers may tend to initiate action along the dimensions of performance against which constituents are already complaining about, to the neglect of other aspects. The systems perspective also has many disadvantages. In a fiercely competitive market, managers would find it extremely difficult to focus only on process rather than outcomes. The multiple constituency approach, on the other hand, would serve the purpose better in the sense that it would better reflect the changing environment. However, a drawback of the multiple constituency perspective is that it requires tremendous amount of resources and time to map the preferences of the multiple constituents meticulously. The choice of the valuation criteria could also alter the decisions being taken. For example, the decisions taken with power as a meta criterion could be contradictory to the decisions taken with social justice as a meta criterion since the former

would take the view of the most powerful group in the organisation, whereas the latter would tend to take the views of the least advantaged constituency. It can be seen that both approaches attempt to address the question of evaluation from predetermined perspectives and ignore the context. However, the consideration of the different approaches reflects the demands on the organisation from the different stakeholders and the consideration of the different approaches is likely to lead to balanced decisions on organisational effectiveness.

The objective of this study is to explore the relationship between organisational culture and effectiveness. This is achieved through an ethnographic qualitative study of a single organisation and by drawing out the 'native views' of their linkages. The exploration of the relationship is informed by the different approaches and it is expected that the various approaches will illuminate the relationship by throwing light on the different dimensions of effectiveness and organisation culture.

An analysis of the literature pertaining to effectiveness suggests that most of the papers which examined organisational effectiveness conceptually appeared in the 1970s and the 1980s, with a few of them being published in the 1990s. Recent interest in organisational effectiveness has largely been empirical and many such studies have limited observations such as profitability and productivity (for example, Eerde *et al.* 2008; Patterson *et al.* 2005; Fey and Denison 2003).

2.9 EFFECTIVENESS FROM INTEGRATION, DIFFERENTIATION, AND FRAGMENTATION PERSPECTIVES:

Martin (1992) argues that organisational effectiveness can be examined from three analytical perspectives: integration, differentiation, and fragmentation (similar to the integrated, differentiated, and fragmented view of culture). The integrated view is characterised by 'consistency, consensus, and clarity' and portrays a definite and clear picture of effectiveness with consistent and comparable indicators such as productivity and profitability (Martin 1992, p. 61). Such indicators of effectiveness are generally articulated by managers. It can be seen that such a definite portrayal of effectiveness is akin to the goal approach of effectiveness described earlier in the chapter. Such indicators are generally used in quantitative studies and

many such studies focus on the firm as the unit of analysis (for example, Fey and Denison 2003).

The differentiation perspective holds that effectiveness is highly subjective and that the different stakeholders in the organisation view effectiveness from their respective standpoints. For example, engineers might view effectiveness in terms of making innovative products whereas managers might view profitability as indicative of effectiveness (for example, Sahlins 1976). When there is a consensus on the managerial definition of effectiveness, the differentiation view interprets this as proof of a 'false consciousnesses' wherein the benefits of effectiveness are perceived to benefit some organisational members at the expense of the others (Martin 1992). It can be observed that the differentiation perspective of effectiveness is akin to the multiple constituency perspective in that it emphasises the conceptualisation of effectiveness from the perspective of the different stakeholders. Furthermore, the differentiation perspective highlights the inconsistencies in the managerial assertions of effectiveness and hold that such managerial views may not be shared uniformly in the organisation. In addition, such inconsistencies can often be in conflict with hegemonic views of the indicators of effectiveness (for example, commitment). The differentiation perspective has a shade of similarity with the competing values framework in that it captures the conflicts between the interests of the different stakeholders. For example, the conflicts between the emphasis on profits by managers and the emphasis on the rigours of quality by engineers is akin to the conflict between means and ends in the competing values framework (see Quinn and Rohrbaugh 1983).

The fragmentation perspective highlights the ambiguous and the transient nature of effectiveness (Martin 1992). The yardsticks or indicators of effectiveness may not be clear or consistent across the organisation. For example, customer focus can be a criterion; however, it may not be clear as to the extent to which customer preferences can be accommodated by the organisation. One aspect of this view is that such ambiguity and the lack of clarity implies the absence of: stereotyped expectations, the need for order and structure, and the attentive judgemental attitudes and behaviours (Martin 1992). Consequently, employees might feel less inhibited and could be more forthright in their views and behaviours since the absence of clear standards lowers the fear of social disapproval and the cost of experimentation becomes less risky. It is argued that this facilitates creative and innovative behaviours with the

different stakeholders making use of the freedom available for the overall benefit of the organisation. The other aspect of this view is that the pervasive ambiguities, fluidities, and complexities have a dysfunctional effect on effectiveness (see Sabrosky *et al.* 1982). The fragmentation perspective cannot be compared directly with the other approaches to effectiveness in that it emphasises ambiguity and complexity. Whereas the other perspectives present some form of yardstick for evaluating effectiveness, the fragmentation perspective highlights the problematic nature of such yardsticks and the complexity associated with their use. Although this perspective is not closely akin to any approach of effectiveness, it is akin to the system perspective of effectiveness in that it attempts to portray the processes and dynamics associated with the evaluation of effectiveness.

It can be seen from the above discussion that the three perspectives of effectiveness advanced by Martin (1992) are not an alternative to the five approaches to effectiveness described earlier in this chapter; rather they are three analytical perspectives that may be useful for examining the different approaches to effectiveness. Indeed the three perspectives of Martin (2002) do not lay down specific effectiveness criterion. They do, however, provide theoretical and philosophical insights in analysing the effectiveness in that they highlight the different aspects of the effectiveness phenomenon – consistency, inconsistency, and ambiguous nature. The integrated, differentiated, and fragmented perspectives of effectiveness are considered pertinent in the context of this study since this study seeks to present a qualitative ethnographic account of the nature of organisational culture and effectiveness in the context of a single organisation.

CHAPTER 3

ORGANISATIONAL CULTURE AND EFFECTIVENESS

3.1 INTRODUCTION

This chapter discusses and analyses the studies examining the relationship between organisational culture and effectiveness. This is followed by an evaluation of the gaps in the existing theory leading to the presentation of the objectives of the study.

Although the research exploring the relationship between organisational culture and effectiveness has a long history in the field of organisational studies (dating back to the Hawthorne studies conducted in the 1930s), there was not much focus on this area of research until the 1960s and 1970s (Wilderom *et al.* 2000). It can be observed from chapter one that although scholars approached the study of organisational culture from different philosophical standpoints in the 1960s and 1970s, few examined the linkages between organisational culture and effectiveness. However, the relationship between organisational culture and effectiveness was briefly examined in some of the studies during this period. For example, Pfiffner and Sherwood (1960) mentioned the linkages between organisational culture and effectiveness, although they did not explore this aspect in detail. It was Silverzweig and Allen (1976), who first studied the effect of corporate culture on performance. In their research, which consisted of eight case studies, they argue that culture has an impact on the performance of an organisation.

The success of Japanese firms, which received much acclaim during the 1970s kindled an interest in culture and its impact on effectiveness and the end of the seventies saw a keen interest in this area of research by academics. Lim (1995) observes that the 1980s and 1990s witnessed a significant increase in such studies. It can also be observed that organisational culture and effectiveness has come to be accorded great significance in present day organisations, which operate in turbulent market conditions marked by intense competition, partly resulting from the globalisation and liberalisation of national economies (Denison 1990). Denison (1990) also argues that effectiveness is the most important characteristic

business organisations are striving to achieve. He further asserts that global competition, declining productivity, and mergers have led organisations to focus on the cultures of organisations and their impact on organisational effectiveness. It is argued that technology makes possible the replication of the standards of excellence in products and services leaving the human factor as the only 'inimitable' element to give organisations the sustaining cutting edge (Barney 1986). Harris *et al.* (2003) highlight the crucial significance of culture in performance and they even go as far as to argue that pilots from individualistic cultures tend to have a lower accident-rate since they take less time to respond to emergencies than those from collectivist cultures.

3.2 ORGANISATIONAL CULTURE-EFFECTIVENESS LINKAGE

There have been a large number of studies exploring the linkages between organisational culture and effectiveness. It may be noted, in the first place, that many of these studies have organisational performance as the outcome variable and this can be observed in the ensuing analysis of literature. Siehl and Martin (1990) argue that such studies can be broadly divided into three categories as described below:

1) linking culture and effectiveness directly, positing that culture would lead to effectiveness,

2) linking particular aspects of culture and effectiveness directly, with the direction of causality reversed ;

3) assuming that organisational effectiveness is the outcome of aligning culture with the business strategy.

This classification is used in the literature review presented here due to its relevance in the context of this work and the same order is followed, while describing the studies. It should also be noted that the studies which fall in the second and third categories are extremely limited in number. It is the objective of this work to explore the ways organisational culture influences effectiveness and hence the first category is treated in extensive detail and the studies, which fall within the second and third categories, are mentioned only briefly.

3.2.1 THE DIRECT CULTURE-EFFECTIVENESS LINKAGE

Siehl and Martin (1990) argue that the studies in this category adopt the integration paradigm and posit that 'strong cultures' of 'appropriate type' would lead to profitability. They also argue that the 'appropriate type' is conceived differently in different studies. However, strong culture is conceived as having high degree of authenticity (congruence of espoused values and actual behaviour) and a semblance of harmony (all employees across the different levels of hierarchy sharing similar views which were espoused by the management). Cultures characterised by the absence of consistency and consensus are termed 'weak cultures'.

Silverzweig and Allen (1976), in their research, consisting of eight case studies, found that culture played a crucial role in the performance of an organisation. In this work, they studied organisations which suffered financial losses, and found that six of the eight organisations reported better financial performance after changes were introduced in their culture. They also found that the improved performance was of a sustaining nature. It can, however, be noted that this study focused on the impact of culture change on performance rather than the way the relationship between culture and effectiveness evolves and develops. However, the study made a major contribution to this field in that it highlighted for the first time the influence that culture wields on effectiveness.

In an in-depth comparative study of two electronic companies, Ouchi and Johnson (1978) demonstrate that the companies having humanistic values such as concern for the personal well-being of the employees, consensus decision-making, and long-term employment show superior financial performance than those in which these values are not shared among its members. The companies were carefully identified with the help of a panel of expert judges to provide for the required differentiation. They used interviews and observation in their study. Profitability and sales were used as indicators of financial performance. However, the study analysed only managerial perceptions (only executives at the vice-president level onwards were interviewed), while studying culture and only two organisations were covered. It can be observed that the managerial perceptions of culture were generalised to the whole organisation and in view of the discussion on organisational culture mentioned in chapter one, such generalisation are questionable. Secondly, the study examined only financial

performance and as demonstrated from the discussion in chapter two financial performance is only one of the several aspects of effectiveness.

Similarly, it has been argued that the "strong cultural" emphasis on certain humanistic values, such as the concern for the well-being of employees and consensual decision making by some Japanese and American firms has led to financial success (Ouchi 1981; Pascale and Athos 1981). Pascale and Athos (1981), in their study of 34 Japanese and American organisations, argue that the higher productivity of Japanese organisations is attributable to their focus on human relations such as a strong emphasis on skills, style, staff, and super-ordinate goals. Siehl and Martin (1990) argue that these ideas had the undertones of the human relations movement but this has not been empirically proved.

Peters and Waterman (1982), in their famous study, analysed sixty-two financially successful firms drawn from the McKinsey client list. To understand organisational culture, they used open-ended and unstructured interviews with the top managers of these organisations. They made use of sophisticated measures of growth and returns to evaluate financial performance. For measuring growth, they used compound asset growth, compound equity growth, and average ratio of market value to book value, for the period from 1961 to 1980. For measures of return on capital and sale, they used average return on capital, average return on equity and average return on sales, for the period from 1961 to 1980. They arrived at eight cultural characteristics of effective organisations: bias for action; closeness to customer; autonomy and entrepreneurship; productivity through people; hands-on, value driven; stick to the knitting (engage in the business that one knows how to run effectively); simple form, lean staff; and simultaneous loose-tight properties (centralisation and decentralisation at the same time).

However, it can be observed that the study has been criticised on several grounds such as not including organisations with poor financial performance and for comparing organisations with different kinds of culture (for example, Caroll 1983). Caroll (1983) observes that some of the organisations faced financial difficulties barely a few years after the study was completed. A journalistic follow-up of the work of Peters and Waterman published in Business Week in 1984 highlighted the methodological shortcomings in their study. In 1984, fourteen of the sixty-four firms were not performing well financially or they had earnings that were

substantially reduced. To add to this, Raynolds (1986) conducted another study in some of the organisations included in the research of Peters and Waterman and found that the culture, as described by employees in an 'excellent' company, was not significantly different from that of two other organisations which were not performing well.

Another study by Hitt and Ireland (1987) found that the market returns of the excellent companies in this study were no better than the others. Similarly, the claims about some features of the culture, such as innovation and closeness to customers, were not significantly different in the high performing companies. This study is further criticised for its methodological shortcomings such as convenience sampling, equating the managerial perception of culture to that of the culture of the whole organisation and the exclusion of companies with poor performance levels. More importantly, the study related organisational culture to financial performance and as the discussion in the second chapter (of this thesis) shows financial performance is only a part of effectiveness. Deal and Kennedy (1982) argue that shared values contribute to higher performance since they succinctly communicate to employees what is expected of them. Furthermore, they argue that a strong culture would help an organisation to respond and adapt to its environment.

Denison (1984) explored culture-effectiveness linkage in a study of thirty-four firms. The sample was drawn from a set of twenty-five industries, which were the clients of the Institute for Social Research at the university of Michigan and took part in the 'survey of organisations', during the period between 1966 and 1981. Although they followed convenience sampling in the choice of organisations and divisions to be studied within the firms selected, the respondents were randomly selected. A standardised questionnaire on culture was used and 43,767 employees from the different levels of hierarchy were included in the study. Return on sales, return on investment and performance against competitors were the measures of financial performance. Denison (1984) found that, although the questionnaire yielded twenty-four indices of culture, only two of them – the decision-making practices index and the organisation of work index were significantly correlated with financial performance. The organisation of work index included the perceptions of people about the extent to which work is seen to be sensibly organised, decisions being made at appropriate levels, the extent to which work methods are adapted to changing conditions and the goals being perceived as clear and reasonable. The decision-making index included two items

reflecting the degree of involvement of the employees in decisions which affect them and their perception about information being shared across the levels of hierarchy in the organisation. Denison (1984) further argues that the involvement of people in the decisions that affect them and information sharing represent participative culture. Denison (1984) also found that the companies having widely-shared participative culture had superior returns on investment and sales.

It can be observed that Denison's study made use of secondary data and the data pertaining to culture was collected using a questionnaire that studied organisational climate, work design and job satisfaction. This is a major shortcoming in his study. Siehl and Martin (1990) argue that in spite of the promise of anonymity, such questions are likely to bring out espoused content themes rather than actual behaviour. They also point out that the language used in the questionnaire belonged to the researcher and not to the respondents and it is not clear as to whether the respondents would have come out with the 'categories of experience' mentioned in the questionnaire such as 'participative management or team work', had they been asked first. It should be noted from the discussion of the concepts of organisational culture and organisational climate in chapter one that these constructs are not entirely different and organisational climate denotes a part of organisational culture, albeit in less depth. For the same reason, the criticism of Siehl and Martin (1990) is not so much about the data on climate as it is on the depth of the study. However, they also recognise the strengths of the study. A large number of people randomly selected were covered in the study and performance was measured over a period of time. The study contributed to theory building through the attempts at quantification and the inclusion of a large sample and the comparison of cultures.

Gordon (1985) also examined the relationship between culture and performance in a quantitative study of fourteen utility companies, eighteen manufacturing firms, and thirty-one financial institutions. Culture was measured by obtaining top management perceptions on eleven values such as the clarity of company direction, innovation, top management communication, individual initiative, action orientation, and human resource development. The amount of profitability and growth in revenues for three consecutive years were the measures of performance. The companies were categorised as high performing and low performing based on the average industry profits. No significant difference was observed

between the high and low-performing companies for any of the eleven values except that high performing utility companies were perceived to be more open in dealing with conflict.

This study also is criticised on the issue of non-random sampling and generalising the top management perception of culture to the whole organisation. Further, the study assumes that there is an organisation-wide consensus on the various aspects of culture. This assumption is questioned in both conceptual and empirical studies. Siehl and Martin (1990) further argue that the study analysed only superficial content themes which could be unrelated to the behaviour of most cultural members. While there is merit in their argument, it would be imprudent to assume that the responses of the cultural members to the questionnaire is totally unrelated to their experiences and this is not indicative of any patterns regarding culture.

Wilderom et al. (2000) point out that because of a variety of problems which characterise the studies linking organisational culture and performance, such causal links were questioned by the end of the 1980s. Saffold (1988) criticises such attempts at the linkages between organisational culture and performance for their simplistic nature, given the conceptual and philosophical underpinnings of organisational culture. However, Saffold recognises the potential of culture to impact on corporate performance.

Calori and Sarnin (1991) conducted a study of five French firms with a single business belonging to mature industries and following a differentiation strategy. They found that some cultural attributes such as 'personal fulfilment', 'trust', and 'consistency' were positively related to a firm's relative growth performance. They used a questionnaire to measure the employees' perceptions of management practices and values. The questionnaire was constructed after an analysis of the standard questionnaires used by other researchers and an analysis of the cultural characteristics of diverse French companies to identify the words and short phrases which describe the values in working life. The words appearing frequently were presented to fifteen employees and managers drawn from diverse backgrounds in unstructured in-depth interviews. These interviews were then content analysed to identify the values and management practices which embody those values. A questionnaire was constructed based on the above and it consisted of 96 values and 96 management practices. This questionnaire was then administered to 260 persons falling within the different categories in the organisation such as managers, supervisors, qualified employees and different functional departments

(such as sales, production, research and development and administration), age, sex, headquarters and profit centres.

Factor analysis and cluster analysis were used to refine the questionnaire further. It was found that only a few of the values had associations with profitability. Openness to environment, participation in local activities, societal contribution and solidarity and flexibility were related to a firm's relative performance on return on investments and return on sales. The intensity and homogeneity of the company's culture was found to be positively correlated with relative growth. Calori and Sarnin (1991) also found that the strength of the culture and the long-term economic performance were related. According to this study, culture has a greater influence on growth than on profitability. It may be observed that in this study, an attempt was made to identify the values and elements of culture by first studying the organisations and their cultural environment. Thus, an attempt was made to take theory forward in terms of the rigorous treatment of methodology, although they were modest in their conclusions and suggested that their findings need to be explored further. However, the study used only quantitative methods for analysing culture. It might be observed further that the study related culture to financial performance and growth directly, as was done in the case of many studies mentioned earlier.

Kotter and Heskett (1992) examined 22 companies in their study designed to explore the impact of culture on long-term performance. They examined the perceptions of six senior officers in each organisation to collect the culture data, and used precise financial figures to gather the data on performance. Financial performance was measured using the following yardsticks: average yearly increase in net income, average yearly return on assets and average yearly increase in stock price. Culture strength was assessed using a questionnaire. The study came up with the following findings:

- corporate culture can have a significant positive impact on the long-term financial performance of an organisation;
- corporate culture would be a major determinant for the success or failure of firms in the decade to follow;
- in spite of having competent people, corporate cultures which inhibit strong long-term financial performance are not rare;
- it is possible to make corporate cultures 'more performance enhancing', although it is a

difficult task.

The study found a positive correlation between strong culture and financial performance; however, this was not posited to be significant.

It can be observed that the study used the perceptions of officers alone and it is questionable how the perceptions of six senior officers can be applied to the culture of the whole organisation. In another study, Collins and Porras (1994) found that the investment in the visionary companies yielded a much higher return on the money invested. The visionary companies had a strong, insular and exclusionary culture. However, this was a small study.

It might be observed here that the intensity and homogeneity of culture in Calori and Sarnin's (1991) study which was shown to be correlated with growth, is similar to consistency in Denison's study, which demonstrated a relationship to short-term profitability (Wilderom, *et al.* 2000). It can also be seen that the study of Gordon and DiTomaso (1992), Kotter, and Heskett (1992) concurred with this finding of the relationship between consistency and short-term financial performance. It is in this context that the Kotter and Heskett's finding of a relationship (although weak) between culture strength and long-term performance needs to be viewed. It appears that strong cultures facilitate short-term performance using sharp goal orientation; however, strong cultures bring down adaptability and long-term orientation.

Marcoulides and Heck (1993), using a structural equation model, attempted to explore whether some selected intraorganisational factors (organisational structure/purpose, task organisation, worker attitudes and goals, organisational climate and organisational values), which they called culture, impact on performance. These intraorganisational factors were very loosely labelled organisational culture (Wilderom *et al.* 2000). They found that all the factors in the model were related to organisational performance. The way organisational culture is conceived in this study itself, constitutes a serious drawback, although the model satisfies the niceties of statistical analysis.

Denison and Mishra (1995) in a study covering the top executives in 764 organisations examined the relationship between organisational culture and effectiveness using the combination of quantitative and qualitative methods. First, they conducted case studies of five organisations to identify the cultural 'traits' of the organisations and the nature of their

linkage to effectiveness. In the second phase, they conducted a quantitative study of CEO perceptions of the cultural traits and objective and subjective measures of effectiveness. They identified adaptability, mission, consistency, and involvement as the dimensions of culture in the qualitative phase of the study. In the second phase, they conducted a quantitative study, in which they measured these dimensions with the help of a questionnaire and related them to the different criteria of effectiveness including return on assets and return on investment, product development and sales growth, market share, quality, and employee satisfaction. Most of the correlations between organisational culture traits and organisational effectiveness measures were found to be significant. Further, the study found that the stability traits of mission and consistency predicted profitability; and the flexibility traits of involvement and adaptability predicted sales growth.

Although it covers a large sample of 764 organisations and 5 case studies, Denison and Mishra's study has been heavily criticised on several counts. For example, there were only two items in the questionnaire for measuring each of the four cultural traits. Denison and Mishra's (1995) study also has the failings of some of the earlier studies, for example, generalising the CEO perceptions of culture to cover the culture of the entire organisation. Indeed, it has been argued that CEO perception alone cannot be a fair representation of the culture of an organisation (Martin 2002). Furthermore, many studies on culture (for example, Hofstede 1998; Harris and Ogbonna 2001) highlighted prominent cultural differences within the same organisation. However, by their extensive study of a large number of organisations and the use of refined quantitative techniques, this study could be seen as a rigorous attempt at theory building. Another strength of this study was the adoption of the competing values framework, thus covering a wider range of perspectives on organisational culture.

Onken (1999, p. 231) examined the temporal elements of organisational culture in terms of polychronicity ("where members value organising activities by scheduling two or more events at one time") and speed values, and analysed their impact on organisational performance. While culture was studied with the help of a questionnaire, quantitative measures such as return on assets, return on equity, and return on sales were used as the indicators to assess organisational effectiveness. The study showed that polychronic culture and speed values were positively related, especially in the non-hyper-competitive industries rather than the hyper-competitive industries. (Hyper-competitive industry is one which operates in an

extremely turbulent environment and where cutting edge of product or service is extremely short-lived (see, D'Aveni 1994)). However, this quantitative study was limited by a small sample size, thus making generalisation difficult.

Saxena (2000), in a study of fifteen manufacturing organisations in India, examined the relationship between corporate culture and financial performance. Organisational culture was assessed on values, organisational beliefs, and business practices. Performance of the organisation was assessed in terms of the return on assets, margin of profit, return on owner's funds and debt equity ratio. The study showed a correlation between corporate culture and organisational performance. It was observed that in a well-performing organisation, people were both enabled and empowered. They also had an informal and open communication system. This study also showed that in well-performing organisations, rewards were based on merit and individual performance and the leaders were found to be more relationship-oriented and flexible in their styles. Again, only managerial perceptions of culture were studied and effectiveness was assessed only in terms of financial performance, as is the case of many of the other studies mentioned earlier.

Sorensen (2002) in a study of 18 industries explored the impact of strong cultures on the variability of firm performance. He made use of the data generated by Kotter and Heskett (1992). Sorensen (2002) argues that firms with strong cultures have difficulty in exploring new competencies and such organisations are at a disadvantage in a volatile environment, which place a premium on exploratory skills. However, firms with strong cultures excel in a relatively stable environment, by responding to investment opportunities and this might strengthen their competitive advantage. Firms with a strong culture thrive on incremental changes since they have a high degree of coordination and control, goal-alignment between the organisation and its members, and enhanced employee initiatives.

Sorensen (2002) argues that when the environment changes discontinuously, the ability of the firm to modify its 'routines' has a significant impact on performance. The environmental changes have an impact on the relationship between culture strength and performance since assumptions about the environment and the expected pattern of changes in the external environment are embodied in organisational 'routines'. When the changes are incremental, organisations enhance their performance by incremental adjustments to the routines. When

the environmental change is radical, it calls forth a discovery of alternate routines', technologies, and purposes and this exploration might require changes in organisational processes. Strong cultures could inhibit this process of exploration owing to a variety of reasons: they might have difficulty in recognising the need for change, they are good in 'first order learning', which could act against 'second order learning' and they are unlikely to benefit from any exploration which occurs. The same argument is implied in the observation of Martin and Siehl (1983) that countercultures might foster innovation. However, strong cultures might prevent the emergence of countercultures and in the process inhibit innovation.

Sorensen's study made use of the data generated by Kotter and Heskett (1992) and is characterised by the advantages and disadvantages of the data collected by Kotter and Heskett. Nevertheless, Sorensen (2002) took the theory forward by explaining how organisational culture influenced effectiveness as well as by describing the strengths and limitations of culture in explaining effectiveness in the context of a changing business environment.

Fey and Denison (2003) conducted another major study of the linkages between organisational culture and effectiveness covering 179 firms in Russia. In this study, they attempted to explore whether the culture-effectiveness model developed in the United States holds good in the context of Russia, a transition economy. They assessed both organisational culture and effectiveness quantitatively using a questionnaire. Building on their previous research, organisational culture was measured on four major dimensions each having three sub-dimensions – involvement (empowerment, team orientation and capability development), consistency (core values, agreement, and coordination and integration), adaptability (creating change, customer focus, and organisational learning), and mission (strategic direction and intent, goals and objectives, and vision). Effectiveness was measured on a seven-item Likert scale (Likert 1932) with single perceptual measures for overall performance, market share, sales growth, profitability, employee satisfaction, quality of products and services, and new product development. This was a single respondent study covering one senior manager (generally, director or deputy director) each from 179 organisations and the data was analysed using quantitative techniques. Thirty-one out of the thirty-two correlations between four organisational culture dimensions and eight effectiveness measures showed a significant correlation. The culture data was a strong predictor of market share, sales growth,

profitability, and effectiveness index. Adaptability and involvement predicted effectiveness index, overall performance, profitability, and product development; whereas involvement and mission predicted market share, sales growth, employee satisfaction, and quality. Further, in the regression analysis, it is shown that mission is the strongest predictor of sales growth, adaptability the strongest predictor of profitability and involvement the strongest predictor of employee satisfaction. They argue that in the case of a transition economy such as Russia which is characterised by a turbulent business environment, adaptability and flexibility are closely related to overall effectiveness, unlike the United States where mission is more significant for effectiveness.

In the second phase, Fey and Denison (2003) also conducted four case studies to 'ground' the theory in the context of Russia. Ten interviews were conducted in each organisation and the interviewees included two production employees, one production manager, one marketing employee, one marketing manager, the general manager, one financial or accounting employee, one engineer, and one engineering manager each in each organisation. They found that the assessment of culture and effectiveness were relatively consistent across the organisations.

However, it can be noticed that the study, as with the case of Denison and Mishra (1995), used the perception of a single senior manager to depict the firm's culture and effectiveness and this is a serious shortcoming as observed earlier. Although single respondent studies are not unprecedented in organisation studies, such a strategy invites serious questions when it is used to examine organisational culture (as described in chapter one), against the backdrop of the conceptual and empirical studies positing cultural differences across the organisation. The study also has the limitations of the Denison's studies mentioned earlier, for example, the purely quantitative treatment of culture. However, in spite of these drawbacks, in this study Denison refines his earlier theory by an attempt to explain the reasons for the factors influencing effectiveness in the context of Russia, as opposed to the United States. To this extent, it is arguable that this study has contributed to theory building.

Denison *et al.* (2004) in another set of two studies explored cross-cultural differences in the relationship between organisational culture and effectiveness. The questionnaire and the methodology used are similar to the ones adopted in Fey and Denison (2003). The first study

used the data collected by Denison in the previous research mentioned above in 230 organisations in Europe, North America and Asia. The data in the second study was collected from the retail sector and covered 218 organisations from Canada, Australia, Brazil, the United States, Japan, Jamaica, and South Africa. They found that the cultural differences between the organisations from the different regions were insignificant, except that the Asian countries had slightly higher scores on mission and slightly lower scores on consistency. However, the correlations between culture and effectiveness differed significantly between the countries. In the case of Australia, US, and Brazil all 12 cultural factors; in the case of South Africa all but organisational learning; in the case of Canada only strategic direction and intent and goals and objectives; and in the case of Jamaica none of the cultural factors were significantly related to overall performance criteria. It can be seen that there are vast differences in the aspects of culture, which have an impact on effectiveness. This is another study which is also characterised by the shortcomings of the studies of Denison.

Chan *et al.* (2004) in a quantitative study of eighty-two companies drawn from multiple industries in the context of Hong Kong examined whether organisational culture was positively related to firm performance and whether organisational culture would moderate the impact of high performance HR practices on firm performance. This study employed the existing scales of Denison and Mishra (1995) for organisational culture and Delaney and Huselid (1996) for firm performance. Like many previous studies, the findings of this study were not conclusive. The regression analysis in this study showed that none of the dimensions of culture was a predictor of firm performance although as a block they were related to firm performance. The correlation analysis was inconsistent with the regression analysis and showed different results. Involvement, policy consistency, adaptability, and mission were positively correlated with organisational performance. Furthermore, adaptability and mission were also positively correlated with market performance. They also found that their hypothesis of the moderating role of organisational culture in the relationship between high performance HR practices and organisational and market performance was not supported (except in the case of two factors - motivation and communication). Although this was one of the few studies of culture–effectiveness in the context of a developing country, the findings of the study were conflicting, as discussed above. Furthermore, the study is constrained by the adoption of a functional approach and the use of purely quantitative methods.

A detailed analysis of the above studies and the existing gaps in the literature is presented after a brief mention of the studies exploring how effectiveness influences culture and the contingency theory of culture and effectiveness. However, it can be seen that in spite of the innumerable studies carried out in the area, empirical support for the linkage between organisational culture and effectiveness appears to be limited. The studies are criticised for the inadequate treatment of both the constructs - organisational culture and effectiveness, as mentioned earlier and for methodological shortcomings such as non-random sampling and poor depiction of culture whether it be due to the methods adopted or the size or selection of the sample.

3.2.2 THE DIRECT EFFECTIVENESS CULTURE LINKAGE

In this approach, the impact of effectiveness on culture is analysed. There is only one study which directly explored how effectiveness influences organisational culture. Martin *et al.* (1988) studied 100 randomly selected organisations from the 1980 Fortune 500 companies and explored the linkage. As indicators of financial performance, they used return on assets, return on equity, return on sales and earnings per share. Eight distinct dimensions of culture were identified by observing and analysing (content analysis) the photographs and texts of the annual financial statements of these organisations. The dimensions are: pride in products, quality and innovation, social responsibility, customer service, emphasis on the importance of the firm's bottom-line, emphasis on the state of the national economy, and a mix of teamwork and humanitarian concerns. The study showed little support for the linkage except that the firms with higher performance levels were also significantly higher on social responsibility. Interestingly the firms that were high on social responsibility were the ones that were criticised for their lack of concern for social responsibility in the previous years. This study was also criticised for taking into account only managerial perceptions designed for public relation purposes, as reflected in their annual financial statements for understanding organisational culture. However, the study covered a large sample and used comparable quantitative measures for culture. In addition, the dimensions of culture were not the choice of the researcher but were identified from the experiences of the 'culture members' (Siehl and Martin 1990).

The study also shows that the higher the financial performance of any organisation, the greater the opportunity to espouse humanitarian values and offer a socially acceptable explanation for the profit levels of the organisation. Siehl and Martin (1990) argue that greater financial performance enables an organisation to enact humanitarian values although this has not been empirically examined. Moreover, a limitation of the above study is that internally enacted aspects of culture may be different from the ones pronounced by the management in financial statements intended for the external stakeholders. Schein's (1985) contention that visible manifestations are not the 'real culture' of an organisation is perhaps instructive in this respect.

3.2.3 CONTINGENCY STUDIES OF DIRECT CULTURE-EFFECTIVENESS LINK

Siehl and Martin (1990) observe that this category is a variation of the contingency argument. It is evident that the studies in this tradition are also few in number. Siehl and Martin (1990) argue that the studies in this vein are cases of single organisations and no in-depth ethnographic studies have been conducted in this area. Jacques (1952) maintains that if the culture is not congruent with organisational structure or environment, it would be a serious barrier to productivity. In a few case studies of small organisations by Schwartz and Davis (1981), Trichy (1982), Phillips and Kennedy (1980), and Bourgeois and Jemission (1982); it has been suggested that the congruence of business strategy with that of culture would lead to better performance. They hold that the clash between culture and strategy can result in confusion, a conflict of interests and resistance to change and this might adversely affect financial performance.

Another conceptual model was proposed by Wilkins and Ouchi (1983). In their view a 'strong culture' would lead to greater financial performance, if the business is operating in an environment characterised by high 'ambiguity, complexity, and interdependence of transactions'. However, if the business environment is characterised by low complexity and uncertainty, a strong culture would result in lower performance. This is a strand of the contingency theory, which has not been empirically examined.

The study of Martin *et al.* (1988) described under effectiveness-culture linkage is a variant of the studies in this vein. They identified two strategies – degree of diversification and the level of riskiness of financial policies and explored their relationship with performance. These two

strategies were chosen due to their conceptual association with performance. For example, it has been argued that these two strategies have been shown to be related to organisational survival (for example, Hannan and Freeman 1977). There could be two reasons for associating financial riskiness and diversification with culture themes. Martin *et al.* (1988) argue that in a diversified company, where the different interests groups compete for resources, certain values could be espoused by the management to present a semblance of cohesiveness in the absence of a set of shared values and a set of shared interests, which could at best be techniques for impression management. The emphasis on values could also be an attempt at impression management by a company which is following a financially risky policy, to convey a sense of security, which is not normally characteristic of such organisations. Alternatively, when the financial strategy is less risky, the employee turnover might be less and employees are likely to have more concern for fellow employees. Leavitt (1978) and McGregor (1960) maintain that lower levels of risk and enhanced specialisation are likely to lead to a homogeneity of interests and employee stability, which in turn, are closely associated with humanitarian values. Leavitt (1978) found that the degree of diversification was not related to the content themes of culture, but the extent of the risk associated with financial policy was shown to be related to humanitarian content themes, possibly as an impression management technique. However, the study found no evidence for the argument that organisations having a culture strategy fit would perform better. A critical drawback of this study is that it examined only two aspects of strategies and the inconclusive result of the study could be as much due to this limited conception of strategy as it is due to the absence of the links between them.

Barney (1986) has argued that, to ensure superior financial performance an organisational culture should be: valuable, (meaning that it enables positive economic consequences), rare, and imperfectly imitable. This proposition, however, was a conceptual model rather than an empirical analysis. Quinn and McGrath (1985) argue that the congruence of culture with the business environment is a requirement for many business level outcomes including financial performance. In their view, if the business environment is characterised by high intensity or low uncertainty, a rational culture with clearly laid down objectives would result in better financial performance. This conceptual model, like the earlier propositions, needs to be empirically examined.

Siehl and Martin (1990) argue that some of the studies in culture such as Trichy (1983) and Porter (1980) (indirectly) posit that organisational culture has the effect of adversely affecting financial performance and organisational effectiveness. This is because some aspects of organisational life might prevent organisational members from sensing the business potential and acting on the available opportunities critical for success in a business environment characterised by turbulence and uncertainties.

The study of Sorensen (2002), mentioned in the direct culture-effectiveness category, also has a contingent element. He argues that firms with strong cultures are more likely to in a volatile environment, although they would excel in a relatively stable environment. This is because they can respond faster in a stable environment due to the strong patterns of established norms. Firms with a strong culture would prefer incremental changes because of the prevalence of a high degree of coordination and control and goal alignment. Sorensen (2002) also asserts that when the environment changes are discontinuous, their inability to modify routines is likely to affect their performance adversely. This is due to the fact that they are fairly structured in their assumptions about the environment and its likely changes. When the changes are incremental, they find it easy to adjust their routines and enhance their performance incrementally. When there is a radical change in the environment, it entails necessary changes in organisational processes. Strong cultures might come in the way of such exploration and they even have difficulty in recognising the need for change in the first place.

As observed earlier, the research in this area, with a limited number of studies, has been conceptual rather than empirical.

3.3 THE THEORETICAL GAPS IN EXTANT CULTURE-EFFECTIVENESS STUDIES

The review of the existing culture–effectiveness studies in this chapter suggests some gaps in the conceptualisation of organisational culture. The literature review suggests that most studies largely employed quantitative techniques for evaluating organisational culture. However, given that organisational culture includes the values, assumptions, and beliefs of organisational members (Schein 1985), such quantitative evaluations are inadequate in capturing organisational life in its entirety (Martin 2002). Furthermore, organisational culture

includes not only the areas of harmony and consistency but conflicts, inconsistencies, ironies, contradictions, and ambiguities (see Martin 1992 and 2002) and such aspects generally are not amenable to quantification. This is captured in the argument of Siehl and Martin (1990) that the extant studies linking organisational culture and effectiveness focused on superficial content themes (studied through questionnaires) rather than the full range of cultural manifestations and most of them adopted the integration paradigm (wherein cultural manifestations are perceived to be uniformly shared in the organisation). They emphasise the need to analyse culture in terms of the 'internally enacted aspects of culture rather than externally espoused themes' and argue that "perhaps a link to financial performance will be found when deeper levels of cultural phenomena, such as assumptions are studied" (Siehl and Martin 1990 p.262).

Another critical drawback of the studies related to the above has been the focus on managerial and especially top management views of organisational life (for example, Fey and Denison 2003; Kotter and Heskett 1992). Given the evidences uncovered in the extant culture studies which delineate the incongruence between espoused content themes (mostly advanced by top management) and actual practices as well as the differences in cultural values across the organisation (see Harris and Ogbonna 1999; Martin 1992, 2002), the generalisation of the top management perceptions to the entire organisation is clearly flawed. In fact it was these critical drawbacks which prompted Wilderom *et al.* (2000 p. 201) to make the sharply sarcastic criticism about the studies which attempted to link organisational culture and effectiveness: "some critics may even argue that in the ten studies reviewed, "culture" has not been measured at all".

On a closer scrutiny, it can be seen that the fundamental criticism of the conceptualisation of culture in the existing studies has been linked to their overemphasis on positivistic or functionalistic overtones. The logic of this argument is that since organisational life includes the values, beliefs, and assumptions of people and encompasses consistencies, inconsistencies, ambiguities, ironies, and contradictions at the same time, the functionalist approach is capable of portraying only part of the culture phenomenon, and by adopting a purely functionalist approach, many existing studies fail to depict a comprehensive picture of organisational life (see Martin 1992, 2002). This study addresses the above issues by adopting qualitative ethnographic methods and by attempting to capture a 'native view' of

organisational life so that such perspectives can be explored and analysed for their impact on the various aspects of organisational effectiveness. Specifically, the study adopts the three perspective framework wherein organisational culture is examined simultaneously from all the three perspectives so that the complexity and variety of organisational life can be captured in detail and the multiple effects of these explored.

The review of culture-effectiveness studies also suggests that the conceptualisation of effectiveness is highly inadequate and incomplete. It can be observed that of the five theoretical approaches for the study of organisational effectiveness (the different theoretical approaches are explained in chapter two in detail); in general, only the goal model of effectiveness has been adopted in the extant studies, to the neglect of system perspective, multiple constituency approach, the evolutionary approach and the competing values framework. This has resulted in studies equating effectiveness with financial performance in most cases. It can be concluded from the discussion in chapter two that financial performance is only a part of organisational effectiveness, which encompasses in addition to financial performance, the process of attaining effectiveness (system perspective), innovation (evolutionary perspective), the satisfaction of the different stakeholders (multiple constituency perspective), the balance between means and ends; and flexibility and control (competing values framework), which are also critical aspects of the effectiveness construct. This argument is succinctly captured in the claim of Siehl and Martin (1990) that performance is inappropriately conceptualised in the culture-effectiveness studies.

Furthermore, the analysis of the existing studies suggests that generally they adopted an integrated perspective of effectiveness thereby ignoring the differentiated and fragmented nature of effectiveness (see Martin 2002; Martin *et al.* 2006). Given that the extant literature documents the inconsistencies in the effectiveness measurements with different stakeholders holding conflicting perceptions of effectiveness (differentiated perspective) and the problematic and contested nature (fragmented perspective) of effectiveness (Martin 1992), the adoption of the integrated view of effectiveness in the existing culture effectiveness studies is clearly inadequate.

This study is informed by the limitations highlighted above and addresses the issues by simultaneously examining effectiveness from integrated, differentiated, and fragmented

perspectives in the context of a single organisation. Furthermore, by adopting a qualitative ethnographic approach, the study explores the various aspects of effectiveness from the different theoretical approaches to effectiveness. This is intended to address the multidimensionality of the effectiveness construct and its comprehensive understanding.

Another critical drawback of the culture-effectiveness studies is related to the nature of the culture-effectiveness linkages presented in the extant studies. It can be observed from the review of literature in the earlier part of this chapter that culture-effectiveness models present a direct linkage between organisational culture and effectiveness and this has been heavily criticised by leading researchers. For example, Siehl and Martin (1990, p.270) point out that: "it is possible that culture has a direct impact only on non-financial aspects of performance such as morale, commitment, mental and physical health, and job satisfaction. Culture might impact financial performance indirectly, through such variables as productivity, quality control, turnover, or absenteeism." The logic of this argument is that since financial profitability is largely externally determined (for example by the level of competition), organisational culture cannot be said to be conceptually related to financial performance. However, organisational culture is (arguably) conceptually related to a range of behavioural outcomes and contextual measures (of effectiveness such as productivity) which, in turn, has the potential to influence financial measures.

The above argument finds strong support from the studies in related areas. For example, in studies exploring Human Resource Management and organisational performance or effectiveness, it is argued that "----- meaningful measures in this case could be cycle time, customer satisfaction, productivity, scarp rates and so forth which are conceptually related to firm performance" (Becker and Gerhart 1996, p. 792). This argument is convincingly captured in the work of Guest (2001) who proposed a model for the relationship between Human Resource Management and performance through productivity, reduced costs and commitment. Guest (2001) argues that HR practices result in employee satisfaction and commitment and employee satisfaction and commitment would, in turn, enhance productivity and quality and bring down labour costs, thereby leading to financial performance and an increase in sales.

It is clear from the analysis of the literature that although leading researchers have suggested that the linkages between organisational culture and conceptually related aspects of effectiveness should be studied, this proposition has not been comprehensively examined in the extant studies. The relevance of such an examination is quite clear from the HRM-effectiveness literature briefly mentioned above. An important consequence of the neglect of this view is that the extant literature throws little insight into the processes through which culture-effectiveness linkages might possibly evolve and develop. The literature examining the linkages between Human Resource Management and effectiveness uncovered the significance of studying the processes through which effectiveness is evolved and enhanced. Becker and Gerhart (1996) observe that many studies linking Human Resource Management and financial performance used the firm as the exclusive unit of analysis but provided virtually little insight into the process by which this value is created and they make a persuasive case for the adoption of qualitative exploration in this regard arguing that "case studies of single firms and multi-facility studies within a single industry group or company will provide a clearer picture of the mechanism by which HR systems create value" (Becker and Gerhart 1996 p.782). Becker and Gerhart (1996) called this the 'black box' (between human resource management and performance). Based on the above discussion, it can be seen that the quantitative nature of the extant studies has led to the neglect of the 'black box' of culture-effectiveness linkage.

On a more fundamental analysis, it is evident that the above shortcoming is the result of adopting singular perspectives (generally integration perspective) in exploring organisational culture and effectiveness with the result that the extant studies related some aspects of organisational life to certain general effectiveness criteria such as profitability, growth, and innovation. Consequently, they failed to capture the multidimensionality of these constructs and the simultaneous interplay of the inconsistent, complex, problematic, and transient aspects of organisational culture and organisational effectiveness. Even while following the integration paradigm, the studies adopted the goal approach and neglected other equally relevant approaches such as the systems perspective, the multiple constituency approach, the competing values framework, and evolutionary perspective. In this regard, it is pertinent to observe that the adoption of the alternate approaches is likely to throw light into this relationship. For example, the systems perspective emphasises the process of attaining effectiveness and the evolutionary perspective highlights the developmental stages through

which an organisation overcomes obstacles to growth. The multiple constituency perspective dwells on the levels of satisfaction of the stakeholders and the competing values framework describes the conflicts between maintaining control and flexibility; and consistency and innovation. Together, they are likely to help explain the different but pertinent aspects of effectiveness largely ignored in the existing studies. Similarly, the impact of the differentiated and fragmented nature of culture on effectiveness has not been comprehensively examined in the extant studies. Similarly, the integrated, differentiated, and fragmented nature of effectiveness has not been examined simultaneously in extant studies.

This work addresses the above issues by undertaking an empirically grounded ethnographic study of one organisation. Specifically, the study adopts a three perspective framework for exploring organisational culture and effectiveness and in order to capture the cultural processes and their interplay with various facets of effectiveness, thereby facilitating an understanding into this complex relationship.

The review of the extant literature also suggests that most of the studies linking culture and effectiveness have been conducted in the developed world, especially the United States and Europe. In an integrated global market, organisations are increasingly becoming boundary-less. The call-centre phenomenon and business process outsourcing are cases in point. Against this backdrop, it is significant to examine empirically the validity and applicability of the existing culture-effectiveness models in the developing world. This has become all the more important since there are major differences between the developed and developing countries in terms of their national cultures. For example, Hofstede (1984, 1991) found prominent national cultural differences and the findings with respect to India and the United States on the four dimensions of national culture: (power distance: India 10/11, United States 38; uncertainty avoidance: India 45, United States 43; individualism India 21, United States 1; masculinity: India 20/21, United States 15). It is evident that the differences are sharp on individualism and masculinity between the two countries. Hofstede (1984) further found that differences in national cultures had a bearing on cultural differences within multinational corporations. Denison (1995, p.221) succinctly observed, "societies, industries, occupations, regulatory environments and history to name a few, generate cultural contexts that influence organisations and their effectiveness. Further progress towards a general theory of organisational culture and effectiveness will clearly require these factors, as well, be

incorporated". Denison (1996) also noted that the link between concepts and behaviour could vary greatly between countries. This observation found support with Fey and Denison (2003), in their attempt to apply the model of culture developed in the United States to the Russian context. For instance, in Russia, flexibility traits of adaptability and involvement are associated with effectiveness, whereas in the United States, stability traits of mission and consistency are more significantly related to effectiveness.

Furthermore, Calori and Sarnin (1991) in a study of French firms found that organisational culture had a greater influence on growth than on profitability. They also found evidence in support of the relationship between culture on the one side and economic attributes such as return on investment and relative return on sales on the other side. However, unlike the United States and Russia, the cultural factors, which proved to be related to economic attributes in the French context, are openness, solidarity, participation in local activity, societal contribution, and flexibility. It follows from the studies quoted above that culture-effectiveness models vary across national frontiers and it is clear that in this study, the rationale for extending it to the developing world is as much conceptual as it is practical. There are also vast differences in the regulatory environments between the (capitalist) developed counties such as the United States, and developing countries such as India, which follow a mixed economy model.

Furthermore, it can be seen from a perusal of the leading journals that no major study exploring the relationship between organisational culture and effectiveness has been conducted in the software sector. It might be particularly significant to study the software sector since this sector employs mainly 'knowledge workers'. This study explores this relationship in the context of a knowledge-intensive organisation and attempts to uncover whether differentiation and fragmentation of culture exist in this context through an in-depth ethnographic study.

Overall, a review of existing studies finds that the criticisms stem from the fact that culture-effectiveness linkages are treated inadequately in that researchers approach this largely from a positivistic or functionalist paradigm with most of them exploring causality in varied forms. This has been at the expense of more comprehensive theory building which would have been aided by incorporating multiple perspectives of culture and effectiveness. Through an

intensive case study and by adopting the three perspective framework, this study attempts to address this fundamental concern and other limitations.

CHAPTER 4

RESEARCH DESIGN AND METHODS

4.1 RESEARCH DESIGN: INTRODUCTION

The limitations of the existing culture-effectiveness studies (described in detail in the previous chapter) serve as the foundation for the research objectives and the research design that would be adopted in this study. The introductory part of this chapter presents a brief overview of the key limitations of the existing studies and the design of this study is informed and illuminated by such limitations. As highlighted in the previous chapter, most of the existing culture-effectiveness studies adopted a functionalist approach and used quantitative methods (see Kotter and Heskett 1992; Onken 1999; Denison and Mishra 1995; Fey and Denison 2003; Calori and Sarnin 1991). The consequence of such an approach has been that the multidimensionality of the complex constructs of organisational culture and organisational effectiveness has not been captured in such studies. For example, the existing studies have largely overemphasised the goal approach (financial performance) to the neglect of other equally relevant approaches to effectiveness, especially the non-financial aspects such as productivity and commitment (see Calori and Sarnin 1991; Gordon and DiTomaso 1992). Similarly, many studies adopted an integration view of culture, ignored alternative perspectives and generalised managerial perceptions (single respondent in many studies) of culture to the whole organisation (see Fey and Denison 2003; Denison and Mishra 1995). Given the conceptualisation of culture as multifaceted (see Martin 2002), it can be argued that these studies have serious methodological problems in the way organisational culture is conceived and analysed.

It can be seen that the studies in a similar stream such as the research linking Human Resource Management and effectiveness, have adopted a variety of approaches in analysing organisational effectiveness (for example, multiple constituency approach or developmental approach) with the result that they offer a wider range of insights into the processes through which such linkages evolve and develop (see Guest 2001). Overall, although existing studies show that organisational culture and effectiveness are related, not much insight is offered about the process through which such linkages have evolved, developed, and sustained.

Although previous research found significant differences on aspects of national culture (see Hofstede 1984) between countries, only limited studies exploring the relationship between organisational culture and effectiveness have been conducted in the context of developing countries such as India which is one of the fastest growing economies in the world.

4.2 RESEARCH OBJECTIVES

This research is designed to fill the identified gaps in the existing culture-effectiveness theory (highlighted in chapter three) through a comprehensive examination of organisational culture, organisational effectiveness, and culture-effectiveness. The setting of the research is the software sector, a context where organisational culture is conceived to be vital and significant (see Alvesson 2004). The key contention of this study is that existing conceptualisations have failed to present a comprehensive picture of the processes through which the dynamics of culture effectiveness-relationship, if any, evolve, develop and sustain. This is partially because the managerialist studies which dominate this area of research fail to capture certain contentious aspects of culture and effectiveness. Similarly, the dominant research approach in culture-effectiveness studies has tended to illuminate only certain aspects of the relationship while ignoring potentially challenging and critical aspects. Consequently, the key research imperative in this study is to uncover the dynamics and complexities of the links between organisational culture and effectiveness in a sector that is seemingly characterised by an efficient high performance culture. In this regard, this study has four key objectives:

1.   To explore, document, and analyse organisational life in-depth in a manner that captures aspects of harmony, inconsistency, ambiguity, contradiction and irony contemporaneously in the context of a software organisation in India;

2   To examine organisational effectiveness comprehensively in a way that captures consistencies, conflicts and ambiguities within the context of a single organisation;

3.   To explore and analyse the links between organisational culture and effectiveness in-depth and to uncover the dynamics, nature and extent of their relationship; and

4.   To explore Siehl and Martin's (1990) argument that organisational culture might influence financial performance indirectly through non-financial aspects of effectiveness.

4.3 SIGNIFICANCE OF RESEARCH

This research is significant for a variety of reasons. Although many leading researchers have advocated the need for an in-depth qualitative analysis of the culture-effectiveness relationship (for example, Siehl and Martin 1990), few scholars have taken this suggestion forward. This is particularly relevant in the context of the indeterminacy in the existing culture-effectiveness studies which have generally reached inconclusive findings on culture-effectiveness relationship (see Wilderom *et al.* 2000). Such inconclusiveness is often the result of the adoption of a purely functionalist approach adopted in the existing studies. Through the presentation of an empirically driven ethnographic account of culture-effectiveness relationship from multiple perspectives, this research responds to the growing need for additional insights into this important area of organisational analysis.

This study responds to the call for the adoption of multiple perspectives and frameworks in analysing the culture of a single organization (Morgan and Ogbonna 2008; Alvesson 2002; Martin 1992, 2002; Harris and Ogbonna 1998). Although it has been argued that the adoption of the three perspective framework in analysing organisational culture is likely to provide rich insights into organisational life, few scholars have adopted multiple lenses in studying organisational life. The adoption of the three perspective framework in this study presents useful insights into the integrated, differentiated, and fragmented nature of organisational life. Furthermore, multi-perspective studies of organisational culture have been lacking in the knowledge-intensive context and the selection of a software organisation as the setting of this study makes it interesting.

The existing studies adopted restricted approaches to examining organisational effectiveness, and the use of a wider range of approaches in this study is likely to identify a number of aspects of effectiveness and this facilitates a more comprehensive analysis of the relationship between organisational culture and effectiveness. Furthermore, the contemporaneous exploration of the integrated, differentiated, and fragmented nature of effectiveness for the first time adds another interesting dimension to this qualitative study.

The exploration of Siehl and Martin's (1990) argument that non-financial aspects of effectiveness mediate the relationship between culture and financial performance is

significant in that this is the first study which examines this proposition empirically. Indeed, it is worth noting that even the quantitative studies in this area have not analysed this important theorisation.

Furthermore, the software sector in India has been chosen as the empirical setting for this study and this adds to the significance of this study. The software sector in India is important and is increasingly growing in its national and international significance. Indeed, the importance of this sector to world business operations in recent years has been such that several leading multinational corporations now see India as a major base for outsourcing, to the extent that India has been referred to as the 'electronic housekeeper' of the world (see Budhwar et al. 2006[a]). The volume of business and the growth recorded by the IT sector in India has been phenomenal in the past decade. The revenues of the Indian IT sector have grown from $4.8 billion in 1997-98 to $ 48 billion in 2006-07 (Strategic Review 2007). In addition, the sector employs a large number of people (1.63 million in 2006-07, Strategic Review 2007) and contributes about 5.4 % to the GDP in India. The IT sector in India is expected to grow at 27 % in 2007-08 (fiscal year) (see Strategic Review 2007). The IT services and software segment accounted for the major part of the revenues in the IT industry in India in sharp contrast to the case of China (another huge beneficiary of the outsourcing boom), where the major part of the IT revenues come from the hardware segment (see Strategic Review 2007). This study partly addresses the call by researchers (see Budhwar and Sparrow 2002; Budhwar et al. 2006[b]) for more data driven evaluation of human resource issues in the Indian context.

Furthermore, the choice of the software sector as the setting for this study is significant in view of the relative neglect of the Information and Communication Technology (ICT) industry in general and software segment in particular in research settings of culture-effectiveness studies. The skills of the employees are considered critical in software organisations and the high dependence on people makes it necessary for these organisations to invest significant time and energy in planning the work environment (Alvesson 2004). It can be observed from a perusal of leading journals that organisational culture and its impact on effectiveness remained almost unexplored in the knowledge-intensive firms in general and the software sector in particular, and this is despite the importance of people to the success of such businesses. Indeed, an analysis of the financial statement of IT organisations (in India)

demonstrates that nearly 50 percent of the revenues is spent on pay and remuneration to the employees, whereas establishment expenses are not more than 10-15 per cent of the revenues. Indeed, the focus on people and the work environment is so high that most of the organisations conduct employee satisfaction surveys, and often organisations make interventions based on this. Overall, it is interesting to study culture and effectiveness in the context of these organisations which rely on the skills and competencies of people as the key sources for generating competitive advantage (Newell *et al*. 2002 and Alvesson 2004).

4.4 RESEARCH METHODS

A review of the academic literature reveals that there are broadly two traditions of academic enquiry: qualitative and quantitative methods and these are briefly discussed in relation to culture studies in chapter one. Qualitative methods may include ethnographic studies, participant observation, discourse analysis and the analysis of aspects such as artefacts. Quantitative research involves surveys, study of available data, content analysis and requires sophisticated statistical analysis of data. Qualitative research is sometimes referred to as a 'soft' approach as against the description of quantitative approach as 'hard' and objective. It is not the objective of this chapter to discuss the merits of both in extensive detail, which have been long debated in the literature (for example see Martin 2002; Smircich 1983; Burrell and Morgan 1979). However, some of the critical aspects of this debate are highlighted here since this is essential in the discussion of the choice of methodology.

The quantitative tradition adopts an objective approach, stresses more on breadth rather than depth and is aimed at generalisation (Martin 2002). Applied to culture, this is akin to the 'etic' perspective (where the researcher studies organisational life from an outsider's lenses). The qualitative approach, on the other hand lay stress on depth rather than breadth and is not aimed at generalisation. Reichardt and Cook (1979) argue that the qualitative tradition is both process and explorative-oriented, focuses on understandings, is holistic in its approach, and follows a rational and interpretive approach. Qualitative studies are often found to be descriptive in contrast to the rigorous approach which is often associated with quantitative studies. It can also be seen that the roots of this arguments can be traced back to the objective versus subjective debate (Burrel and Morgan 1979) represented by positivism and anti positivism. The struggle between subjective and objective choices are due to the ontological

and epistemological differences and have a basis in the fundamental ideas about the nature of organisations (Martin 2002; Burrel and Morgan 1979).

A very interesting point which is often overlooked, is that both qualitative and quantitative traditions contribute to each other. The crucial aspect of this interdependency is that devoid of the descriptiveness associated with qualitative research tradition, research in the quantitative stream is rendered extremely difficult, if not impossible. Mintzberg (1979) puts it very bluntly when he points out that without the 'creative leap' made by qualitative research, the quantitative researchers would be left with no theory to test. Mintzberg (1979: p.587) goes on to add: "we uncover all kinds of relationship in our hard data, but it is only through the use of this soft data that we are able to explain them".

The most significant and crucial issue, however, is that organisational culture, like many social phenomena, is not easily amenable to quantitative rigours. The extensive discussion in the first chapter of the culture construct elucidates this point. It is argued in the first chapter that culture encompasses the values, beliefs, and assumptions of people and these are located at the level of the unconscious so much so that many such assumptions are powerful enough to drive behaviour frequently without people being aware of them (Schein 1985). Many such assumptions are taken-for-granted and the power of a survey instrument to capture this is at best, extremely suspect, if not impossible (Martin 2002). Another example could be the study of fragmentation of values, which reflects the ambiguities, the contradictions and ironies, which may not lend itself to be analysed in the quantitative tradition. This emotional and subjective worldview is best captured through qualitative analysis. It may be because of this that Scholz (1987) warns that methods other than case study for the study of culture would become problematic. Emphasising the significance of qualitative research, Bartunek and Seo (2002, p.240) notes: "......such exploration offers the possibility of stimulating the development of new understandings, about the variety and depth with which organisational members experience important organisational phenomena." Because of these significant and crucial reasons, the research adopts a qualitative approach. The examination of culture in this study attempts to capture in-depth the subjective worldview of the organisational members.

The fact that the quantitative tradition is considered very rigorous, sophisticated and objective does not imply that the qualitative enquiry is unsystematic. On the other hand, if one makes a

comparative analysis of both traditions, it can be observed that the qualitative researcher has much more detailed data to handle which are collected from different sources such as narratives, observation and interviews. If one does not follow systematic steps of analysis in qualitative research, there is the high likelihood of one getting lost in the midst of the voluminous data. The acclaimed researchers in the qualitative tradition have evolved systematic processes for analysing data. Mintzberg (1979) discusses the guidelines for the analysis of the qualitative data. In grounded theory, Glaser and Strauss (1967) lay down detailed procedures for the systematic analysis of qualitative data. Grounded theory, in its process of evolution, branched out into two camps with two of the original authors taking slightly different positions. Goulding (1999) observes that Glaser places emphasis on the emergent nature of theory development whereas Strauss focused on systematic coding (open, axial and systematic coding) techniques. Goulding (2002, p.47) argues that the differences are subtle and observes "….Glaser stresses the interpretive, contextual and emergent nature of theory development, while, on the other hand, the late Strauss appeared to have emphasised highly systematic coding techniques". This difference is powerfully captured in Stern's (1994) remark that Strauss would stop at each word to ask 'what if' whereas Glaser would asks 'what do we have here'. This research, while making use of coding, for the analysis of the data, attempts to keep the emergent nature of the enquiry intact and active. This approach closely reflects the views of Atkinson *et al.* (2003, p.150) that "when Glaser and Strauss discuss such issues as "constant comparative method," they are describing one mode of variation of practical research reasoning." Turner (1981) adds another interesting dimension to the analysis of qualitative data and argues that the tacit understandings with which the researcher begins his research is made sharper and, in some cases, altered through the process of the analysis of the data. He points out that the data analysis might make it necessary to make changes in the codes and might call for further data collection to verify the emerging ideas. The research draws from the work of Turner and adopts this approach in the process of enquiry. Pidgeon and Henwood (2004) argue that the association between data analysis and data collection in pursuit of 'theoretical saturation' makes grounded theory unique and makes its appeal attractive to qualitative researchers. The details of the analysis of data followed in this study are discussed subsequently in this chapter. Having chosen qualitative tradition for the pursuit of enquiry, the following part briefly describes case study as a research strategy.

4.5 CASE STUDY AS A RESEARCH STRATEGY

Eisenhardt (1989) terms case study as a research strategy and argues that case study attempts to capture the dynamics operating in a single setting. The distinct advantage of the case study is that it offers a holistic picture of a phenomenon and it thus explains the relationship between parts of a whole rather than giving pieces of information about the components of a relationship. Yin (2003) argues that case study, which falls within the qualitative tradition, is capable of explaining 'how' and 'why' of relationships. The strength of case study is that it has the potential to offer explanations and discern patterns, which may not be captured in a quantitative study with the help of a survey instrument or existing data. Yin (2003) too terms case study as a comprehensive research strategy.

However, case studies have been criticised on several grounds and some even described the case study as an inferior method. For example, it is argued that case studies are devoid of statistical validity and reliability and make generalisations difficult. This point is rebutted by the advocates of case study and Yin (2003) argues that the objective of case study is to make analytic rather than statistical generalisations. They also argue that steps can be taken to minimise, if not eliminate the shortcomings of case study (see Yin 2003).

It can be observed that the research gaps identified and the research questions discussed subsequently make a perfect case for the adoption of case study as a research strategy. This is because the fundamental objective of the research is to illuminate how organisational life is played out in a context and to explore whether this phenomenon has any influence on effectiveness as well as to examine the possible ways in which such an influence evolves, develops, and sustains. This can best be done by documenting and analysing the set of factors affecting the organisation and employees in its entirety rather than in fragmentation. Having chosen case study as the research design, the next step is to make a choice of the appropriate case design. Case studies can follow single or multiple case design. Yin (2003) argues that a single case design is followed where the case is rare, critical, or revelatory. Herriott and Firestone (1983) argue that multiple case design is considered more robust since the data collected is more exhaustive. Yin (2003) notes that the objective of multiple case studies is replication and not sampling logic. The need for depth and understanding motivated the choice of a single case study as a way of organising and reporting the findings of this study.

In this regard, the study follows the suggestion of Dyer and Wilkins (1991) that single deep case studies are more effective than multiple cases in providing insights into organisational issues. The organisation (called by the pseudonym 'Technostar' in this study) operates in the telecom software sector in India.

4.6 METHODS OR TECHNIQUES FOR DATA COLLECTION

The following methods that are generally used for collection of data in ethnographic case studies are used for data collection in this study.

1) In-depth interviews with employees in the different hierarchical positions and functional specialisations of the organisation;

2) Study of the relevant documents. This includes the information about the organisation such as the HR policies, minutes of meetings, annual statements, data relating to productivity, profitability and the coverage of these organisations in the professional and industrial journals and magazines;

3) Attendance in meetings and

4) Observation of people at work, selected HR processes, and the facilities within and outside the premises of the organisation.

4.6.1 THE INTERVIEWS

The interview is considered an important source of qualitative data. This is because "interviews can elicit views of the person's subjective world" (Holstein and Gubrium 2000, p. 21). The interview is considered a flexible and emergent technique. The most important source of data in this research has been interviews. The interviews ranged from unstructured to semi structured. This was done essentially because the objective of the interviews was to capture the details of organisational life in the language of the organisational members and from their perspective. All the interviews began as unstructured and gradually evolved into a semi-structured form. In the first part, the researcher was gathering the subjective views of the people on the organisational life. This was deliberately kept unstructured. It was thought that the researcher's lack of understanding about many of the unique aspects of organisational life could not have been captured if the interview was structured. The second part was kept semi structured since at this part the researcher was exploring any perceived associations

between their views of organisational life and the different facets of organisational effectiveness. In spite of this semi-structured nature of enquiry, whenever people wanted to flow freely, they were given the freedom to do so. In certain cases, wherever more insights were coming forth, interviewees were encouraged to give an unstructured account of their stories and perspectives.

The method mentioned above is not without problems. Interviews could result in the interviewee telling stories which may not be relevant and which could make compilation, comparison and analysis of data extremely difficult. This could be further complicated by the lack of appreciation on the part of the researcher to the nuances of the context, which makes it difficult for the researcher to distinguish between such disjointed expressions. Another issue is that interviews could be used as an opportunity by people to air their frustrations and grievances (Rubin and Rubin, 2005). The second issue may not be applicable in its strict sense to the software sector because there are numerous opportunities (both formal and informal), for voicing concerns about the various issues people may have. Nonetheless, it was anticipated that these problems are likely to emerge during the process of interviews. To minimise the influence of these issues, the researcher kept an interview schedule ready with an exhaustive list of questions. Whenever unnecessary digressions were noticed, the researcher was able to deal with these and return to the main themes of the interview.

At the beginning of each interview, the researcher explained the objective of the research, and assured the interviewee of confidentiality and anonymity. Then the permission of the interviewee was taken to record the interview. Although the permission was taken to record the interview, there were times, when the researcher noticed the hesitation on the part of the interviewee to open up further, and in those cases, the researcher switched off the recorder. This happened many times, especially when the interviewee was asked about some in-depth aspects of organisational life such as a low point in their career with the organisation. People started either looking at the tape or saying things like "how do I say that to you?" In such cases, the researcher noted the important points or wrote them down later. In general, the interviews were recorded for different reasons. The first objective was to enable the researcher to concentrate on the process of the interview. Recording the interviews enabled the researcher to listen very attentively to the interviewee and gave time for articulating meaningful follow up questions. Secondly, this provided the opportunity for the interviewer

to observe the behavioural changes in the interviewee, which sometimes exhibited things such as lack of authenticity, non-coherence or lack of clarity or non-congruence between behavioural and verbal expressions. In all such instances, the researcher asked clarifying questions and sought further information from the interviewee.

Another issue that the researcher faces is that the interviewer is seen as an 'agent' of the management. This clearly was not the case in this research. There are several reasons for this. The most important one is that the IT organisations had mostly knowledge workers and given the dearth for talent and the fact that employees are generally very competent, the element of fear is relatively low. This is very evident in some of the responses to the researcher's questions. For example, one of the interviewees when assured of confidentiality, said, "you can show this to [the CEO]. I had once told him of the same issues." Secondly, the IT industry is very familiar with research interventions like interviews and questionnaires and people were generally very comfortable with recording. Finally, there is a significant emphasis on transparency in these organisations and this is discussed in detail subsequently. This has helped the creation of an atmosphere, where people can express their discontentment in a healthy way, there is a general belief that those who are expressing their discontentment are not subject to any kind of victimisation, and this belief helps in reducing fear to a great extent.

The interviews began with the discussions with the HR department and collection of background information about the organisation. A total of 68 informants were interviewed, including 9 Software Engineers, 9 Senior Software Engineers, 1 Design Engineer, 1 Senior Hardware Engineer, 13 Project Leaders, 2 Module Leaders, 4 Technical Leaders, 4 Programme Managers, I Technical Manager, 4 Executives, 9 functional (departmental) Managers, 2 departmental Heads, 2 Vice-Presidents, 1 Senior Vice President, 2 functional (departmental) Directors and 4 IT Support Officers. The researcher met the CEO himself, even though it was a brief meeting. The interviews were open-ended and the themes explored revolved around the perception of participants on a range of issues linked to organisational culture and effectiveness. Emphasis was placed on delineating the similarities, differences, and contradictions in the perception of employees both amongst individuals, within single groups, and across the different groups in the organisation. Interviews were held first with the senior managers and these interviews were followed by discussion with employees at the

different hierarchical positions and functional specialisations. Each interview lasted approximately one hour and in some cases extended to two hours especially the interviews with the senior managers. The interviews began with a 'warm up' chat and gradually developed into full-fledged discussion. All interviews were transcribed verbatim. Many of the key informants were interviewed for a second time to clarify issues which were unclear or those which emerged as other informants were interviewed. In addition to the structured interviews, the researcher had informal meetings with about 50 people in the food court, in company premises including the gymnasium, the crèche and in the main reception area.

4.6.2 STUDY OF DOCUMENTED INFORMATION

The available information about the Information Technology (IT) sector and Technostar was gathered from the industry publications and from the company's website. One of the relevant sources of data in this case has been the summary of the best places to work surveys, some of which are conducted by external agencies across the organisations in the software sector. Many of these had dimensions which bear resemblance to culture, and organisations were compared on these aspects of organisational life. It was used as a starting point to probe further details on those aspects. This helped the researcher to develop an understanding into the history and evolution of the organisation studied and to have some ideas into the way culture is perceived. This also threw light on the perception of the outside world on the effectiveness of the organisation studied and the general trends in the IT sector in terms of business.

The study of documents included many internal documents of the organisation. The organisation was asked to provide as much information as possible. Many of the documents were not made available due to the confidential nature of those documents. The documents made available to the researcher include the general information about the organisation, the annual financial statements, induction manual, HR policy manual, HR process manual (giving details of the systems such as performance management, rewards and employee benefits), the training manuals, the details and processes about recruitment and selection, minutes of: exit interviews, the skip level meetings, promotion review meeting, transition review meeting, business update meetings, and career progressions meetings, resource calendar and pages of

the company intranet. Over 500 pages of archival information including annual reports, policy and training manuals, and newspaper cuttings were also collected.

4.6.3 ATTENDANCE IN MEETINGS

Although the researcher requested permission to attend many of the strategic and senior managerial level meetings, this could not be granted due to the time frame and the confidentiality and sensitivity of the nature of issues being discussed and shared in such meetings. However, the researcher was able to attend a few of the HR meetings and general meetings like the BUM (Business Update Meetings) and special sessions such as some of the meetings in which senior people from the partner or client organisations addressed employees. The researcher also attended some skip level meetings and 'touch sessions' (time spent by the employee and the concerned employment relations executive). The researcher was able to attend many social gatherings and cultural festivals which were quite frequent and common in Technostar.

4.6.4 OBSERVATION OF WORK

The researcher adopted an approach which involved arriving early in the organisation and frequently staying late to talk to the employees and to observe them in their work. In some cases, the researcher was invited to an external social gathering with the informants. In this regard, observation represented an important source of data gathering for this study. Data gathered from this source were recorded in research notebooks as soon as possible and this helped in developing an understanding of the various aspects of the culture of Technostar.

As mentioned earlier, software organisations in India work for client organisations spread across the different geographical locations, which outsource their work to the Indian software organisations for strategic cost considerations. They get the work done in their facilities in India; some members of the team go to those organisations to install the packages in the client site and a few of them remain off shore (those working in the client offices) to take care of routine and day-to-day activities. Thus, most of the development work happens in the Indian offices of the software organisations, a small part of the work related to installation, and maintenance takes place in client offices. As mentioned earlier, the software organisations

enter into non-disclosure agreements, with their clients. As a result of this, it became difficult to get access to those areas where technological work occurs. However, as the research progressed and the researcher developed a good rapport with people, the researcher was allowed access to many areas of work. Another limitation of observation has been that most of the time the work involves software programmers working alone in computer systems and the limited technological literacy of the researcher makes it difficult to make many meaningful observations. This meant that more important observation data were those gathered from observing other settings where there was social interaction, for example, during formal and informal parties and other social functions. The researcher also visited and observed interaction at the childcare centre, food court, and the fitness centre.

4.7 DATA ANALYSIS

Most interviews were audio-recorded and transcribed verbatim and this resulted in over 1050 pages of transcribed data. Over 500 pages of archival information including annual reports, policy and training manuals, and newspaper cuttings were also collected. The data were coded into theoretically derived categories in terms of the different aspects of effectiveness and their links to critical aspects of culture, subculture, and areas of fragmentation especially the ironies, contradictions, perceived dichotomies in behaviour and incongruence between espoused and actual behaviours. Special attention was paid to the assumptions, beliefs, and value undertones in the data and the ways in which people perceived associations between their definitions of core aspects of culture and effectiveness. Drawing from the grounded theory approach (Strauss and Corbin 1990), the codes identified were categorised into major themes, linkages, and associations and the categories were further subdivided into theoretically coherent groups. This helped to illuminate insights into effectiveness which related to each of the three perspectives of culture: integration, differentiation, and fragmentation. This was done by the researcher in the first place and then shared with two experienced academics in the area of organisational behaviour familiar with the Indian context. This was further discussed with a select set of three key informants in the organisation, with an average tenure of three years in the organisation and who were interested in the study to ensure internal and external credibility particularly in relation to factual accuracies (Price et al. 2000). The feedback received was reflectively considered and suitable amendments, notably to factual information, were made where necessary.

The use of software programmes such as NVIVO was considered for analysing the data. The merits of the use of such text analysis software have been highlighted by some researchers (for example, Weitzman and Miles 1995). In particular, it has been argued that the use of software leads to easier categorisation and faster retrieval of data, and increased ease of coding. However, leading scholars on research methodology (for example, Coffey *et al.* 1996) have expressed their reservation on this issue and have argued that the mechanical ways of treating data would attract the disadvantages that are associated with surveys or quantitative tools of analysis. Coffey *et al.* (1996 p.9) argue:

> *"In our view qualitative research is not enhanced by poor imitations of other research styles and traditions. Analytic procedures which appear rooted in standardised, often mechanistic procedures, are no substitute for genuinely 'grounded' engagement with the data throughout the whole of the research process. It is worth mentioning that the 'usefulness' such computer applications implies that you have collected and input all of your data, and this suggests that data collection and analysis are discrete and linear...As a consequence of that there is an increasing danger of seeing coding data segments as an analytic strategy in its own right, and of seeing such an approach as the analytic strategy of choice. That should not be the case."*

The above words of caution persuaded the researcher to adopt manual coding with the objective of being close to data and adopting a data driven approach to analysis.

Finally, the researcher recognises that a key limitation of this study is that it is based on a single case study. However, the objective was not to seek generalisability. Instead, the aim was to embrace all the richness and complexity of organisational life. It is anticipated that the wealth of contextual details and insights provided will form the foundation for additional research into these important issues of organisational functioning.

4.8 THE METHODOLOGICAL ISSUES

The methodological choice is a decision the researcher exercises, after carefully identifying and delimiting the exact area of study. This choice is also influenced by the researcher's worldview. Irrespective of whether the methodology takes a qualitative or quantitative approach, each methodology has its own limitations. The rationale for adopting a qualitative approach to this research has been described in detail in the earlier part. This choice comes with its distinct share of advantages and disadvantages. The strength of this approach is to have a near similar 'native' view (Pettigrew 1979) on culture and understand how these views

affect the organisations in their pursuit of effectiveness. Culture encompasses the shared assumptions, beliefs, and value systems of employees and imposes restrictions on the way they interpret the world around them and make their own meanings and understandings. This requires the researcher to spend time in the organisation and make an earnest effort to understand those perspectives in the way they think and understand issues in their context. The researcher spent five months (March 2005 to August 2005) in the organisation and spent as much time as possible in the context. This meant reaching the organisation early (sometimes as early as 8 am) and sometimes staying there very late (on a few occasions working into the early hours of the next day).

A critical issue of this approach is the personal and emotional involvement of the researcher in the research process and leading researchers have argued that ethnography has a biographical dimension (see Atkinson *et al.* 2003). This line of thinking has led to more reflexive and experimental texts, multiple stories and the textual visibility of the self (see Atkinson *et al.* 1999). According to Denzin and Lincoln (2000) the incorporation of the self in ethnographic data is a relatively new phenomenon which occurred in the fourth moment (mid 1980s) in their order of the development of qualitative thought in seven stages. Incorporation of the self encouraged revisiting the qualitative accounts and analyses which resulted in new directions and representational territories. The inclusion of the personal narratives of the research process has now been recognised, although it is still the common practice to separate it from the data and analysis (Atkinson *et al.* 1999). Many see this development as representing a much more reflexive and self-conscious approach in research and appreciation of the conceptual frameworks of aesthetic understanding and complex authorship and audience (see Woods 1996). The inclusion of the self is also complicated and gives rise to a host of issues such as reliability, validity and generalisation and romanticising the self. However, Atkinson *et al.* (2003) argue that these are the perennial issues of ethnography as an approach to social research.

Furthermore, the above is to be viewed along with the limitations of this approach. The researcher did not have unrestricted access to workplace, people, and data. The reasons for the limitations of access have already been mentioned. Further, even if unlimited access has been granted, the timeframe available with the researcher was limited and this imposed further constraints. Secondly, in spite of the fact that the software sector, in comparison to the

other sectors of the economy, gives more encouragement and support to academic research, the professional managers are often sceptical about the usefulness of qualitative research. This was clear from the discussions the researcher had with them which suggested that most engineers were more comfortable with quantitative figures, which are readily explainable in this context. The contention of some of them is that the qualitative research is about 'esoteric' stuff (in the words one of the senior managers), which has limited practical application.

Another significant issue has been that the organisation is operating in an extremely competitive 'space' (a term commonly used in the software organisation studied), with a number of organisations competing for the same share of the market. In the services section of the organisation (the service business is explained in detail in the next chapter), most of the work is done for clients in the United States and Europe and the time difference itself creates practical problems and pressures on people, especially because some of them have to interact with the client with regard to work. Moreover, there are tough and sometimes tight deadlines; and it is not uncommon for many employees to work into the early hours of the next day and this limits their commitment to cooperation in academic work. This means that if future academic work needs to be meaningfully done, academia and industry should work in partnership and perhaps should address some of their common concerns. In that way, each group could see merit in the case of the other. If the rigid position that 'research is for research's sake' is maintained, both will keep each other in the distant periphery and academia would find it increasingly difficult to appreciate the interesting dynamics of organisational life evolving in the present day corporations with far reaching consequences. For industry to have a meaningful understanding and self-introspection, it needs to unwind itself from its total preoccupation with the positivistic view of organisational life and a meeting point is somewhere between the rigid polarities. Another serious limitation is in terms of the resources available for rigorous studies with a long time duration. More resources and perhaps more people need to be involved in studying dynamic and ever-evolving organisations like Technostar spread across different geographical locations, with pressing priorities. A longitudinal study may have been ideal in this case but time and cost pressures precluded this.

CHAPTER 5

THE HISTORY AND BACKGROUND OF THE CASE: THE SOFTWARE SECTOR IN INDIA

5.1 THE OBJECTIVE:

The objective of this chapter is to give a brief account of the software sector in India, which is the setting for the empirical part of this research. First, the significance of the software sector in India and its contemporary economic relevance are briefly described. A brief background of the economic policies followed by India is provided in order to understand the context in which the software sector has grown and developed. After this, the development of the software sector over time is described briefly. This is followed by a brief examination of the factors responsible for the growth of the software sector in India, the contribution of the software sector to the Indian economy, and the HRM implications of the high rate of growth of the software sector.

5.2 INTRODUCTION

The dawn of the 21st century saw India taking advantage of one of the significant economic opportunities offered by the leaps in technology. The country emerged as a major exporter of customised software and it was strongly felt that the software sector would help the country address the traditional issues such as growth and employment (D'Costa 2004). This optimism prevailed in spite of the fact that India was still grappling with a number of structural issues such as a small domestic market for software and over-dependence on exports, especially exports to the Unites States. The domestic market for software is also witnessing gradual growth (Athreye 2003). According to the NASSCOM estimates, the sector registered a growth of 6% in 1998-99, 8.2% in 1999-00, 12.1% in 2000-01, 13.4% in 2001-02, 16.1% in 2002-03, 21.5% in 2003-04, 28.2% in 2004-05, 30.7 % in 2006-07 and is estimated to grow 27 % in 2007-08 (Strategic Review 2007).

Khanna and Palepu (2004) argue that the remarkable performance of the Indian software organisations cannot be attributed to the mere availability of inexpensive labour. Rather, they

note that the software industry took advantage of the 'resource endowments' of the Indian economy in a number of ways: it needed low capital investments, had less government regulations for entry, and required low economies of scale to break even. To aid an understanding of the prominence of the software sector, the revenues of the Information Technology (IT) and IT enabled services from 2004-2007 are presented below. It can be observed from the table that the software sector is growing consistently and fast.

TABLE 5.1: TOTAL INDIAN IT-ITES INDUSTRY REVENUE (DOMESTIC AND EXPORTS)

USD Billion	FY 2004	FY 2005	FY 2006	FY 2007
IT Services	10.4	13.5	17.8	23.5
ITES-BPO	3.4	5.2	7.2	9.5
Engineering Services and Software Products	2.9	3.8	5.3	6.5
Total Software and Services Revenues	16.7	22.5	30.3	39.5
Hardware	5	5.6	7.1	8.5
Total IT Industry (including hardware)	21.7	28.1	37.4	48.0

Source: *Strategic Review 2007*, National Association for Software and Service Companies (NASSCOM) (India), p. 26.

Khanna and Palepu (2004) contrast the high growth of the software sector to the poor performance of the Indian economy and argue that the success of the Indian software organisations is evident from the fact that neither the multinationals nor countries with better labour arbitrage, and an educated English speaking population could displace Indian organisations in their business. Khanna and Palepu (2004) further argue that, although Indian software organisations are not as large as the US companies, they compare well with them in

terms of profitability and market capitalisation. A presentation of the data comparing India and US is given in table 5.2 below. The table shows that Indian organisations are far behind their US counterparts in revenues and the number of people employed, but they compare favourably in terms of the operating margin and market capitalisation.

TABLE 5.2: A COMPARISON OF THE LARGE US AND INDIAN SOFTWARE COMPANIES

COMPANY NAME	REVENUES JUNE 2002 $ MILLION TTM	OPERATING MARGIN JUNE 2002 PER CENT TTM	NO OF EMPLOYEES JUNE 2002	MARKET CAPITALISA TION OCTOBER 2002 (IN $ MILLION)
US COMPANIES				
ACCENTURE	11,600	3.9	75,000	12,400
CSC	11,500	4.7	67,000	4,800
EDS	22,300	10.3	1,43,000	6,370
KPMG CONSULTING	2,368	5.6	9,300	1,240
SAPIENT	217	N/A	2427	123
INDIAN COMPANIES				
HCL TECH	340	28.1	5,587	1,209
INFOSYS	571	32.1	10,470	7,140
SATYAM	421	26.7	9,532	1,370
TCS	810	25	19,000	8,100
WIPRO	734	24.5	13,800	6,340

Source: Khanna, T. and Palepu, G. 2004. (p. 50) The evolution of concentrated ownership in India: broad patterns and a history of the Indian software industry. *National bureau of economic research working paper no. 10613 (htpp://www.nber.org/papers/w10613)*: Cambridge

India also ranks (along with Ireland and Israel) as one of the prominent countries for software revenues and exports since the 1990s (Arora and Gambardella 2004). Arthreye (2005)

maintains that the growth of the Indian software sector is different from Israel and Ireland; the major difference being that India provides customised software services. Although it is a volume business, it involves low value content work such as the maintenance of data or legacy systems and for this reason, productivity is less (Arora and Gambardella 2004). Whereas foreign firms have a major share of the software growth in the case of Ireland, domestic firms account for most of the business in the case of India. A brief examination of the process of software development would give some insight into the intricacies of the software industry.

Software is a package that enables business and other organisations to manage their complexities, issues, and data with speed and accuracy. Royce (1970) argues that software development happens in the following stages: conceptualisation, requirement analysis, high-level design, low-level design, coding, testing, and support. This is described in the waterfall model of software development described by Royce (1970) and is presented in figure 5.1 below.

FIGURE 5.1: WATERFALL MODEL OF SOFTWARE DEVELOPMENT
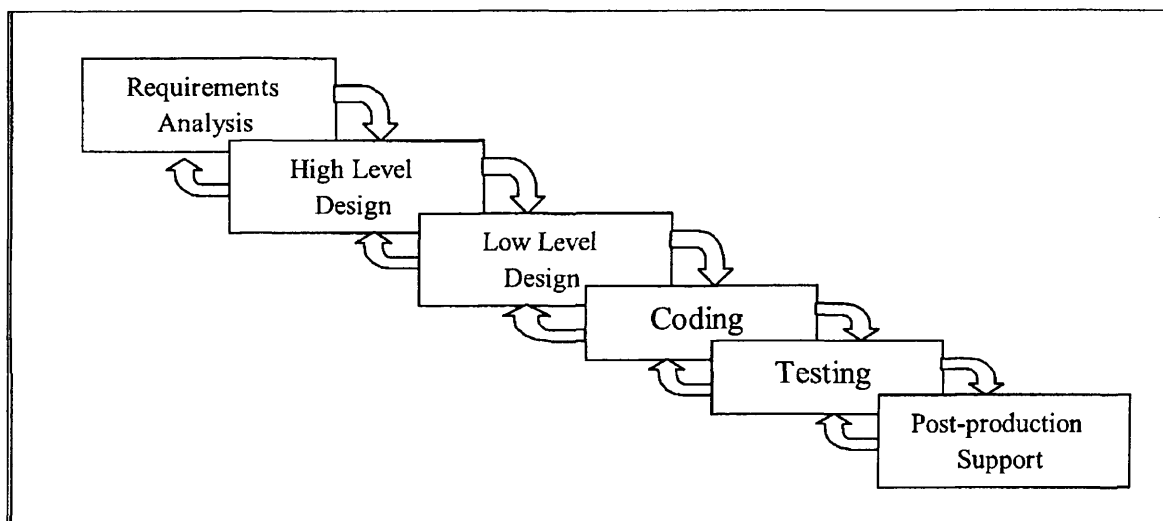
Source: Royce, W.W. 1970. Managing the development of large software systems: concepts and techniques. *1970 WESCON Technical Papers*, vol. 14, p. 328

As the figure shows, software development envisages an intimate understanding of the complexities and issues of business and developing a program (design) to address this. First, the general design is done and in the second stage, the detailed design of each sub-process is carried out. This is followed by coding, which helps the data to be transformed as intelligible units to the systems. The first stages are more critical than others and require complex skills and the value added is higher at that level (Royce 1970). Arora *et al.* (2001) argue that firms usually design the software in-house and what is outsourced is the coding and support work, although increasingly the software-consulting firms offer to undertake the whole process themselves at short notice. This is especially true of India, where low-level design, coding, and maintenance work was outsourced, but in recent years Indian software organisations have started offering high the high value end work (Khanna and Palepu, 2004).

An understanding of the economic context of India is essential to appreciate the context in which the software sector developed and in the ensuing section, the economic policies pursued by India are mentioned in brief. However, it is not the objective to give a detailed account of the economic policy or the reform process but they are mentioned only in so far as they are related to, and have a consequence for the software industry.

5.3 BRIEF HISTORY OF INDUSTRIAL POLICY IN INDIA

The strategic objectives of India since Independence in 1947 have been to become a self-reliant economy and to reduce poverty (Rajan and Sen 2002). In order to realise these objectives, India has embarked upon a socialist strategy of development. The Industrial Policy in India was based on the Industrial Policy Resolution of 1956, which envisioned a central role for government (public sector) in terms of establishing and managing heavy industries and regulating the private sector. The policy also emphasised import substitution and severe restriction of the financial sector especially for foreign exchange (Rubin 1985; Rajan and Sen 2002). This model of development reserved some sectors of the economy such as the infrastructure and heavy industries in the public sector. The private sector was subject to licensing and regulation. Rajan and Sen (2002) argue that these policies insulated the domestic industries against the global developments in products, productivity, and technology. The growth of the economy was between 3 and 3.5 percent during the 1960s and 1970s.

Although there were a number of attempts to embark upon a process of liberalisation of the economy, it was in 1985 that liberalisation finally received more impetus, when many regulations were relaxed. The changes ranged from the abolition of import licensing to simplifying the tariff structure and this was aimed at reducing regulation rather than removing it. However, liberalisation received a boost in the face of the severe foreign exchange crisis in 1991, when the government was almost forced to take a number of initiatives such as the devaluation of currency and reducing bureaucratic procedures (Pedersen 2000). Gradually, these changes took the shape of what can be called as 'structural adjustment' (Heeks 1996). This led to the abolition of most of the controls by the central government (Ahluwalia 2002). There were also massive changes in the industrial policy such as dismantling industrial licensing and allowing the private sector to operate in many sectors which had been reserved previously for the public sector.

Significant changes were also introduced to the trade policy and import restrictions were substantially reduced. The government introduced a flexible exchange rate system in 1993 aimed at managing the balance of payment through exchange rate fluctuations. Capital and intermediate goods were taken out of import licensing in 1993 itself and quantitative restrictions on importing them were gradually abolished. There was objection from the domestic industry on the removal of restrictions on final consumer goods because such a decision was seen as exposing them to direct competition. However, a ruling by the WTO led to the abolition of the restrictions on final consumer goods in 2001. The import tariff was also substantially reduced. There were restrictions on the entry of foreign Direct Investments (FDIs) and during the reform process; such restrictions were gradually brought down except in the case of banks, insurance companies, telecommunications, and airlines. Even for these industries, permissible limits were introduced for foreign investors.

The reforms in the industrial sector were accompanied by massive support for infrastructure development. The permission for private sector participation led to massive improvements in infrastructure, especially telecommunication and civil aviation. There were many changes in the financial sector such as permission for private sector banks to function and the expansion of foreign banks. The privatisation of the public sector undertakings, which account for 35% of the industrial value-added in India, has been another feature of the reforms. The government has taken a number of initiatives in improving health and educational standards.

There has been an unprecedented emphasis on science and technology in India ever since Independence and the Scientific Policy Resolution of 1958 is the embodiment of this significance (Ahmad 1985). It was this emphasis, which in the course of time, established the foundation of the Indian software industry. In 1984, science and technology got a boost when several initiatives such as the setting up of a Science Advisory Council took place to augment the development of the science and the technology base. All these gradually led to globalisation and permission for the import of technology.

As can be seen from above, India, which embarked upon a socialist strategy for economic development has made tremendous changes in its socialist orientation. It has given a prominent role to the private sector for development in the course of the reforms, and has removed a number of regulatory controls on the private sector. It can be observed in the following section that this shift is true of the software sector as well. The sector started operations within a regulated framework but the reform process eased many such regulations and this is reflected in the growth of the sector. In the ensuing section, the software policy (which in the initial days, was part of the industrial policy) and the development of the software sector in India is described from a historical perspective.

5.4 INDIAN SOFTWARE INDUSTRY: A BRIEF HISTORY

The history of software development in India is closely related to the development of hardware, as is also the case for the rest of the world (Heeks 1996). In the early days, the multinationals, which used to produce hardware, also catered to the requirements of the software. However, with the increase in the range and volume of business the manufacturers of hardware found it difficult to cater to the varied needs of the clients for software and organisations started to develop software in-house. Athreye (2003) argues that the developments of the software sector in India can be broadly categorised into four periods: early entry (Pre-1984); new entry and experiments (1985-1991); imitative entry and financial liberalisation (1992-1999); and consolidation and slowdown (2000 onwards). These are described in detail below.

5.4.1 EARLY ENTRY (PRE-1984)

The software development in India occurred against the background of the software policy pursued by the government, which was characterised by controls and regulation (as mentioned earlier in the chapter). Software policy in India can be traced back to the industrial policy and is embodied in the policy for hardware in the initial stages. In fact, the software policy reflects the changes in the economic policies, although the controls were less stringent and changes were faster in this sector. The major reason for this is the fact that software as a specialised sector is of relatively recent origin and by the time it began to be considered as a significant sector, the controls were in the process of being relaxed.

The software development in India dates only as far back as the mid 1960s and at that time the only software available was the one sold solely by hardware manufacturing companies such as IBM along with the computers. It was the government policy at that time to encourage the domestic hardware industry and there was a high rate of tax on the import of hardware (Khanna and Palepu 2004). The first software organisation in India was Tata Consultancy Services (TCS), which was established in 1968 for the purpose of helping the organisations in the diversified Tata companies to use computers.

The creation of the Department of Electronics (DoE) in 1970 with a mandate to develop the software industry was a milestone in the development of the software industry in India. The regulations for the import and export of software were fewer when compared to the other sectors of the economy. An example for this is that as far back as 1976, hardware import duties were brought down to 40 %. There was a heavy emphasis on developing the local hardware industry. The DoE also started to impart training with a view to developing the software industry.

During the 1970s, the software requirements of the Indian organisations were fulfilled by the suppliers of hardware and in-house developers. With the gradual increase in the need for and complexity of software, organisations started to entrust this task to specialists outside the organisation and gradually a market for software services came into being. Indian hardware developers also started to offer a wide range of software applications to their clientele. Since the import of computers was restricted at this time, the organisations which had computers

started offering their computer time or service to other organisations. The above process, over time, led organisations to export software, since organisations started to specialise in software. This was further facilitated by the existing statutory requirements, which linked the imports of computer hardware to exports, although the percentage of exports linked to imports did change with the policy changes announced by the government from time to time. Subramanian (1992) observes that regulation was a source of discouragement for the software firms which had to respond quickly to the fast changes in the market. The export clause for imports put the relatively small firms in more difficulty due to their limited contracts.

The first company to export software from India was the Tata Consultancy Services (TCS) in 1974. The overseas client for TCS was the Detroit Police. There were other organisations too, which followed suit; however, many confined themselves to fulfilling their statutory export requirements. TCS developed an alliance with Burroughs, an American hardware organisation, which later led to the creation of a separate entity called Tata Burroughs Ltd. This organisation was subsequently named Tata Unisys Ltd. TCS and Tata Unisys Ltd. have continued to be two of the leading software organisations in India ever since.

At this time, the software section of some of the computer hardware organisations and some other big organisations began developing software in house and started offering it to the domestic market, which was in its early stages of development in India. As organisations became aware of the business potential of these services, many such software sections became independent of their parent organisations and created separate entities, specialising exclusively in software development.

Another significant development during this period was the closure of IBM operations in India. The changes in the Foreign Exchange and Regulations (FERA) Act in 1977 stipulated that multinational organisations operating in India should limit their holdings in the Indian subsidiaries to 40% of the equity. Many MNCs diluted their stakes, but IBM refused to do this and wound up its operations in India. The government established the Computer Maintenance Corporation (CMC) in 1976 to take care of the services of the IBM computers. Sensing the untapped local potential, many of the 1200 former employees of IBM stared small organisations, and later they began specialising in software development offering their services to the former IBM customers.

The early 80s saw the gradual but steady growth of software development in India. The software policies of these times placed a heavy emphasis on exports. Moreover, many small organisations saw limits to their growth in the internal market and started looking at export as a way out. Furthermore, a steady supply of talent in software programming and knowledge of software languages was gradually becoming available in India at this time, a development which subsequently held India in good stead.

The restrictions on hardware were hampering software development because the penetration of hardware is a prerequisite for the expansion of the software business. The Monopolistic and Restrictive Trade Practice Act (MRTP Act) deterred the entry of large business houses into hardware. However, software was not under the purview of the MRTP Act, which helped the growth of the software sector in India. Tata Consultancy Services (TCS), Datamatics and Patni Computer Systems were established during this time. The start-up organisations drew high talent and they gradually started supplying personnel for executing projects. Citibank Overseas Software Limited (COSL), a subsidiary of Citibank, was set up in 1984. The infrastructural issues such as electricity and communication however restricted the growth of the sector to major cities such as Banglore, Mumbai-Pune region, and New Delhi during this time. The software sector received effective encouragement when Rajiv Gandhi became the Prime Minister of India in 1984 with the announcement of a 'computer policy'. The policy gave a new impetus to the software industry by recognising software as an industry and by de-licensing entry into the software industry. The policy envisaged a reduction in the customs duty on both hardware and software, thus making the import of computers easier.

The above led a number of leading MNCs to start operations in India. There was enormous potential for software support and maintenance for these systems and many organisations came into being to grab this opportunity. The people who embarked upon this were largely management consultants, the data processing sections of big organisations and those who worked with hardware and software in domestic organisations (Heeks 1996). Thus, the stage was set for the massive growth of the software sector in India.

5.4.2 NEW ENTRY AND EXPERIMENTS: 1985-1991

The Computer Software Export, Software Development, and Training Policy was fine-tuned in 1986. This further liberalised the software sector by giving greater freedom to the importing of hardware and software. This also allowed the setting up of wholly foreign-owned software organisations and the faster processing of applications from foreign companies to set up their operations in India. Many other changes occurred during this period such as easing the norms for the import of computer systems and the granting of export promotion assistance. The Software Development Agency of the DoE was established in 1986 to promote the software industry and oversee the formulation and implementation of policy measures with respect to software.

1988 saw the setting up of Electronics and Computer Software Export Promotion Council with the objective of facilitating the marketing of software. In 1992, the role of DoE became more one of promotion than regulation. The Copy Right Act was also made more stringent to deal with software piracy. More importantly, from 1991, India underwent a major restructuring of its economic policies and this was reflected in the software policies as well. The software import duty was reduced to 10 % by 1995.

Along with these internal changes, a number of global developments helped the growth of the software sector. The introduction of the personal computer and the networked computers in the latter half of the 80s in the US and Europe brought about a revolution in computer penetration. The networked computer was almost revolutionary since it made it possible for data stored in several computers to be used simultaneously for a variety of purposes. These boosted the need for software services tremendously. Flowing from this, there arose the need to migrate from mainframe to networked systems and the setting up, and maintenance of, enterprise resource systems. The work involved in this was routine in many cases, but it required expertise in different software languages and protocols, which turned out to be expensive for the organisations, hence the need to outsource was gradually and consistently emerging. The local outsourcing proved to be costly for organisations abroad. The experience of the Indian firms in data migration and the credibility of Indian software professionals working in the West provided immense potential for business and this attracted many firms into the above-mentioned work in the software sector (Athreye 2003). Athreye

(2003) indicates that the cost advantage of Indian software professionals were noticed by foreign firms and observes that the average salary of a software professional in India at this time was $5486 per annum; it was about $ 9600 in the Middle East and $ 40,000, plus relocation expenses plus a green card in the US in 1989.

The lucrative market soon became a fascination for multinational corporations, which saw the huge potential for business. They consequently entered into many kinds of tie-ups and strategic alliances such as contracting-out work, distributions agreements with local organisations, and equity participation agreements. Some multinational corporations set up wholly owned subsidiaries (such as Texas Instruments, which started its operations from Banglore in 1985).

The software policy was removed from the hardware policy in 1986 by the government and this gave an impetus to the organisations in the software sector to grow fast. There was an almost a u-turn in the hardware policy, when the import of hardware was considerably de-licensed. The fall in the price of software was reflected in the reduced prices for software and lower set-up costs. The import duties and the export obligation tied to the software imports were still obstructing the full-fledged development of the software sector however and the export obligations were in a way even more disadvantageous for the small organisations.

To bring to an end the issue of poor infrastructural facilities, initiatives were undertaken by the government such as tax incentives to set up offices at specific locations where the required infrastructural support was available. The setting up of science technology parks and software export processing zones by the government also encouraged and aided software development. Athreye (2003) argues that the twelve-hour lead enjoyed by India in the time zone had the effect of extending the US working day and thus enhancing the overall productivity. This gave Indian firms an opportunity to make use of the idle hardware facilities in the US with the help of dedicated satellite links thus effectively reducing the set-up costs. This, along with the labour arbitrage, gave a tremendous cost advantage for operations from India and many organisations such as Texas Instruments made use of this advantage (Athreye 2003).

There was a modest increase in the growth of the software sector during this period. Many organisations in the hardware sector also started branching out into software (for example, Wipro and Hindustan Computers Ltd.) a large number of organisations started to offer software services. The spread of personal and microcomputers and the fall in their prices increased the market for software services and products (despite 60% tax on software imports). This period also saw the debut of the Indian product firms like Mastek and Sonata and introduction of products by Wipro and Infosys. NIIT, an educational training organisation was also started in 1981.

A significant development of this period was the emergence of on-site services as a viable business model. The absence of a vibrant domestic market for software products made the development of software products unviable for Indian organisations and even organisations such as Mastek, which introduced products, soon reverted to software services. The absence of business acumen and market intelligence also put product companies in trouble (Arora and Gambardella 2004). More fundamentally, software is the application of technology to the complex business issues. This requires proximity to business activities to understand the emerging issues and problems in various sectors such as banking, finance, retail, telecommunications, and marketing (Arora and Gambardella 2004). Due to the vibrant nature of industrial activity in the US, there is tremendous scope for novel applications of technology on a continuous basis and this provides challenges and scope for the software sector, whereas this demand is only gradually emerging in the case of India (Arora and Gambardella 2004). However, Arora and Gambardella (2004) argue that there is a chance for R and D activities to move to India to exploit the less expensive talent in India, although US firms might not move 'mission critical' activities to India.

5.4.3 IMITATIVE ENTRY AND FINANCIAL LIBERALISATION: 1992-1999

The 1990s saw further liberalisation and proliferation in the use of computers. As the computer and telecommunication sector witnessed an almost explosive growth, the software sector became almost totally detached from the hardware sector. The decade also saw the emergence of independent software developers who started to cater for the consumer–oriented applications (Mowery 1996). As technological innovations led to the outsourcing of customised software services, the role of software developers became more prominent. This

led to the development of many software applications. However, Microsoft had a distinct dominance in this area and consequently many packages started developing on the Windows platform.

The fast pace of growth in the software sector can be appreciated from the fact that the proportion of software to the total exports, which was negligible in 1990 accounted for 6% of the total exports in 1998 (Arora and Athreye, 2002). More interestingly, Indian firms (and not multinationals) accounted for most of the exports from India to other countries. For example, of the 20 top software organisations in India which exported software in 1998, 14 were Indian software organisations. Kumar (2000) points out that although the contribution of software to India's GNP at that time was only 1%, 7% of the growth in GNP was attributable to the software sector and in 1997.

The liberalisation of the economy and the sharp depreciation of the rupee kept wages in dollar terms down and exports consequently started growing fast (Athreye 2003). The liberalisation of the economy also removed the entry restrictions on foreign capital. In addition, the facilities of networked computing helped multinational organisations in computerising their global operations thus helping them to be more interconnected. The experiments of Texas Instruments (TI) and COSL, therefore, proved the efficacy of a low cost outsourcing centre in India.

Outsourcing by multinationals has been one of the most significant factors, which led to the development of what was later called the 'offshore model'. This provided the background for the software sector in India to grow at an extremely high rate in 1990s. Outsourcing thus became part of the strategic business option of the MNCs to enhance their competitive edge, against the cut-throat competition in the market. The multinationals adopt the strategy of contracting out or outsourcing their work to other firms for retaining their flexibility (D' Costa 2004). The implication of this is that the labour intensive, low volume and non-critical activities outside their core competence are contracted out. The sharp drop in the cost of telecommunication encouraged organisations to resort to web-based delivery and gradually 'offshore' emerged as a successful business model. Many new organisations entered the sector and the opening up of the economy and the liberalisation of the financial markets gave a new boost to this.

The first in the set of software services to be outsourced by the MNCs was the labour intensive and relatively low cost software functions such as 'coding' (one of the last steps in the waterfall model of software development) and the Indian software sector was quick to seize this opportunity. However, the trend mentioned above is undergoing changes. Arora *et al.* (2001) argue that there is evidence that the established Indian organisations are increasingly able to take up technically sophisticated and value-adding projects, which involve requirement analysis and high-level design. The stricter visa regulation introduced by the United States has come as a blessing in disguise for Indian organisations by placing a check on the loss of the skilled professionals as well as moderating the need for raising compensation.

A notable feature of the multinational presence in India in the software sector is that they were mostly catering for the needs of the parent firm. For this reason, they were not competitors of Indian firms in either the services offered or the talent they wanted to attract in the early years. Since MNCs were not directly competing with the Indian organisations for the same market, the price competitiveness of the Indian firms remained intact and a number of domestic firms both big and small entered the market. Despite the large number of new organisations, which emerged, the focus was on the export of services; the domestic market was out of their focus, and they were competing with each other for almost the same market (Athreye 2003). Some organisations took the initiative to secure international certifications in order to differentiate themselves from others. For example, by 1998, more than half of all the certified organisations for CMM (Capability, Maturity, Model provided by the Carnegie Mellon University) were Indian (Athreye 2003). It is interesting to note that another trend during this period was the concentration of organisations for domain expertise. For example, Infosys and TCS focused on banking and insurance markets and Wipro on R and D services, (Athreye 2003). Some of the work by these organisations involved working for the clientele overseas in their offices and this gradually developed into a business model referred to as 'on site'. The firms charted various plans to enhance their competitive edge such as mergers and acquisitions and listings on stock exchanges abroad. For example, Infosys was listed on NASDAQ. Another interesting development during this time was the establishment of a hybrid type of organisation with the front office in the US, which used to took care of the technical services whereas the team was based in India (Athreye 2003). Some examples for this kind of ventures include Silverline and Mastech.

Athreye (2003 p.23) argues that by the end of this period, the Indian software industry had "built up both a general capability (for outsourced service delivery) and some firm-specific capabilities (in particular domains and in software management ability)". By this time, two business models of software emerged: onsite and offshore. She further argues that with a few possible exceptions, organisations were working on the outsourced service model (off shore) and the transition was from on site to offshore models.

5.4.4 CONSOLIDATION AND SLOWDOWN: 2000 ONWARDS

The decision of the government to permit private investments in telecommunications caused a dramatic fall in the prices of internet connectivity, which was vital for the development of software especially for connecting to the clients overseas, and accounted for a significant share of their business. The year 2000 witnessed the dotcom crash and the recession in the United States. The software sector tried a diversification strategy by attempting to move to the European, Japanese, and African markets (Athreye 2003). It is also observed that the size of the outsourcing deals secured by the Indian organisations increased tremendously in value, the deals had long-term commitments, and the billing moved from the time and material model to the fixed price model (this is described later in this chapter). The deals demonstrated the growing and maturing phase of the Indian software industry and the technical and managerial capability of the Indian firms to take up complex and large projects. Some examples for the major deals included those of HCL with BT and Wipro with Sony Erickson.

Some small organisations evolved to cater for the niche segments such as digital signal processing (DSP) and embedded software and system on chip (SOC) (Athreye 2003). An example is Technostar, which has many IPRs to its credit and does substantial R and D activities for the leading MNCs. Many of the newer organisations operate out of the Silicon Valley using global networks, focus on emerging future needs, such as digital technologies, and many are set up by academics. However, the absence of a large manufacturing base in India limits their scope in India and hence the big software organisations such as Infosys and Wipro are exploring the possibilities in China, although the managerial skills for coordinating this venture would have to be acquired by the Indian organisations. Infosys has already started its operations in China. Athreye (2003) observes that the application of the offshore

models to other domains had led to the development of a number of IT enabled services such as back office data processing and medical transcription.

An in-depth understanding of the software sector in India is possible only if the nature of work done by them is examined. The next section describes in brief the kind of software work carried out by Indian organisations and the nature of such work.

5.5 THE SOFTWARE SERVICES OFFERED BY INDIAN ORGANISATIONS: NATURE AND FEATURES

One significant feature of the software sector in India is that it is exclusively focused on services and not products. D'Costa (2004) suggests that several factors are responsible for this. The most important reason is the absence of a vibrant domestic market. This is because the government has not encouraged computerisation in government and public sector enterprise due to the fear that this would aggravate the problem of unemployment (Khanna and Palepu 2004). Secondly, the government wanted to protect the domestic market and hence there was a very high tariff on the import of hardware (for example, in the 1970s and early 1980s, it was as high as 350%).

In fact, the development of the software market presupposes a developed market for hardware since software needs to work on that platform. The limited use of hardware in India during the early days of the development of software limited the market for software. Since the domestic industry was protected through exorbitant rates of tariffs, it also did not experience the need to enhance productivity and adopt information technology. Similarly, the development of software packages or products presupposes a continuous and intensive interface between the producers and users. The significant clients of the Indian software organisations are from the United States and Europe. The geographically distant clientele abroad and the limited internal market cannot therefore support the extent and nature of the interface required for product development. Moreover, products entail huge investments and marketing outlays which favour the marker pioneers and put small organisations and late entrants at a tremendous disadvantage.

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Two kinds of services are generally offered by the Indian software firms: on site and offshore services (Ethiraj *et al.* 2005). An on site project is one in which the Indian organisation provides the people with the necessary skills and expertise for clients who in turn travel to the client site and execute the work. In the case of offshore projects, the developmental (development of software) as well as the maintenance work is largely done from India, although some software professionals would visit the client office to understand their requirements and, in some cases, to install the projects or for vital maintenance. It might be observed that sometimes projects could be hybrid, incorporating the features of both types of projects. It follows from the very description of the projects that off shore projects are more cost effective to the Indian organisations due to the labour cost differentials (Gopal *et al.* 2003). In the case of on-site projects, the software engineers in most cases need to be paid at the prevailing national rates and this removes the cost advantage Indian firms enjoy.

However, Indian organisations had to take up many of the projects on site and there are several reasons for this (Ethiraj *et al.* 2005). First, Indian firms had to win the confidence of the clients about their delivery capabilities. Besides this, Indian organisations experienced a need to understand the requirements of the clients and this then led to the execution of projects on site. However, the Indian software organisations have gradually won the confidence of clients and have started taking up a lot of the developmental work from offshore. This has given the Indian software organisations the opportunity to make use of labour cost arbitrage to their advantage. The advances in communication technologies and data transfer provide another factor which has made possible the execution of offshore projects. The liberalisation of the Indian economy has resulted in many private players offering dynamic and cost effective avenues for international communication and this has ensured that the channels of communication are both efficient and cost effective. The software organisations originally developed this technological advantage and established a unique business model wherein work is acquired from overseas, developed locally and delivered globally (Indian software organisations term this Global Delivery Model (GDM)).

Another prominent feature of software projects is that they can be divided into two, depending on the type of contract entered into: fixed price (FP) and time and material (TM) (Ethiraj *et al.* 2005; Banerjee and Duflo 2000). In the fixed price model, the fee for the project is first negotiated and the vendor organisation then bears the risks. This is because a poor estimation

would result in more work than anticipated and the vendor organisation has to bear such unanticipated costs. On the other hand, if the project is managed well the margin for the vendor would be much higher in the case of the fixed price model.

With respect to the T and M model, the vendors agree to pay "…..at a pre-negotiated rate for every person hour of effort expended on a project…." (Ethiraj *et al.* 2005, p.32). In other words, the responsibility of the vendor is to make available the necessary skills to develop and execute a project. The payments are normally made, when a pre-defined milestone (a specific part of the contracted work is referred to as milestone in software organisations) is achieved or when the project is completed. This protects the Indian vendor from cost escalations. On the other hand, the client also has an advantage since the rate per person-hour is negotiated hard. The Indian software organisations used to work on T and M projects in the initial stages. This was mutually beneficial since it helped to cover the risks in the early days for the Indian firms when they were not certain about the exact amount of the work to be done and the clients had the assurance that the Indian organisations were not billing them exorbitantly (Ethiraj *et al.* 2005).

However, as the industry matured, there was a definite preference on the part of Indian organisations to move to a fixed price since by then they had acquired the managerial skills to handle projects effectively and assume the risks associated with a project. Moreover, the clients were amenable to the idea of fixed price models since these required no behavioural monitoring, which was required under the time and material model. Further, they had penalty clauses in the event of delays or defects. This saw the maturing of the Indian software sector, which gradually acquired the capability to take and manage risks and became more entrepreneurial in the process. The growth of the software sector, as mentioned above, has made a significant impact on the national economy. This is discussed briefly below.

5.6 CONTRIBUTION OF THE SOFTWARE SECTOR TO THE ECONOMY

The contribution of the IT sector to the national economy has been manifold. Exports remain a point of unique strength in the Indian software sector. Eighty per cent of the software produced in India is exported (Strategic Review 2007). Furthermore, software export constitutes a source of precious foreign exchange. The sector employs a large number of the

technical professionals from the talent pool and is a relief to the vexed issue of unemployment facing India.

Kumar (2000) argues that one offshoot of the developments in the IT sector has been the growth of a myriad set of service industries, especially what he calls "the informal IT sector", which includes services such as maintenance, data entry and customisation services for domestic users. These small and medium size organisations work in a similar way for their clients in India as the big Indian organisations do for large organisations abroad. They also make use of the cost differentials and the availability of the English speaking population.

Another contribution is that the software sector set a good example for 'good organisational practices and technocratic entrepreneurship' (Arora and Athreye 2002). A study conducted by Credit Lyonnais Securities Analysis (CLSA) in 2001 proves that corporate governance is substantially better in the software organisations in comparison to the other Indian organisations. Faced with the issue of attrition and severe loss of talent, organisations have even introduced schemes for employee retention such as stock options and some even started issuing the ADR (Asian Depositary Receipt) - linked ESOP (Employee Stock Option Plan). In addition, they have introduced many Human Resource Management initiatives such as investing 4 - 6% of their revenues in training, and schemes for career planning, knowledge management as well as sharing. Khanna and Palepu (2004) maintain that the social transformation brought about by the software sector is phenomenal and they go on to argue that the sector has created 'role models of entrepreneurship'. The availability of computing facilities, even in remote villages in India is indicative of the social transformation the software industry has brought about (Das 2000).

The various factors associated with the success of the Indian software industry are summarised below.

5.7 FACTORS WHICH CONTRIBUTED TO THE GROWTH OF INDIAN SOFTWARE INDUSTRY

The success of the software industry can be attributed to the fulfilment of many requirements in this Industry by India (see Arora and Athreye 2002; Arora *et al.* 2001). The huge

investments made in higher education have ensured that as many as 150, 000 English-speaking engineers and science graduates pass out every year in India, and this has been happening since the 1980s. One of the crucial requirements for the success of the software industry is the possession of entrepreneurial and managerial competence. Another factor is the link and network with other major markets. The number of Indian expatriates working in high-level technical and managerial positions in the key markets of the US and Europe have helped India to meet both these requirements. Moreover, networking helped India to understand and respond quickly to the changes in the software services abroad. This has led to another unforeseen advantage: it enabled India to mobilise the talent required at extremely short notice. This and the other endowments of the Indian economy, such as the steady availability of a large number of English speaking, less expensive, and technically qualified professionals, have helped to make the case of India strong.

Arora *et al.* (2001) highlight the role of government clearly, when they argue that the 'benign neglect' by the government ensured that the tough regulations imposed on other sectors of the economy were conspicuous by their absence in the software sector. Khanna and Palepu (2004 p.21) depicts this very succinctly when they argue that "software with its characteristic intangibles was too ephemeral to be included in the purview of……the bureaucrat's otherwise omnipresent proverbial radar screen" (a powerful dig at India's regulatory regime). Besides this, there was active encouragement on the part of the government, such as with the simplification of the permits.

The opportunities offered by the technological revolution also helped India. There were a number of Indian software engineers working in US and they served the function of networking between buyers and suppliers (Arora *et al.* 2001). Another factor, which helped in the case of India, was that the initial investments required were low in the case of the software services organisations (Khanna and Palepu 2004) and the delicensing of hardware imports after 1990 took away the entry barriers to the software sector.

Human resources and their skills and competencies constitute a core strength of the software sector. This sector has created many challenges for the human resource function and some of the important issues are briefly discussed below.

5.8 HUMAN RESOURCE MANAGEMENT IMPLICATIONS

The resource endowments of the Indian economy, especially the availability of engineers and scientific labour, are a major reason for the high growth of the software sector in India. The remarkable growth of this sector created fierce competition for software programmers and this occurred in several ways. Firstly, the foreign competitors exerted pressure on their national governments to relax immigration laws. Secondly, the multinational companies operating in India started offering very high salaries and lured skilled programmers. Although the government set up more institutions for technical education, the scarcity was felt. Some organisations even went to the extent of pooling and sharing their (human) resources especially for the onshore projects. The wages also rose (by 30% in the mid-1990s) and Arora et al. (2001) in a research study found that employee shortage and attrition had become the biggest problem. This created tremendous problems for the organisation. First, the spiralling salaries were a direct charge on the profits and organisations attempted to compensate the increase in wages by increasing productivity in other ways such as the use of software tools, training, and more efficient practices. The employee attrition meant the loss of talent with expertise in specific domains and the loss of the key people meant the loss of a part of the customer base. This became even more acute when talent was lost to the competitor. Moreover, the loss of people also meant project delays and, as the research by Arora et al. (2001) found in certain cases the entire project team left because of more attractive compensation elsewhere. The attrition was more of a problem for smaller clients and organisations with a product focus.

The organisations responded to these problems in many innovative ways such as intensive training, meticulous documentation of processes, and the judicious use of human resources (such as deputing skilled and unskilled people together on projects). Furthermore, organisations resorted to splitting tasks in the offshore projects and the skilled employees were used only for those tasks which require their critical skills. They were also compensated according to their productivity. The offshore model allowed organisations to keep the skilled people at the project site and use the low-skilled people for low-skilled tasks offshore.

The software organisations took several steps to address the above issues, especially the high level of employee attrition. An important initiative undertaken by these organisations was

that of making the workplace attractive. Many organisations took initiatives to introduce an appropriate culture with a view to making the workplace more interesting and fulfilling. It is common for software organisations to celebrate the birthdays of the employees, taking employees for adventure sport, especially outward-bound training, and organising cultural programmes to name a few. Some of the innovative human resource management practices aimed to check employee attrition included the introduction of ESOPs, liberal benefit packages, career plans, employee satisfaction surveys, knowledge sharing, and management practices and various strategies to make the workplace more attractive. There is an annual survey conducted by Gallup which most of the software organisations encourage their employees to participate in and in fact many of them compete to get the top slots in the best places to work survey and consider it very prestigious (source: *Dataquest* issues in 2005, 2006). Furthermore, in knowledge-intensive contexts such as software, people are considered a strategic resource to enhance the competitive edge (Alvesson 2004) and an analysis of the financial statements reveal that more than 50 % of the revenues of Indian software firms are spent on compensation and other benefits to the employees. Moreover, many software organisations attempt to recruit their junior software engineers from academic campuses and they need to position themselves as attractive workplaces with innovative practices. These conceptual as well as practical considerations have given organisational culture a prominent place in Indian software organisations. The next chapter provides a detailed account of several such aspects of organisational life in Technostar, the empirical setting of this study. It is in this unique context that this study explores organisational life in-depth and examines its potential linkages with effectiveness.

5.9 CONCLUSION

The software industry has come to play a significant role in the Indian economy. It has contributed immensely to the growth of the economy by exploiting the resource endowments of the economy. The industry has also set in place many healthy practices from corporate governance to human resource management practices. The industry started by catering to the low value adding activities such as coding and maintenance of the software services. However, it is now attempting to move up the value chain into design and requirements analysis. Similarly, it has made a movement from the Time and Material (T and M) model to fixed price model. Furthermore, it is trying to evolve into the consulting mode where it can

provide all software services from a single window. However, this change is happening gradually and at present a significant part of the work done by Indian software organisations is at the lower end of the value chain.

The focus on software products is low which in way reflects the state of the development of the Indian economy. The physical distance from the centre of industrial activity is definitely a problem. It is geographically distant from the industrialised countries and the domestic market is only growing slowly. Some of the organisations have taken steps to address this issue by moving into markets such as China, where the economic activity is very dynamic. However, the capabilities for managing such a complex process need to be mastered by the Indian software organisations.

At present the major part of the outsourced activity by the MNCs does not form the high value adding end of the software development process and going by extant literature, the 'mission critical activities' are unlikely to be outsourced to India. Rather the outsourcing of the routine tasks help them to concentrate on the high value adding aspect of software development. However, there are many organisations, which are experimenting on a large scale in products and consulting model. Some organisations are outsourcing their R and D activity and this provides some benefit to the industry. The export focus of the industry is a strength, but is a weakness too from a different perspective. This makes the sector heavily dependent on externalities for its growth and could pose problems in the long-run.

Clearly, the prominence of the software industry in the Indian economy can hardly be exaggerated. It has created an entrepreneurial wave in the national economy and it is growing and evolving at a fast pace. Further, it has made the world look up to India as a promising and performing economy, whereas it was associated with a set of economic problems until recently. Most importantly, the prominence of people in the software industry as well as the high competition for skilled professionals have brought organisational culture to the fore and against this background, it is interesting to explore the potential linkages between organisational culture and effectiveness.

CHAPTER 6

TECHNOSTAR: BACKGROUND OF THE CASE ORGANISATION

6.1 INTRODUCTION

This chapter presents a brief overview of Technostar, which was the setting for the empirical study. However, this is done briefly since the detailed description of the organisation is included in chapters seven, eight, and nine. The details of the history and origin are briefly mentioned at the beginning. This is followed by a description of the Human Resource Management policies and practices of the organisation.

6.2 TECHNOSTAR: ORIGIN AND DEVELOPMENT

Technostar was established in 1989 in one of the biggest cities in northern India (all names and places are pseudonyms). It was started by five visionary and patriotic Indian software professionals. They believed that although the giant strides in the field of technology benefited a number of Indians, India had not gained much through such advancements in technology. They started Technostar with the goal of 'unleashing Indian creativity' and 'making India great'. This vision left an indelible imprint on the character of Technostar and was said to be the force which drove the business strategies, organisational structure, organisational culture, systems, and processes. It is the publicly-stated objective of Technostar to become a world class company in the telecom domain. Nineteen years hence, Technostar has emerged as a major technology company in India. It won an award as one of the top two best employers in India for two consecutive years.

Technostar had an unwavering focus on software products in the telecom sector ever since its inception in 1989. As noted in chapter five, software organisations either focus their business on products (where they make, patent, and then sell specific software products like Microsoft Office) or they concentrate at the service end of the business where they help organisations in setting up and managing their software services. Technostar started its operations as a product company in 1989, but expanded into the service business in the year 2000. The

product range of Technostar includes wireless and wire line communication products in the forms of integrated solutions such as complete phone software solution including WMS (Wireless Maritime Services), application suite and MMI (Man Machine Interface) integrated on a partner reference platform, application solutions such as complete multimedia and messaging suite aimed at the smart phone market and wireless modem solutions. The organisation has successfully patented six products in the telecom domain. The application for patents for another forty-five is being considered. Technostar provides a range of services in the telecom domain. The company has a global presence with offices in USA, UK, Germany, France, Mexico, Japan, and China. The revenues of the organisation have been steadily rising and in the financial year 2005-06, the revenues reached 70 million US Dollars. The organisation employed over 2000 people in 2005.

The year 2000 marked a new beginning in the history of Technostar. In addition to its traditional area of business, the organisation expanded its operations to include services in the telecom sector. The new business included services for network equipment manufacturers, semi conductors and terminal devices in the form of software support services for wireless networks and terminals; installation and commissioning of wireless networks and chip and software design services.

Technostar was started as a private limited company, but in 2005, it converted into a public limited company with its initial public offer (IPO) of shares. The public offer was oversubscribed 70 times. This is proof of the goodwill the organisation enjoyed in the market. Technostar is currently listed in both the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India. Almost all of the business of Technostar is with firms overseas and it serves a range of world-class customers and some of them include Nortel, Texas Instrument, Motorola, Lucent, Panasonic and NEC.

The commitment of the organisation towards service excellence can be noticed from a number of initiatives undertaken by the organisation. Prominent among these is the emphasis on processes. Technostar has secured many certifications of processes of international standards. The certifications include CMM (Capability Maturity Model) level five, TL 9000 (quality standards of the worldwide telecommunications industry) and BS7799 (standard for information security risk management).

Technostar has a flat organisational structure consisting of five bands from one to five, with bands four and five having two tiers of A and B. Band one has only the CEO at the top. Band two has very senior people (five) and band three about 20 senior people. The rest of the employees are spread between band four (both A and B) and five (both A and B). Band five B has the software engineers who join as graduate trainees in the organisation.

6.3 HUMAN RESOURCE MANAGEMENT AT TECHNOSTAR

Having described the business of Technostar, it is important to examine the ways in which the organisation structures its human resources to achieve its objectives. Of special significance are the HR policies and systems. The HR policies and systems are indicative of organisational life in Technostar. Data analysis suggests that they are designed to capture not only the values espoused by the management but also the practical systems of achieving these values.

Information provided by the company shows that it clearly articulates that it is a 'people first' organisation. 'People first' is also reflected in a number of organisational practices and can be easily observed from many visible artefacts. For example, this is displayed prominently in the huge display board in front of the organisation and in the many official tools of communication such as the letterhead. The HR policies and practices of the organisation were first developed in the initial stages of the growth of Technostar and they reflect the research bias of the organisation. Technostar started its operations with the business in telecom products. Product business entails intense research and development. Sometimes products take a long time to develop, but once developed and patented, they are a source of constant revenue for the organisation. In this regard, Technostar is among the limited number of Indian organisations which do business in products. Most of the Indian software organisations are in the services business, where they undertake specific projects for their overseas customers (see also chapter five).

Technostar has been successful in the product business and so far, it has many patents to its credit, as described earlier. This is indicative of the intense and dedicated research and development focus of the organisation. Technostar invests a large amount of resources on the research front, especially for the purposes of developing new products. Besides this, some of

the organisations, which work with Technostar, have, of late, invested tens of millions of dollars in Technostar for product development purposes. Technostar claims that people are its only assets and they need to be nurtured and their dedication is crucial to the realisation of the organisation's vision and mission. Human Resource Management is accorded top priority at Technostar and the head of the HR function is a member of the board of directors of the organisation.

The perusal of the intranet suggests that as a basic HR philosophy, the organisation has a three C model with character, competence, and commitment as its salient aspects (Source: HR Policy Manual). The archival records suggest the managerial claim that Technostar believes in hiring the best people, empowering them, and creating an environment where the best people can bring out excellent results. The research focus of the organisation is amply reflected in the recruitment and selection of employees (source: intranet, recruitment and selection section). Since the product focus requires intensive research and inputs from experts, the intake was very limited until 2000 and the number of people employed was approximately 500.

Recruitment in Technostar is done based on the annual plan formulated for each year in tune with the projected business for the year. During the initial period, when the concentration was on products, the number of employees required was few in number. Technostar used to recruit from the top technical institutes of India. Particularly, Technostar used to recruit large number of graduates from the Indian Institute of Technology (IIT) which is the most reputable technical institute in India. An archival audit of procedures shows that the process of recruitment used to be very rigorous and in certain cases, it used to take days. In addition to the technical assessment, there used to be a compulsory HR interview, where the personality characteristics of the person are assessed in terms of one's fit with the work environment of Technostar. Even if one qualifies for the technical part of the selection process, one could be rejected in the event of one's failure to qualify for the HR processes. Technostar enjoyed a good reputation in IITs (Indian Institute of Technology) and during this period, approximately fifty per cent of the employees were IIT graduates. However, this systematic process of recruitment underwent a major change in 2000, when the business strategy of Technostar was repositioned with the inclusion of services business.

It has to be observed that Technostar retained its focus on the telecom sector although many Indian organisations diversified into many areas in software such as banking, insurance, retail, and manufacturing. The reason for this is the management vision (in general) and the founding chairperson's vision (in particular) that telecom is where Technostar should grow and it should become a world-class player in the area of telecom. It was believed that the diversification into a number of areas would ditract from the focus on telecom. Although this strong vision had its advantages, it was not devoid of drawbacks. The most important drawback was that Technostar found itself without the huge resources other software organisations could generate. Moreover, the paucity of resources was a serious handicap in research and development and consequently on product development.

One of the offshoots of this felt need was the decision to expand the operations of the organisation into telecom services. The service business was sharply different from product development because of a number of factors and required a different strategy and management talent. The services business is hugely people intensive and often entails meeting tough customer deadlines. In the services business, the organisation has to work closely with customers and this entailed some of the employees working in customer sites. The services business in India was growing at a very rapid pace during this time, due in part, to the outsourcing boom, which is described in detail in chapter five. Hiring has come to assume critical significance at this stage due to the fast growth of business, wherein people need to be recruited on a continuous basis. There was another important reason why hiring became important. There is a very high rate of attrition in the software sector, which was different from year to year and is around 20% at present. Attrition is higher in the software sector because of a number of reasons. One of the business reasons is that often recruitment happens based on the anticipated projects and the people recruited need not get the project of their choice. Sometimes, the anticipated projects might not materialise and sometimes some existing projects might require more hands due to attrition. This coupled with the heavy demand for software professionals and the huge salaries offered by MNCs often result in high rate of attrition.

Although Technostar used to recruit only from the top technical institutes in India initially, the expansion into services necessitated recruitment of more people at short intervals. IITs and Regional Engineering Colleges (RECs) were not able to supply the large numbers required by

the service business. Moreover, the boom in the software sector in India and the entry of MNCs, created complications in the labour market. The MNCs started poaching from the established indigenous organisations and they were often able to offer substantially higher rewards, capable of attracting the best talent. Organisations such as Technostar, which were the favourites in the top technical campuses due to the highly challenging technological work they used to offer, suddenly found it difficult to match the onslaught of MNCs in terms of the total package offered to employees. These developments and the rapid growth of Indian firms (some of them employing people in the range of 30,000-40,000 and some of them recruiting about 10,000 people in a year) made the chase for talent very competitive.

Against this background, Technostar started recruiting from other technical institutes as well. When this happened, the carefully-cultivated strategy of rigorous recruitment had to be altered. The services business required a large number of people and many of the projects required such large numbers of people to be recruited at rather short intervals. Recruitment and selection was separated from HR and made another separate function called 'Resourcing'. Recruitment also happens laterally and the source is newspaper advertisements and employee referrals. Massive recruitment and selection raised practical issues and gradually the process was simplified.

One of the widely acclaimed features of Technostar, which is argued to have an impact on every aspect of organisational life, is that it follows a 'single status' for all employees. This means that everyone is treated alike in the organisation in all matters except compensation. Compensation is directly linked to one's performance. This is meticulously practised in the organisation, is captured in a number of organisational systems, processes, and practices, and is powerfully reflected in visible artefacts. Everyone is given cubicles of equal size - whether it is the Managing Director or the trainee, everyone flies economy class except under a business contingency, everyone gets equal entitlement to leave, facilities, and other benefits. Wherever facilities are limited, it is given on a first come first served basis, whether it be the CEO or the trainee. This is also perpetuated through a number of stories told and retold in the organisation. Once an employee satisfaction survey was being conducted and it was announced that the first fifty volunteers could participate in a live session, where all the Technostar offices across the world would be linked live. The CEO came for the event but was a little late and by that time fifty people had already come and he was not allowed into

the session. This researcher frequently observed senior managers queuing in the canteen, sitting with employees, and having their food with junior staff (unlike the traditional Indian way of separate canteens for officers and workers).

'People first' is claimed to be another significant aspect of organisational life in Technostar. Technostar explicitly claims that it places people above everything else. There are many stories that go around, which perpetuate this emphasis on people. One of the stories is remarkable. When the SARS epidemic struck South East Asia in 2002/2003, a number of Technostar employees were working at client sites in the different SARS affected areas. After careful consideration of the options, Technostar withdrew its people from the affected areas, signalling the preference of people over business. Although it created some customer dissatisfaction, Technostar stood by its decision. This is always compared with the inaction on the part of many other software organisations, which, too, had their employees working in the affected areas.

Drawing from the above philosophy of 'people first' and 'single status', Technostar claims that it would like to be an organisation, where the employee minds are free of fear. The Head, HR, who, himself, holds a Ph.D in Organisational Behaviour, claims that as a step in this direction, the organisation would like to ensure not only distributive justice but also procedural justice. He argues:

> *"One thing that we were very clear about when we started this organisation is that we want our people to be free from fear. I mean absolutely no fear at all. Our values are derived from this. Fear is absent, when we are not rigid about anything. See for example, there was a guy here who wanted to work from 10 pm to 6 am; his argument was that, that is the time in which he is the most creative. We agreed without any problem."* (Senior Vice President, HR aged 48, with Technostar for 11 years)

And later:

> *"Normally organisations are concerned only about distributive justice. This leads to many organisational issues. We are very clear about this. We feel that procedural justice is equally important and without procedural justice, you cannot have distributive justice. That is why we follow single status. Performance is the only differentiator here. If you need to meet the CEO, you can walk across to his cubicle and take an appointment from his secretary; if he is free, you will get an appointment. There are times when people, who moved laterally to our organisation, rake up this as an issue. They want to fly business class. I tell them that we all should be able to fly business class and let us generate the wealth for that. If we create less privileged people, then*

we need to undergo much more pain than this to sort out the issues arising out of it."
(Senior Vice President, HR aged 48, with Technostar for 11 years)

The organisation claims to uphold five core values: integrity, respect for individual, innovation, customer orientation or intimacy and Innovation (source: intranet). The way in which these values were identified is interesting. The analysis of the archival documents suggests that these values were evolved through in-depth discussions between employees at the different bands of the organisation, facilitated by the HR department. A process technique called 'large scale interactive process' (LSIP) was followed and the researcher was given access to look through the pages of this document. These values are clearly defined through the deliberations and these values are claimed to be the driving force behind the growth of the organisation.

One function that has great importance in Technostar is performance management and compensation is linked to performance, as measured by the performance management system. The performance management system begins with the setting of the quarterly Key Performance Areas (KPAs). There are appraisals in every quarter. The appraisal form is first filled by the concerned employee and then it is to be discussed by the employee's manger and sent to the HR department by the manager with his comments. One of the key features of the performance management process is the forced ranking of people into four categories and this is done by management teams in their meeting and is arrived through discussions. There are four categories of performance groups: A, B, C, and D with A denoting best or excellent performance, B good, C average and D poor performance. The variable pay is based on performance category to which an employee belongs. HR plays an important role in this process. HR is the process owner here and facilitates the whole process. People who have grievances about this process or have issues about their ranks can appeal to the HR. HR then enquires into this and takes action.

Training is claimed to be an ongoing activity and is linked to performance management. Technostar imparts both technical as well as behavioural training. The technical training includes generic training programmes such as UNIX and C++, telecommunication training such as wireless, MMS, and datacom, and programme specific training such as Analog and mixed I/C. The behavioural training includes leadership programmes, project planning training, language and multi cultural training, and training intended to institutionalise

Technostar values. The organisation also partners with some of the leading business schools in the world for the management development programmes. These include programmes such as International Execution Education at Harvard, INSEAD, and LBS; customised Management Development Programmes at the Indian Institute of Management, Management Development Programmes conducted within Technostar; and sponsoring employees for programmes at places like Illinois Institute of Technology, IIM-B (Indian Institute of Management - Banglore) and BITS (Birla Institute of Technology) - Pilani.

Technostar claims to follow many unique and interesting policies. The organisation has a twenty-four hour open office. The doors of the office are never locked. In addition, the organisation does not have a main entrance (representing openness it claims to practise). There is no attendance logging system in the organisation and flexi time working is followed, where employees have the flexibility to organise their work according to their choice and the requirements of the organisation. Leave policy at Technostar appear to be interesting. Leave is always need-based and does not have quantitative restrictions. Furthermore, it has the interesting forms of leave such as sabbatical and hibernation. In sabbatical, the employee can go for the relevant higher education in the respective field of work. Hibernation is 45 days of leave granted at the completion of five years of service to every employee. Technostar does not enter into any forms of employment bonds, practised by similar Indian organisations (in many Indian software organisations employees have to sign a bond to work for the company for a specified period of time in return for the technical training they receive).

The organisation provides many facilities to the employees beginning with Crèche and Montessori. It has an in-company gymnasium with many facilities, which can accommodate as many as 1000 people. The gymnasium is open 24 hours for the employees. The organisation has the practice of screening a weekend movie (the researcher participated in some such movie shows), which is reminiscent of the old practice of all employees together going for a movie once a month, when Technostar was small in size. Technostar screens some of the important sports events such as the football and cricket World Cups. There are various clubs such as Music Club and many cultural events such as painting or collage organised at different points of time in the organisation. It has a very generous medical scheme, which covers all the medical expenses of the employee and their families and there is no limit on the medical bill.

Technostar claims that it believes in openness and transparency and it fosters constant communication between people. Any important business development is directly communicated to the employees through emails by the CEO himself. There is the quarterly Business Update Meetings (called the BUMs), where the top management or the CEO addresses the employees directly and explains the business directions. Every quarter, there is a General Information Seminar (GIS), which is held at the BU level. Furthermore, the CEO meets the employees informally in small groups and directly talks to them about the business of the organisation and listens to their views. Every employee is met at least once a year. There are regular meetings called 'one on ones', where the reporting officer meets every one of the reportees individually. The timing of these meetings might vary; however, such meetings are claimed to happen on a regular basis.

Technostar has a sexual harassment policy in place and it follows a policy of zero tolerance on any complaint of sexual harassment. Any complaint is immediately enquired into and action taken immediately. There are stories such as one of a senior manager being asked to leave the organisation on the issue of sexual harassment, which suggests that the organisation initiates instant action where employees complain of sexual harassment.

Skip level meetings is another aspect of organisational life at Technostar. In the skip level meetings, the subordinates of a reporting officer are met by the reporting officer's supervisor (reporting officer) and Employment Relations Prime (the person responsible for employment relations for that particular Business Unit), in the absence of the reporting officer. This feedback is then recorded and sent to the concerned person. The frequency of these meetings might vary. However, at least one skip level meeting is held every quarter. In addition, there is something called 'touch meetings', where the employee is met at least once in a year by the Employment Relations (ER) Prime. The touch meetings are intended to generate a wide range of feedback. They address the specific issues and concerns the employee has with the organisation in general and people one works with in particular. The feedback generated through these processes is analysed and suitable initiatives are taken based on this. What follows is the description of data on organisational culture and effectiveness from an integration perspective.

CHAPTER 7

ORGANISATIONAL CULTURE AND EFFECTIVENESS: AN INTEGRATION PERSPECTIVE

7.1 INTRODUCTION

This chapter examines and analyses the relationship between organisational culture and effectiveness from an integration perspective. The data is examined for the consistency in the significant themes of organisational culture and these themes are analysed for their influence on the different aspects of effectiveness.

The integration perspective of organisational culture (as described in chapter one) is characterised by organisation-wide consensus and harmony on organisational values and their consistent expression in a variety of 'cultural manifestations' with clarity, and thus precluding the existence of ambiguity (Martin 1992, 2002). According to Martin (1992, 2002), consistency, which is characteristic of the integration perspective, can be of three kinds: action consistency (congruence between formal and informal practices); symbolic consistency (congruence between themes and their symbolic expressions) and content consistency (congruence between themes).

What follows is a presentation of the analysis of the relationship between the integrated view of organisational culture and the various aspects of effectiveness. The analysis is preceded by an overview of the evolution of the integrated perspective of organisational culture in Technostar.

7.2 AN INTEGRATED PERSPECTIVE OF ORGANISATIONAL CULTURE IN TECHNOSTAR: AN OVERVIEW

The analysis of the data suggests that the evolution and maintenance of organisational values which many see as contributing to effectiveness and which many employees described as widely shared in Technostar owe a great deal to the business strategy of the organisation and the way Technostar grew over time. The small size of the organisation in the early years, the

focus on products, and the policy of 'people first' played significant roles in shaping and developing organisational life in Technostar. The policies pursued by the organisation are consistent with those that are commonly attributed to companies wishing to manage their organisational culture (see Ogbonna 1993). For example in the initial days, it recruited graduates from only the top technical institutes in India and the selection process was very rigorous. This resulted in a great deal of homogeneity in the outlook of employees towards work and organisational life. Many of these people have stayed with the organisation for a considerable length of time and have experienced the authenticity of the people oriented aspects of organisational life especially when the organisation faced external challenges. The researcher heard many stories which appeared widely shared in the organisation and which seemed to play a major role in perpetuating the culture in Technostar. One example is the story of how the company managed the difficulties presented by the downturn in the telecom sector in 2001 without compulsory redundancies. Instead, employees apparently volunteered to take a 20 per cent cut in their salaries and this helped to see the company through this difficult period. The importance of such stories for the maintenance of values and the role they play in the acculturation of new employees is commonly emphasised in the literature (see Wilkins 1983).

7.3 ORGANISATIONAL CULTURE AND EFFECTIVENESS: AN INTEGRATION PERSPECTIVE

The archival data show that Technostar has a strong focus on telecom products. A product in the software industry is a technological solution designed to address the business requirements of telecom companies. Product development entails an in-depth understanding of the requirements of the business so that innovative technological solutions can be developed to fulfil these requirements. Furthermore, product development requires anticipating customer needs and developing innovative solutions with better offerings and features than the existing products. Clearly, this is different from simple application of technology and involves extensive research on a continuous basis. The complexity characteristic of this function is such that there are only a few product organisations in India, when compared to the software service organisations (see Strategic Review, 2005–07). Another challenge faced by Indian software organisations is the physical distance of these organisations from the ultimate end users of products based mostly in developed countries

(Athreye 2003). A proper appreciation of this is possible only if it is understood that 100% of the business of Technostar is with firms overseas. It is against these challenges in the business environment that effectiveness of Technostar is to be evaluated. An analysis of the archival data, especially the financial statements suggests that more than 40 percent of Technostar's revenues come from the product division. This is often contrasted with the failure or poor performance of the Indian organisations on the products business (Arora and Gambardella 2004). It is in view of these difficulties and challenges in the business context that many employees, especially the senior executives, argue that the fact that Technostar has been able to produce many patents shows that it has been highly effective. Indeed, the analysis of the archival data also suggests that the organisation is generally perceived as effective having successfully patented six products in the telecom domain. The interviews and observations suggest that such perceptions of effectiveness in Technostar are often attributed to organisational culture. For example, there is a widely shared view by employees in general, and senior executives in particular, that the nature of work in a product organisation like Technostar is highly research intensive and that organisational culture has played a unique and significant role in creating an environment which has made intensive research possible, leading to product development and patents. This is viewed as leading to profitability. The Head of one of the largest business units claims:

"We have the best talent in India and it has been recognised everywhere. We have some of the best brains, some of the best universities are here and our people are very talented. Still, you see that Indian organisations or Indians are not as successful as their counterparts in the West. What is the reason for this? It is not the quality of people actually. It is the environment that makes them successful. You see the same engineer who is passing out from one of the Indian colleges and going to US and he becomes successful over there. The same engineer is able to produce multiple patents over there, but he is not able to do that in India. What is the reason? We do believe that it is the environment that makes the difference and hence one of the building blocks for this organisation is that environment. So we decided that culture is very important. We need to build this. A lot of effort has gone for over a decade in this particular activity and that is how we see it over here. " (Vice President aged 44, with Technostar for 3 years)

The analysis of the data also suggests that there is a general belief among employees, especially the senior executives that organisational culture results in more productivity and that higher productivity results in profitability. It should be noted that in the traditional sectors of the economy, labour productivity is only one of the aspects of organisational

productivity which is the ratio of input to output (Kopelman *et al*. 1990). This is because other factors such as the kind of technology and capital investments influence productivity significantly. The analysis of the data suggests that in the case of the software organisations, the influence of other factors on productivity is much less in comparison to labour (see Mathew 2007). Indeed, the financial statements show that about fifty per cent (approximately) of the revenues of Technostar is spent on compensation and benefits to employees. The interviews and the observations highlight the general belief that people and their competence account for productivity and profitability in the case of the software organisations. Furthermore, the analysis of the data suggests the commonly shared view that the intellectual nature of software development work and the research involved in the process make the role of the organisational context pivotal. For this reason, it is argued that people and the organisational context drive productivity in Technostar. The importance attached to organisational culture can be understood from the fact that the head of the HR function is informally called the 'Chief Culture Officer'. Interestingly, there are a large number of employees who equate organisational profitability with human productivity.

*"In our business, we bill our clients for the time our software engineers spend for them. Therefore, our profitability is entirely driven by human productivity. We have a two-pronged strategy to optimise efficiencies. First, we hire the best possible talent......Second, we provide a stimulating work environment. Our core techies (*the short word for software professionals*) are engaged in developing products for the leading MNCs of the world and they are really proud about this....We would not have been able to patent so many software products, but for their total commitment and dedication. The work environment has been able to inspire such a killing instinct in them. In fact, we have put in pains taking efforts to develop this kind of culture and our experience in the last decade and a half shows that our investment in this direction has paid us rich dividends. There is all round recognition of this. Look at the times we won the best employer awards....... In fact I really feel jealous of the young people, who work here."* (Project Leader aged 31, with Technostar for 6 years*)*

This is akin to the goal-centred approach to effectiveness in that it is argued that organisational context has a positive influence on two key objectives that the organisation strives to achieve - productivity and profitability.

In the following part, the key themes of organisational culture and their relationship with effectiveness are examined and analysed in detail in relation to the data that emerged from Technostar.

7.3.1 'PEOPLE FIRST'

The analysis of the data suggests a general belief that Technostar follows a policy of 'people first'. The unique significance attached to people is generally perceived to lead to high levels of ownership and there is a shared belief that such ownership results in a number of positive behavioural and business outcomes. The researcher heard many stories which appeared prevalent in the organisation and which succinctly depict the 'people first' policy. An interesting story which suggested 'people first' is the withdrawal of employees from the SARS affected areas in 2002/2003, risking dissatisfaction from some customers (as described in chapter six). Such stories and many attendant practices accompanying the 'people first' policy such as the non-refusal of leave to employees irrespective of the pressures of business, have led 'people first' to be ingrained as an aspect of organisational life at Technostar, which is seldom violated. This is akin to the assumptions people developed when the organisation faced external adaptation and internal integration as described by Schein (1985). It is commonly believed that such an emphasis on people over business has generated very high levels of ownership and commitment, which has a significant influence on productivity and quality. An interesting observation was that even people who resigned from Technostar expressed an emotional bond towards the organisation. This is clear from the fact that they commonly came back and helped out in situations where the product they helped to develop had a problem, even though they no longer work for Technostar. For example, the researcher met one of the software engineers who resigned from Technostar a year previously but came to the organisation to help sort out some of the issues related to a product he helped to develop. As one executive explains:

> *"I think we have always been an 'employee first' company. That itself changed a lot of things here, you have a lot of trust in the employee and in return he has ownership. There is an automatic attachment to the company and to the product that he makes. Tomorrow due to some unfortunate circumstances, even if we lose him, we still have the freedom to call him anytime, and he would be attached to the product....he is emotionally attached. So he will come... In our own group many times people come back and they worked. I have been handling a package called PITS..... There was a person called [XXX] who left Technostar and joined [a prominent Indian software organisation]. After she left Technostar we had some problem with Pits. Pits is a payroll solution that we had developed two years back. There were instances when she had come and worked on Saturday and Sunday to help us. There are instances like that. To a great extent, we identify ourselves with Technostar. Definitely, I think all of*

us do. Commitment levels of the people here are very high." (Vice President aged 50, with Technostar for 5 years)

The analysis of the data suggests the general belief that the high people orientation which is characteristic of Technostar leads to heightened commitment of employees at all hierarchical positions and such high levels of commitment lead to a range of extra role behaviors. Furthermore, it is claimed that this frequently leads to direct cost savings and increased financial performance or effectiveness. The informants narrated many instances of such cost savings. One of the senior managers claims:

"I was supposed to get a visa. For the visa, I had given my new passport. The old (expired) passport was to be brought because in the old (expired) passport there was a rejection of visa. That passport had to be clipped to the new. So they told me "you will have to go and get your old passport". I could have called for a taxi costing Rs. 500 to the company. Instead of that I took an auto (the cheap three wheeler vehicles in India used for travel by ordinary people), *went home and came back. I paid hundred rupees out of my pocket. I could have said 'it is official'. A lot of people do this. It is a very interesting thing about this organisation - people don't charge the company for local transport, except people who do it very often. Most people use their car, they never charge. Why do they not? I am sure in other companies, they would not do it."* (Senior Vice President, HR, aged 48, with Technostar for 11 years)

The analysis of the archival data suggests that people rarely charge the company for local transport. The discussions with the finance manager confirm the claim of the Head, HR, that the overhead 'local transport' is very rarely charged by the finance section.

More importantly, the analysis of the data suggests that the high levels of commitment of the employees lead to many favourable outcomes at the workplace and it is claimed that such outcomes contribute to increased business and resultant profitability. For example, there are cases of employees taking up work which is unpleasant in a normal work context. An interesting example emerged during the course of an informal discussion at the food court:

"When I was working in [XXX, a big Indian software organisation], *there was a very bad, aggressive and harsh customer and that customer used to create so many problems to us that we were persuading the management to stop working for that client. When I left XXX and joined Technostar I felt relieved that I don't have to see the face of this customer again. As ill luck would have it, I had to work for this customer a few weeks after I joined Technostar and I was quite annoyed......Let me put it briefly, looking at XXX, I couldn't stand that customer, but looking at Technostar, I can tolerate him to some extent. My colleagues and reporting officers are very supportive here; if I have a*

problem, they are happy to help out." (Senior Software Engineer aged 27, with Technostar for 2 years)

This is akin to the goal approach of effectiveness, in that it is argued that cultural aspects lead employees to bear the difficulties of even unpleasant work leading to the key managerial goal of business growth.

The analysis of the data suggests that the high people orientation is often attributed to the CEO and the top management and that there is a great deal of shared faith and trust in and appreciation of the CEO and the top management. More interestingly, the analysis reveals that often such trust assumes even emotional overtones. Clearly, this is something employees experienced when the organisation adapted itself to the external turbulence and has come to be part of the beliefs of the people (see Schein 1985). The analysis of the data suggests that such trust and appreciation often lead to high levels of identification with the organisation. During the course of discussions, some young software engineers went to the extent of describing the CEO and the COO as 'role models'. This is also akin to the views of Martin (1992, 2002) that in some integration studies leaders are described as 'culture creators'. There were many widely prevalent stories which perpetuate such high appreciation of the CEO's people-oriented leadership style. A story was told of the CEO's driver who was with the CEO when he started Technostar and who is at present a manager in the organisation. The most interesting aspect of the story is that he was offered stock options as a driver (such generosity is remarkable in the Indian context where lower level employees are not considered for such privileges), at different points in time and he is a multi millionaire at present due to the rise in the price of stocks. This story is interpreted as showing the CEO's people concerns and wealth sharing habit. There are also stories of the CEO giving him a motor bike and later a car, after seeing his difficulties in going back home after dropping him. Another example is the two household maids of the CEO working as office attendants in the organisation. Furthermore, many employees narrated to the researcher that they felt quite nice when the CEO came to them and thanked them for being in Technostar, when they completed one year and five years of service or got some achievement awards. Furthermore, there are examples for action consistency in this regard. For examples, employees narrated several incidences when the CEO and the management kept their promise.

"[CEO] never ditches, he keeps his words. Because when there was a market fall in 2001-2002, we all had a 20% cut in salary; each one of the Technostar employee had a

20% dip in salary. He had told 'the market has gone down; so you are going to have a 20% cut but once the business improves, your salaries will reflect the changes in the market.' So when the software industry started growing, we all got a proper pay hike. And that is also something great, everyone through the organisation accepting 20% cut." (Senior software Engineer aged 29, with Technostar for 5 years)

The analysis suggests that the trust claimed to be commonly shared is a source of both satisfaction and effectiveness. Many employees argue that trust pushes them to stretch the boundaries and perform. For example:

"*.....What the trust has done is that it has given the feeling of trustworthiness in the person itself. The person knows that I need to deliver because there is this amount of trust that the other person has in me with which I need to reciprocate. Managers have the trust and they give employees the freedom to execute the task as they want and the whole feeling of trustworthiness helps you to improve yourself in the way you would like to do.*" (Software Engineer aged 26, with Technostar for1 year)

This strand of analysis is akin to the multiple constituency approach to effectiveness, wherein effectiveness is examined in terms the satisfaction of the key stakeholders. Data analysis from an integration perspective lays bare the high degree of satisfaction in organisational life and the values top management instil in the employees.

The analysis of the data further suggests that an extension of the policy of 'people first' is the high level of involvement of people in the various organisational initiatives and there is a general belief that such involvement has contributed to effectiveness. It is a common practice in Technostar to involve employees while introducing new initiatives, rather than adopting a top-down approach. For instance, an integration based analysis suggests that organisational culture exerted a strong influence on the way quality initiatives were introduced. Drawing a strand from the people orientations of organisational culture, Technostar attached importance to influencing people through discussions and involvement. Indeed, working in a 'relationship mode' while introducing the quality initiatives appears to have raised the acceptability and standards of quality. This is akin to the argument of Bright and Cooper (1993, p.25) that "culture purists" attach a key role for organisational culture in the internalisation and implementation of quality initiatives. One of the senior executives in charge of quality points out:

"*We are following the trends in metrics, various matrices that are charted over time and we have a good history of the matrix programme and a double check mechanisms with*

respect to our key function, that is the Quality Assurance Group. They closely work with the project in a 'relationship mode' and it's not like they are policemen. It is not that I want this information and you give it; in fact, we help them; they also take the situation into consideration like the delivery time; they work with us and make sure that data submitted is accurate. We have systems in place; the APR is there, ie, the Apex Project review; which is senior management review of projects every week, which is a unique practice in the software industry only." (Director Engineering aged 50, with Technostar for 5 years)

Many informants claim that the high involvement of employees in the quality initiatives has generated a great deal of relevant and specific inputs from them which was later found to be very useful. The concerns of the employees were carefully listened to and their doubts clarified and wherever it was required, the processes were modified based on the feedback generated. It is widely claimed that although this was more time consuming, the process involved has led not only to the ownership and effectiveness of implementation, but also to other advantages. One of the significant benefits has been that the employees viewed such issues with an open mind and pointed out the issues and in many cases suggested improvements many of which were implemented. If they had blindly followed processes, the opportunity for making improvements would have been lost. A manager observes:

".. It took about a year, I am saying after standardization, now it is 4 years now. So if we have trusted the processes in a bureaucratic way saying 'these are the standard process you have to use', even though the system wants to debate and understand; the tendency normally is to quote that 'you only trusted the process, now we are just following that, don't ask anything more, like that'. People did not blindly follow the process and said 'I am just following the process'; which is against the interest of the whole process improvement framework. In an organisation which is growing and learning, the improvement should happen from the people who are using; not from those as sitting in the 7th floor (the CEO and many heads of functions sit on the 7th floor) dictating that this is the best process you can use. Because they are the people who use, they feel the difference; they compare, they really know the issues, how to improve, what are the alternatives, so we get those inputs. That means people have not accepted what is just defined; they are not stopping, they are saying: 'even standard process need improvement, I have seen it happening it; I have tried it; this is more efficient'. We have made changes based on the feedback received from people." (Manager, Quality, aged 42 with Technostar for 4 years)

The most interesting point that emerges from the integrations based analysis is that if the quality norms were forced on people, they would have just complied with the norms, rather than thinking of innovating, even when there is a genuine need for doing so. Furthermore, the researcher was shown a document which describes some of the suggestions made by

employees and the consequent improvements that happened to the quality processes. The document shows that 117 suggestions were made within a period of one month of which 18 were implemented.

The discussion presented above is akin to the competing values framework, wherein effectiveness is analysed on a continuum from consistency (stability) to flexibility and from the focus on ends to the focus on means. In the case of quality, the high level of involvement of people (means) is perceived to result in better compliance (ends). The emphasis on incorporating employee suggestions and inputs (flexibility) has resulted in improved processes which have higher levels of ownership (stability). The line of argument is that the emphasis on means in this case has led to better ends, and the emphasis on flexibility resulted in more stability.

The analysis of the data suggests that the influence of organisational culture on organisational processes is restricted not only to quality initiatives but to a range of other processes. One such initiative which reflects the dynamics of this relationship is information security. Unlike the other software organisations where people are strictly searched for the possession of items such as CDs, pen drives, and laptops; Technostar does not follow any system of physical searches of employees and this has been identified as a security threat. The way Technostar went about handling this potential threat shows the influence organisational culture has on organisational processes. The manager in charge of information security makes this observation:

> *"I was also driving another initiative for information security; one of the points we are debating is: should security check baggage before people come and leave because we have identified information leakage as a potential risk in the company. Today we don't have strong measures for enforcing this kind of a discipline. There is a culture issue here: do we check bags of people? Are they going to like it? As a first step, we began to create awareness among people and said 'avoid doing these things, it's a risk to the company'. We have come out with training sessions, awareness campaigns, and posters. It has worked very well. The easier way would have been to check every bag and then start sacking those who don't comply, but Technostar as an organisation and as a culture does not believe in this, so we preferred to take a more expensive approach. We respect people for what they are; to catch one thief, I can't be embarrassing 2000 people."* (Head - Travel Services Outsourcing aged 37, with Technostar for 3 years)

The analysis of the data suggests that 'people first' and respect for the individual, which is claimed to be an important part of Technostar culture, leads to many action initiatives and such initiates enhance effectiveness. An extension of the policy of 'people first' has been that if an employee is not performing well in a role, the organisation neither attempts to penalise or sack the person nor thinks that something is wrong with him, but rather the person is given opportunities to move to other projects or roles, where he or she might be more suitable. The in-depth interviews reveal that this arises from an assumption that people are generally competent and need to be respected and given ample chances. Many informants claimed that this exhibited the extent of penetration of the policy of 'people first' and belief in the respect for people. Some even went further to suggest that this leads to better utilisation of talent.

> *"Normally, I don't believe that a person is totally incompetent. Maybe in my project, the kind of activities involved in it, he may be incompetent. I will inform him. If it is due to some other reason, we will try to identify the matter ... and then take suitable action. There are many examples; I have also done many moves like this. Once a customer came and told, 'we cannot continue with this person'. We internally moved him to a different customer and he is successful in the new role."* (Project Leader aged 30, with Technostar for 4 years)

The researcher observed a number of action consistencies in this regard. The analysis of the data suggests that there are a number of cases where people moved projects on their own initiative and they performed substantially better after such changes. The researcher was shown ten cases by the HR officer, who was handling performance management system, where performance ratings improved significantly after such changes were made. Thus, from an integration viewpoint, the data shows that the flexible ways of management often lead to better skill utilization and improved performance.

The above line of analysis is akin to the systems perspective of effectiveness in that it emphasises the process of attaining effectiveness. In this case, the emphasis on the process of redeploying talent and analysing performance gaps from an unbiased viewpoint is perceived to lead to solutions which enhance individual performance (The other alternative would have been to sack the non-performing employee, strictly following the goal-based view of effectiveness). It is claimed that the process orientation leads to better deployment and utilisation of resources and skills.

7.3.2 HIGH TECHNICAL ORIENTATION

The analysis of the data from the integration perspective suggests the widespread belief that the distinctive aspects of organisational life have helped Technostar to attract talented people with a research orientation from the leading technical institutes in India. The heavy emphasis on high-end technology is a major attraction for the 'technosavy' (in the words of many employees) professionals. There is proof of action consistency in this regard. The archival data reveals that until year 2000, about 50 per cent of the workforce in Technostar was from the IITs and RECs (the two top technical institutes in India). There were three professors from IIT who worked with Technostar. Indeed, the archival data shows that Technostar has 18 people with Ph.D degrees. The top three employees in HR have doctoral degrees from the premier management institutes in India. One of the IIT graduates explains:

> "Actually, I see the profile of the company; it is a core communication company. I am interested in the core field. I was not looking merely for a software company, what I had in mind was that it should be a mobile related, communication type company. I heard about Technostar from my friends. They know it very well. They said that if you wanted to take an initial experience from a communication point of view, you should join Technostar. They also said 'it is an open culture company and there are a lot of opportunities for growth in the company and it is a really good'." (Software Engineer aged 24, with Technostar for 1 year)

Many employees told the researcher that the 'passionate emphasis' (in the words of some of the employees) on technology was a major factor which motivated them to join Technostar. Furthermore, the analysis of the data from the integration perspective suggests that the main attraction of the company for the technical professionals has been the unique combination of the high-end technology with an unprecedented emphasis on 'respect for the individual' (which employees described sometimes as 'open culture' and on other occasions as 'western culture'). The researcher had many informal meetings with the software engineers in the canteen and these informal discussions reveal that the new recruits keep in touch with their juniors in their institutes and give them feedback about the organisation and such feedback weigh heavily with the students in the 'campus recruitment'. It has to be stated that the top technical and management institutes in India follow a process called 'campus placements' where the organisations visit the academic campuses and recruit students and the mode of the operation of such recruitment is often decided by a student body called 'placement committee'. The placement committee decides the order in which the companies would be

given time slots on the day of campus recruitment and it is common for companies to compete fiercely for the early time slots so that they can recruit the brightest students. The informal discussions reveal that the views of the new recruits in the organisation heavily influence the decision of their junior students in their respective institutes. Overall, there is the widely prevalent view that the combination of technology and aspects of organisational life made it possible for Technostar to be a hub for front-ranking technical professionals. For example:

> *"Other than our strength as a core technology company, if there is one factor which attracted talent to this company, that is our culture. That sets us apart from other organisations. We have been consistently rated as the best employer."* (Software Engineer aged 25, with Technostar for 1 year)

The analysis of business journals (for example, Dataquest) further suggests that Technostar has been rated as the one of the best employers to work for in India for two continuous years, in surveys conducted by outside, independent agencies (for example, Gallup).

An integration-based analysis of the data further suggests that organisational culture has a major influence on the retention of highly skilled technical professionals. Retention of talented people is a key prerequisite for effectiveness in both product and services business, in view of the heavy investment in training and the need to retain the tacit learnings. This is to be understood against the high rate of turnover in the software sector in India. Here a distinction is to be made between the product business and the service business. The analysis of archival data suggests that the product business witnesses lower turnover. Most importantly, the archival data shows that the people who stayed with Technostar in the product section generally stayed for long due to the platform provided for making technological innovations and for knowledge sharing. A manager explains:

> *"...... if you see some of the people who are continuing for long, they enjoy core technology. You even see the senior management part of it; they are more or less there for long. At least I have not heard in the last 5 years of any one from senior management leaving Technostar. Even some of the architect people in our product division are there for more than 5 years. I have stayed back because of my fascination for technology and the work environment; I have as of today better offers; I have not moved because I may not get such a combination elsewhere."* (Manager, Quality, aged 39 with Technostar for 5 years)

The analysis further suggests that the services section often recruit people based on anticipated requirements of the projects Technostar is likely to get in future. Some of these

projects might not materialise eventually and on such occasions, people recruited for such projects are accommodated in similar projects. Often people leave if they are not interested in the projects they are assigned to and this arguably accounts for the high turnover in the service section.

An interesting aspect of organisational life at Technostar is perceived to be the policy of 'home coming', where employees who once left the organisation can come back within a year, without undergoing the rigours of selection. The observations tend to suggest that many former employees come back to Technostar and often such home comings are attributed to the unique aspects of organisational life mentioned above. The researcher explored this in detail. One day the researcher overheard a conversation in the canteen where one of the senior managers was comparing his present stint and the earlier stint. The researcher subsequently talked to five people in similar positions and they shared the view that aspects of organisational life were a driving force behind their decision.

In some ways, this is akin to the argument of Yutchman and Seashore (1967) that procuring scarce and valued resources is an important aspect of effectiveness and hence this can be viewed as a system perspective of effectiveness. The system perspective of effectiveness emphasises the process of achieving effectiveness and in this case, organisational culture makes it possible for Technostar to attract and retain highly skilled professionals in the organisation.

7.3.3 LOW LEVELS OF FEAR OR BELIEF THAT GENUINE MISTAKES ARE TOLERATED

The analysis of the data from an integration approach suggests the general perception that organisational life is characterised by a shared belief (some even narrated this as a conviction) that genuine mistakes are tolerated and that the management would stand by the employees in the instances of genuine business mistakes and such faith leads to a number of behavioural outcomes leading to effectiveness. It can be observed that this exhibits content consistency with a major theme of organisational culture – 'people first' in the sense that a definite concern for employees goes in line with the accommodation of genuine business mistakes. Furthermore, there are instances of action consistency in this case. For example, the punitive aspects of organisational life are generally perceived to be rare in the case of Technostar and

there are a number of stories which capture and perpetuate this aspect of organisational life. One of the widely quoted examples is that of a senior manager who recruited more than 200 people for a project which never materialised and which was a strain on the resources of the organisation. These people were 'on bench' (the time employees are not billed to projects) for six months. There was no action taken against him and he remained in the organisation with a different set of responsibilities and many informants narrated this incident to the researcher. Many managerial employees interviewed confided to the researcher that in another organisation he would have been instantly dismissed. The analysis of the data suggests that instances like this have led to a deeply-held belief that the organisation does not let down people in the event of failures and such beliefs often drive employees to take up initiatives and risks that are vital for enhancing effectiveness and venturing into new business directions. This belief arises from the experience of the lived life of employees in the organisation and it becomes something similar to the 'beliefs' or 'unquestionable assumptions' described by Schein (1985). During the course of a long in-depth unstructured interview another such instance emerged and this succinctly captures the perceived influence of organisational culture on innovative processes:

> "I can take a decision on behalf of the company, knowing fully well that if I am able to justify my decisions; people are there to stand by me. There are people in this organisation in the top management who supported me strongly. I was doing a review of all travel related issues and found that there were many areas in which we end up using attorneys, lawyers etc.. I personally felt that we could do without them in some areas and we were spending significant amount of money each year on these people. I was not sure whether I could actually succeed with what I was thinking, but I saw a possibility for eliminating this. It was just a stamp that we got from the lawyer stating that our documentation is ok. So I took a call and said let me try one issue without going to a lawyer. I just had to tell my immediate boss and he gave the go ahead. In one year, we ended up saving something like 100 000 US dollars on lawyer fees. The fact remains that, may be, in another organisation, I would not stick my neck out to try this".
> (Head - Travel Services and Outsourcing, aged 36, with Technostar for 3 years)

The above discussion is akin to the evolutionary perspective of effectiveness in that the analysis demonstrates that the distinct aspects of organisational life helps the organisation to break the 'constraints' to growth (in this case, heavy expenditure) by encouraging risk taking and initiative and this results in reduced costs.

The analysis of the data also suggests that the perceived low levels of fear have a major influence on knowledge sharing and management which are considered vitally important in a knowledge-intensive firm. The important point is that although customer projects which Technostar undertake vary in terms of the nuances of the nature of work and complexity, the learnings from one project would often be of great use in related projects. One of the revealing insights has been that culture makes the dissemination and assimilation of knowledge and learning easy and fast. The interviews and discussions illustrate that people often withhold and hide information in knowledge-intensive organisations, wherein they attempt to monopolise and manipulate knowledge. Many informants told the researcher during the course of the informal meetings in the canteen that in their previous organisations people were quite sceptical about sharing information and tended to think that sharing would detract from their individual significance in the organisation. The low levels of fear characteristic of Technostar exert an influence on knowledge sharing habits wherein they do not feel the need to withhold useful information.

Furthermore, the researcher observed that much insightful information was exchanged in the tea counter on the terrace and in the canteen where team members belonging to the different hierarchical positions meet. The researcher also observed that often the technical queries in the intranet were answered with speed and precision. In addition, there was evidence to show that the encouragement given to white papers (conceptual papers on technical areas) and regular team meetings have made knowledge sharing an essential aspect of organisational life and this directly contributes to better implementation at the project level. For example:

> "What happens is that systems and processes essentially become easy in terms of assimilation if you have a culture of that type. The impact of the culture on the systems and processes would be very high if it is a positive culture, if it is an accepting kind of a norm in the organisation." (HR Executive aged 24, with Technostar for 1 year)

The in-depth interviews reveal the commonly held belief among the employees, especially among the employees at relatively junior levels, that senior employees and those who handled similar projects would help them in the event of a need. The analysis of the data suggests that organisational culture plays a significant part in knowledge sharing. The informal and open environment makes it possible for people to approach anyone, however senior they are, to elicit information they require. This comfort level is very significant in the process of learning. A Project Leader describes:

"There are people who are in this project for 6 to 7 years; they know the product very well. Sometimes you need to know the details for giving the deliverables. You needn't worry that you don't have the necessary knowledge to do something, you have confidence that you can learn and there are people who will transfer that knowledge. I have seen many people who are very good in the products and the technology and knowledge sharing is healthy. " (Project Leader aged 35, with Technostar for 4 years)

Overall, it is argued that the widely-felt informality of organisational culture makes possible knowledge dissemination, which can contribute uniquely to better implementation of projects.

This is akin to the system perspective of effectiveness in that knowledge management is assumed to be a process that is vital for effectiveness and the analysis shows that organisational culture facilitates knowledge sharing and management.

7.3.4 ADHERENCE TO VALUES

The analysis also suggests the claim made by the employees in general and senior management in particular that the clear technical focus of the organisation and the accompanying competence as well as the widely claimed adherence to values or integrity has generated a great deal of customer confidence that Technostar is a strong value based organisation, which they can trust and do business with. Furthermore, it is argued that such a high level of customer confidence has enabled Technostar to secure what is generally termed as 'repeat business', wherein the organisation secures more similar and related projects from the existing customers. In this regard, the technical competence leads to confidence about the delivery capabilities of the organisation. It is noteworthy that adherence to values is also believed to be a crucial factor in securing high-end and value-added business since the work outsourced to Technostar often involves processing confidential technical information and research on the frontiers of technology, which is often very confidential in nature. This is to be viewed in the context of the fears of data theft and the perception of the prevalence of corruption in third world countries. It is argued that the value-oriented aspects of organisations life in Technostar act as a source of confidence and reassurance to the customers. A Project Leader notes:

"We work with the Telecom majors of the world. In the telecom space, competitive edge comes from technological competence and customer confidence is very crucial in our business. This is because they share technology with us and in some cases we do

R and D for them, which will finally be part of their products. Of course, they enter into non-disclosure agreements with us and the agreements provide for the security of the data...... Contract is only part of the story. Our value-based culture plays a more crucial role in instilling and retaining customer confidence. Over time, they come to know more about us and develop understandings as to what we would do and what we would not. For instance, it was this confidence which prompted [XXX, a leading MNC] to make an investment of a million US dollars in Technostar." (Project Leader aged 27, with Technostar for 5 years)

The analysis of the data also suggests a belief that repeat business enables Technostar to overcome a severe handicap that Indian software firms have, i.e., physical distance from the major technology firms. The data further suggests that the continued business and association with technology firms help Technostar in not only developing precious insights into the requirement of the technology organisations but also in acquiring and developing the much required skills and delivery capabilities crucial for success in the software business. This is akin to the argument of Ethiraj *et al* (2005) that development of skills is a definite advantage of the continued association with the technology firms. This also emerged from the in-depth informal discussions the researcher had with many software employees in small groups in the canteen about their experiences in working with the MNCs. The interaction with them uncovered the dynamics of repeat business as a conscious strategy to capture a comprehensive understanding of the subtle nuances of the requirements of the clients and the attendant skills vital for success in both product and services business. Repeat business makes possible continued association with the major technology firms and enables Technostar to develop in-depth understanding of the intricacies of business and to equip it with the requisite knowledge and skills essential for success in both product and services businesses. Viewed in this light, repeat business is designed to overcome the environmental handicap, an important aspect of effectiveness from an evolutionary perspective (Zammuto 1982). One of the managers gives a specific example:

"[XXX, a leading MNC] is trying to bring Technostar as a one-point shop for the entire telecom domain. So when we can open many windows for the customer, obviously they will bring in more business to offshore. One reason is cost cutting, another is Technostar has been associated with certain customers for a very long time. So it becomes more of a partnership rather than a supplier vendor relationship. Trust comes in and for both [XXX] and Technostar, it is important. It has become more of an inter-dependent relationship now. Initially any organisation who works on this mode starts working on a supplier kind of mode, but gradually moves on to a partnership mode, where [XXX] will have to rely on Technostar for its customers... When I joined Technostar, [XXX] unit was about 200 member strong, now it is nearly

600 employees – an increase of 200%. It is still growing." (Manager, HR, aged 35, with Technostar for 2 years)

Thus, from an integration perspective, it can be argued that the cultural processes, especially the level of trust generated by organisational culture, helps in acquiring the required skills as well as in taking the organisation to a further level of effectiveness by transcending the limits to growth. This is akin to the evolutionary perspective of organisational effectiveness described by Zammuto (1982). In this sense, organisational culture is perceived to be facilitating not only research within the organisation, but also attracting research-based work from the leading telecom corporations. This has another practical implication. The in-depth interviews suggest that a serious limitation to the growth of Technostar was the shortage of resources required to augment the heavily research intensive work. The partnership with the technology firms brought in the resources critical for research. Thus, these processes enabled the organisation to resolve the shortage of resources. This has a direct bearing on profitability and growth of the organisation. Thus, it is another way the organisation has grown out of the environmental constraints, akin to evolutionary perspective of effectiveness (Zammuto 1982). The analysis suggests the example of the investment by organisations such as Nortel is not an isolated case, rather this is indicative of the technological collaboration on research-based work; there are others like Nokia. The analysis of the archival record especially the intranet and the discussions with the senior management suggest that Nokia is investing 3 million dollars in Technostar, in a scheme called 'Nokia Strategic Growth Partner', exclusively for Research and Development.

The researcher found further evidence of the partnership being talked about. When one of the top executives in Nortel came down to the Technostar office, in addition to the business meetings, he addressed all the employees of Technostar and he talked about the partnership. This meeting was telecast live to the other office in the eastern part of India and the researcher attended this meeting. The Nortel manager described the partnership with Technostar as critical for Nortel and articulated that the strong value orientation of Technostar was one of the cornerstones of their continued association. He further expressed the hope that the partnership would strengthen in future.

In some ways, it can be argued that the above analysis is consistent with the evolutionary perspective (described in detail in chapter two) of effectiveness. According to the

evolutionary perspective, an organisation becomes effective by overcoming the constraints to growth. Organisations evolve over time in response to the changes from the environment and such evolution satisfies the requirements of the constituents better and enhances effectiveness. From an integration perspective, data analysis suggests that repeat business can be viewed as an evolutionary aspect of effectiveness in the case of software organisations, which has a direct impact on profitability and growth. Thus, those viewing culture in integration terms would argue that the high value orientation of Technostar culture has significantly contributed to repeat business, thus helping the organisation to overcome the obstacles of physical distance from the clients as well as the scarcity of resources required for rigorous research.

7.3.5 SPIRIT OF ENQUIRY

The analysis of the data suggests that there is a widely-held view that the organisational life is characterised by a spirit of enquiry and questioning and these aspects have contributed to the success of the intellectual and highly research-based work Technostar focuses on. There are instances of action, symbolic and content consistencies in this regard. Clearly, this exhibits content consistency in the sense that the spirit of enquiry and questioning goes well with the perceived low levels of fear and punishments and 'people first'. There are many examples for action consistency in this regard. For example, one of the senior managers described such an instance which occurred when he was leading the quality initiatives. He was making a case for the reviewing of codes (of programmes) as soon as coding is complete as required by the CMM standards (details of CMM are given chapter five). One of the software engineers pointed out to him that the manager should set an example himself and indicated instances where the manager who now advocates the cause of CMM, did not himself adhere to the laid down norms in this regard.

The researcher observed an incident where the HR department was evaluating vendors for one particular activity to be outsourced. A senior HR manager was favouring a particular vendor and remarked that he has seen that this particular vendor has done a very good job in his previous organisation. However, the concerned HR officer decided to award the contract to another vendor since she thought that in this particular case, the other vendor had better offerings. The senior manager had no difficulty in accepting her decision, although it differed

from his own views. It is worth mentioning that this is quite remarkable in the context of India, where senior managers are seldom questioned. This is also to be viewed in the context of the prevalence of high power distance in the national culture of India (see Hofstede 1984; Budhwar and Sparrow 2002). The observations of the researcher also reveal action consistency. Furthermore, the researcher was told by several employees during the course of the interviews that there were instances of employees severely criticising the CEO for Technostar's single-minded focus on telecom sector. There are several examples of symbolic consistency. For example, the open, shoulder high cubicles for all employees including the CEO, are claimed to symbolise the prevalence of openness and spirit of enquiry claimed to be part of Technostar culture. It is widely believed that these aspects of organisational life in Technostar have played an important role in creating an environment that made possible technological inventions and patents. This is akin to the argument of Mintzberg (1979) that organisations stressing creativity should have adhocracy as the organisational form, thus suggesting normative control in place of direct control. As one software specialist observed:

> *"We are focused on technological inventions and a major chunk of our revenue comes from the products we devolved. You can push people to do defined activities, but cannot do the same when it comes to abstract work like product development. It is a complex intellectual process. The drivers have to be internal. Although inventions draw from what already exists, they are always inspired. A new invention is a new thought, a different thought and that is why we encourage a spirit of enquiry and questioning. We would not have been able to produce so many patents and do such path breaking work, but for this work environment. This is the major reason why we are successful and why our culture is very distinct."* (Senior Software Engineer aged 28, with Technostar for 2 years)

Many also pointed out that service projects too involved work which is intellectual in nature. Such work involves coding, maintenance of systems and checking of 'bugs'. It is commonly believed that such work requires an environment of reflexivity and hence it is argued that organisational culture plays an important role in the effective implementation of services projects.

The researcher observed that many times employees gave their innovative suggestions, (quite often small and project related) with great enthusiasm informally in the tea counter or the canteen. An interesting finding was that innovations, in the case of Technostar, often come from employees at relatively junior levels and the active encouragement from the reporting

officers and or senior employees help the development of such ideas into specific aspects of company products. A project leader describes how an innovative suggestion bloomed to become part of a product, which reduced both costs and efforts:

"...earlier in one of the projects, it was a testing team which used to test all the scenarios manually. During that time some junior person who had just moved in from some other company, said, 'I have seen automated testing in that organisation, can we incorporate it?' I said, 'okay, go ahead'. And he explained the way he had done it in the other organisation and he introduced it. Initially apprehensions were there, but finally it was successful. It saved a lot of energy and manpower and also cost. Now it is one of the best 'suit' available for us to test the systems. The customers also appreciated it, because our productivity increased a lot." (Project Leader aged 31, with Technostar for 5 years)

This is similar to the evolutionary perspective of effectiveness. According to the evolutionary perspective, organisations evolve over time (in this case innovation in products) in response to the changes from the environment and such evolution satisfies the requirements of the constituents (in this case, customers) better and enhances effectiveness. The data analysis suggests that the innovation in products and services and business strategies can be viewed as a critical parameter for effectiveness in the case of software organisations, which has a direct impact on profitability and growth. The analysis of the data from the integration perspective highlights that cultural processes tend to have a strong influence on innovative processes in the organisation.

The interviews and observation suggest that organisational culture and especially the spirit of enquiry and questioning, which is argued to be characteristic of Technostar culture, contributes to effectiveness by exerting an influence on the internal processes. Notably, in the views of many informants, organisational culture in Technostar promotes meritocracy, which has the impact of keeping dysfunctional political processes in check. The archival records and observations suggest the perception that Technostar has many 'egalitarian' processes, which have become part of organisational life over a period of time and these processes lead to the open confrontation of non-meritorious choices. For example, there are the skip levels and escalation to HR and senior executives (described in detail in chapter six), which are argued by many employees to be instrumental in helping people to bring out their concerns, if any, against the reporting officers. These aspects (examples of symbolic consistency) are argued to facilitate open confrontation of issues. This is to be viewed as noteworthy in the

socio economic background of India wherein there is perceived prevalence of nepotism (see Budhwar 2001) and corruption (Khanna and Palepu 2004). A senior executive makes a favourable comparison with his previous organisation and claims:

> *"I am very confident that there is no politics at all here. There is no doubt about that. Even in my previous organisation, there used to be a caucus; there are some people who are more influential in the top but I don't see any thing like that here. There is definitely no bias; yeah there is definitely no politics here. We can be very confident about this. We can go and meet anybody freely, for example, the director himself saying: 'this, I believe, is not right'; he may accept or not accept; that is different but he will not take it against you."* (Head of Engineering aged 50, with Technostar for 5 years)

The interviews highlight the interesting belief that even if someone with a political orientation joins Technostar laterally, organisational life and systems in Technostar would act as a deterrent, preventing them from exhibiting those patterns of behaviour. The researcher was told that two such managers, who joined Technostar laterally, had to leave because of the issue. The feedback systems such as skip levels are perceived to be essential aspects of organisational culture in Technostar and the interviews reveal the belief employees have in their efficacy.

7.3.6 RELAXED AND FLEXIBLE WORK ENVIRONMENT

The data analysis suggests that there is a commonly held belief that Technostar has a relaxed and flexible work environment and that such a work environment has a critical influence on product development and effective execution of service projects. The analysis also suggests that a relaxed and flexible work environment acts as a stimulus to the intellectual processes associated with work and there is wide recognition of this belief. A number of employees highlighted this during the course of the interviews. The researcher also identified many rituals and celebrations of organisational life that appeared to be widely shared and appreciated in the organisation and which depict a relaxed and flexible work environment. It can be observed that this illustrates content consistency with 'people first' and the spirit of enquiry and questioning mentioned earlier. Furthermore, there were examples of both symbolic and action consistency in this organisation and the rituals and celebrations of organisational life appeared to play a subtle but significant role in influencing effectiveness.

Indeed, at the initial stages of the study, the researcher experienced an interesting and relaxed approach to work wherein employees at all levels went to the in-house gymnasium at any time of their choosing during office hours rather than at designated hours. Other aspects of relaxed informality of work included a movie show on Friday evenings. Sometimes someone would start singing a Hindi song during office hours with an introduction, 'if you feel disturbed, please shout'. The company also encouraged communal celebrations of Indian festivals. Such expressions of symbolic consistency also led to action consistency in that employees from a wide section of the company appeared to participate in these events. One employee narrated a story where an overseas customer visited the company on the day of 'Holi' (the Indian festival of colours where people apply colours and sprinkle coloured water on one another) and was amazed to see people from the CEO to the security staff play acting in the spirit of 'Holi'. This visitor was said to have found the spontaneity and enthusiasm of staff so contagious that he joined in the rituals.

Analysing the data from an integration perspective suggests that the poetic aspects of organisational culture such as celebrations and festivities and the kind of freedom employees enjoy in Technostar are sources of great motivation for the employees especially employees in the younger age group and such high motivation often lead to better productivity. Technostar employs predominantly software engineers and a vast majority of the employees are young people in their late twenties (the analysis of the archival data suggests that the average age is 28). For example,

> *"I am having a good rapport with my new work environment. Definitely an employee will put more into the work....I mean productivity from my side will be more. I remember one of the managers in my earlier company used to say 'you have to finish this work today by 7 O' Clock'. Even if I know that it was not that much important, I had to finish it at 7 O Clock. I developed a personal feeling that all what I do will be wrong; so the productivity and my personal feelings get affected and work will not happen properly and the quality of the work will go down."* (Software Engineer aged 25, with Technostar for 1 year)

A number of software engineers, especially those who were recruited fresh from the university, told the researcher that Technostar reminded them of their college days and that they were excited about the festivities in the work environment. Many told the researcher that they believed that such festivities refreshed their minds and that they contributed to better work environment and increased productivity.

The argument that the relaxed and flexible work environment facilitates innovative thinking, leading to breakthrough in product development, project execution and subsequent profitability is captured in the interviews and discussions. This was powerfully articulated by a Design Engineer and in his words:

> "The exact productivity of an IT professional depends on the way he meets the deadline and how much time he has taken...The quality of his thought and the thought process he is having in his mind is the only important thing. Some time it happens: suppose I am a system developer; I am just looking, looking, looking........for the whole day, I am not able to judge something; at the end of the day something tickle in my mind and 3 lines......things are done, it's quality; it comes from the thought process ....always thoughts are like God; you cannot have thought without God's permission in fact. It can happen only if the work environment is capable of invoking such thoughts." (Design Engineer aged 25, with Technostar for 1 year)

The reference to God here needs to be viewed against the high spiritual motivation in India, where Hindus worship a Goddess of wisdom called 'Saraswati'.

The integration-based analysis of the data shows that a notable aspect of the relaxed and flexible work environment is the flexible timings and the flexibility in management practices. It is generally argued that such flexibility contributes to high levels of commitment and timely completion of projects. The researcher observed a number of examples for symbolic consistency in this regard (Martin 1992). For example, attendance is never monitored in Technostar and there are no swipe cards. The researcher also observed that people come for work at different times and there was organisation-wide appreciation of this aspect of organisational life and a large number of employees felt that this enabled them to be effective at the workplace. This is particularly relevant in the present Indian context, where the extended family system (traditionally referred to as 'joint family' system where parents, children and children's children lived together) has almost ceased to exist and employees come from nuclear families (where only the parents and their unmarried children live together). It is widely claimed that the flexibility which is characteristic of Technostar creates high levels of ownership and commitment and that such ownership and commitment lead employees to work voluntarily for long hours, often much beyond the stipulated office times. This was particularly observed in the event of exigencies and customer deadlines. The researcher stayed back late on three occasions and observed the flurry of activities when the customer deadlines were close and the entire team worked almost round the clock to ensure that projects were completed in time. The observations also suggest that instances of

employees working for long hours are quite frequent in Technostar. The observations also show that customers are accorded top priority in Technostar and any activity directly related to customers is considered very important. The analysis of the data suggests that there is the general perception that the high levels of commitment and ownership resulting from the unique organisational context leads to timely completion of projects, and, in turn, to customer retention. (Furthermore, some projects have costly penalty clauses, which would directly affect profitability.) Such customer retention and increased business resulted in increased profitability in Technostar. One of the senior managers claims:

> "People wake up at 5 or 6 O'clock, check their e-mails and reply to them. A lot of people do this. This is a common phenomenon. People working for 10, 12, 16 hours are very common phenomenon. Here there is a lot of freedom. People come at 9.30, 10.30, 11.00, but there are people who extend their work up to 12 O'clock, 1 O'clock, the only difference is most companies force you to come back at 9 O'clock, Technostar doesn't force you. We are not looking at the 'engineered' culture. We believe that people have to deliver and that delivery has to come not by creating some kind of a force on them but by the fact that they believe that it is needed." (Senior Vice President, HR, aged 48 years, with Technostar for 11 years)

Furthermore, employees have a general belief that the intellectual nature of work in software organisations makes the satisfaction of employees a pre-requisite for quality and the relaxed and flexible work environment is perceived to contribute to the satisfaction of the employees. In view of the high levels of competition, quality is considered vitally critical for volume business and profitability and it is believed that the work environment plays an important role in ensuring high levels of quality. A software engineer argues:

> "Culture definitely has to do a lot with quality. I think, this is, definitely true, in IT particularly....People, if they are coming with the fresh mind, quality will be quite high because this is completely a different domain. You have to count on their opinions and you have to involve them in the work. That way culture plays a vital role in quality processes. Otherwise, if any issue or dissatisfaction is there, then that will affect his output." (Software Engineer aged 27, with Technostar for 2 years)

This is akin to the goal approach of effectiveness in that organisational culture is perceived to have a dynamic and positive relationship with two critical aspects of effectiveness: productivity and quality.

7.3.7 EMPOWERMENT AND PROFESSIONAL FREEDOM

An important aspect of organisational culture claimed to be prevalent among employees at all levels in the organisation is the amount of empowerment and professional freedom that employees enjoy. This is akin to the argument of Newell *et al.* (2002) that autonomy is a requirement for intellectual work. This emerged in different ways during the interviews but was commonly captured by the example of the absence of 'micro management' and freedom to take decision. In this regard, the person responsible for recruitment (called Resourcing in Technostar) showed the researcher documents said to be cases of many candidates that were recommended for employment by senior managers and (in some cases Directors) but that were subsequently unsuccessful because the interviewing managers believed that other candidates were better. Such examples are particularly interesting in a country such as India where the national culture is argued to promote nepotism (see Budhwar 2001). The analysis of the data suggests that many employees viewed this as a source of satisfaction and great motivation leading to a high level of ownership and increased productivity in both the product and service businesses and argued that such professional freedom resulted in timely decisions without bureaucratic hurdles as well as leading to many innovations.

> "The amount of freedom you get here to do what you want to do, without any orders or without much of bureaucracy are remarkable. Therefore, you have a lot of freedom to work the way you want to work. One good thing about Technostar is that we identify ourselves with its products. We concentrate on the output and we have the freedom and innovativeness to bring out the best. Nobody tells you that this is the work or this is to be done. It's basically left to you. So you can innovate, you can stretch the boundary, and people do that." (Project leader, aged 30, with Technostar for 2 years)

The analysis of the data from the integration perspective suggests the general belief that many products and many innovations in products are the results of such empowerment enjoyed by employees. Such empowerment leads employees to take bold initiatives based on the particularities of the business circumstances as and when they arise without the need to wait for approvals and directions and often such actions contribute to product development and innovation. For example:

> "We focus on the final outcome of the product. It is a means to make the product innovatively; how to do it is left to the individual; so he will innovate; he will bring out new ways, nobody tells him, ok, this is what it is. If he comes up with ideas, we will

encourage ideas. Coming to very specific instance, we did one product called 'statex', basically it is a status report, and this was a product we did. Nobody said this is exactly what needs to be done. We came up with a lot of ideas; "they said ok why don't we build a spell check", which was never there in the original plan; statex is just a report we submit and lot of innovation came from people. Someone said, "why can't we put reminders in it"; "why can't we link it to couple of other action tools", "why can't we link it to PMS". A lot of innovation happened and when this product was really rolled out, it got support from no other than the CEO himself, who said that 'statex' should be institutionalized throughout Technostar....I think that this itself speaks of the fruits of professional freedom we enjoy in this company" (Module Leader aged 28, with Technostar for 3 years)

The above strand of analysis is akin to the evolutionary perspective of effectiveness in that empowerment is shown to be related to innovation in products and services (such innovations help in overcoming the constraints to growth with more products adding to the revenues of the organisation), which ultimately has a positive relationship with profitability.

The analysis of the data suggests that an extension of the professional freedom and empowerment is that the organisation provides a great deal of opportunities for employees to take up initiatives and such opportunities are seen by employees as leading to their professional development. This is particularly perceived to be quite encouraging by employees in the younger age group, who constitute a major chunk of the Technostar population. There is a shared view that this develops their capabilities and even increases their market value.

"One thing which struck me was the amount of opportunity, which everybody has in this company to do things on their own, without supervision. There is no hierarchy here...For example, I have one lady in my competency management team. She has worked here for a little over one year. She had to come up with the competencies for the CEO. She will go and directly deal with [the CEO]. That is the same thing with respect to any other activity. At any level, because of the role, they have an access to anybody in the company. And this access is not filtered through hierarchy." (Director, HR, aged 48, with Technostar for 2 years)

This argument falls within the multiple constituency approach to effectiveness, wherein culture is argued to be related to greater satisfaction of the constituents and in this case, employees.

The analysis of the data suggests that professional freedom and empowerment tend to exert a strong influence on the deployment of resources in the case of Technostar, a key requisite for productivity. It is to be stated in this regard that one of the important aspects of organisational life in Technostar is that mostly employees work in projects and once a particular project is over; the members of that team are assigned to other projects. People are often addressed as 'resources' and one of the process aspects of effectiveness is that resources are put to the best use and this is more relevant in the case of the services business. The analysis of the data suggests that the aspects of organisational life especially empowerment and the spirit of enquiry and questioning are perceived to lead to fair deployment of the people with the required skill set in projects and the minimisation of opportunistic and political decisions in the allocation of resources. It is argued that the low degree of fear leads employees and managers to question the non-meritorious workplace decisions and reversing them in case of a business need. The researcher observed examples of action consistency in this regard. There were many examples of people moving out from one project to another sometimes against the wishes of the managers since they did not like to work in those projects.

> *"Here, as far as my team is concerned, I have seen that resources are put to best use and the people are ready to go that extra mile to make the things happen. They might not tell that it is productivity or this thing or that thing, but it is a normal thing here. So, we may not talk in terms of jargons - productivity. We take it is a part of day-to-day work. So, it has become so engrained in our culture .... once you come here, it is taken for granted that you will be like that. Decisions are always taken on the basis of merit."*
> (Project Leader, aged 28, with Technostar for 5 years)

The observation and discussions reveal that a related but key aspect of effectiveness in the case of software organisations is that 'bench' time is kept at a low level and it is claimed by many employees that aspects of organisational life especially empowerment contribute to minimising 'bench' time. 'On bench' is the technical term used in the software industry to indicate the time employees spend idle in between the projects. The people on bench are neither billed to the customer nor involved in product development, but they are a cost to the organisation. This is a direct indication of productivity: what percentage of people on the rolls of the organisation are billed to projects. The analysis of the data suggests that the open and informal work environment and the high levels of empowerment promote fast communication and coordination leading to reduced bench time. For example:

"……..Not many people are 'on bench' here. Mostly, there is very little time wasted in making project teams. There was a time when we used to recruit only from IITs. Now of course, we go to other campuses, we still do not recruit anybody and every body. That is our strength. Technically productivity is measured through the lines of code written. The lines of code written are high here. This is because of the high levels of freedom managers enjoy and the coordination and team work among our people…if there is a need for more people in a project, the same is communicated directly and indirectly." (Programme Manager, aged 51, with Technostar for 7 years)

This is similar to the goal approach to effectiveness and this approach highlights aspects of culture that influence the key managerial objective of enhancing productivity.

The analysis of the data further suggests the shared perception that organisational culture has a strong influence on quality. The interviews and observations throw insights into the process through which culture tends to influence the adherence to and enhancement of quality. There is a shared perception that the different aspects of organisational culture especially the high level of empowerment or professional freedom encourages software engineers to have constant formal and informal customer interface without restrictions of going through formal hierarchical channels and this raises the awareness and seriousness of the implications of quality issues and contributes to better compliance. There are many examples of action consistency in this regard. The researcher observed many conference calls with the clients and during the course of such calls even the junior employees such as software engineers (some of them with just a few months of experience) were seen to be directly dealing with their clients, along with the senior members of the project team. Furthermore, the newly joined software engineers who were working on the projects were also seen to be directly talking to the clients and clarifying their understanding of their requirements.

An important way in which organisational culture influences quality also emerged from the analysis of the data. The interviews suggest that there is a shared perception that high levels of commitment and ownership encourages employees to take up more initiatives and caution than required by norms and such initiatives often avoided major problems. For example:

"We had just finalised everything before a customer delivery. In the project team there was a software engineer who was just one year into the organisation. He was casually going through the work in his cubicle, when suddenly he noticed a potential problem. Half of us had already left our office. He suddenly called me on my cell and shared his concern and I soon realised that it could be a major issue. The whole team was at it

soon. There was no need for him to have done this extra check, but that saved us a major embarrassment." (Senior Software Engineer aged 28, with Technostar for 3 years)

The above strand of analysis has a flavour of the goal approach of effectiveness, wherein the aspects of organisational culture are argued to influence one of the key managerial goals - achieving high levels of quality. Such an influence is shown to range from the planning to implementation of quality and even leads to improvement of the process.

7.4 CONCLUSION

This chapter analysed the different aspects of organisational culture from the integration perspective and the analysis of the data shows that the integration view of organisational culture of Technostar is characterised by action, symbolic and content consistencies (Martin 1992, 2002). The analysis shows that aspects of organisational culture from the integration perspective are linked to different aspects of effectiveness. The data suggests that the people oriented aspects of organisational culture such as the spirit of enquiry, 'people first', relaxed and flexible work environment and empowerment were perceived to have made significant contributions to product development and timely execution of projects and in turn to profitability. Furthermore, the analysis suggests that the people oriented aspects of organisational culture have enhanced the commitment of employees and contributed to higher productivity and quality as well as leading to enhanced commitment and attachment of people to products. The data also shows that the intellectual nature of work involved makes the significance of organisational culture vital on the goal-oriented aspects of effectiveness. Viewed from the evolutionary perspective, organisational culture has facilitated and encouraged initiative and risk taking and has contributed to innovation in products and services and helped the organisation to overcome the constraints of effectiveness and growth. More importantly, the analysis of the data shows the perception that the high technical orientation and adherence to values have contributed to the evolution of business strategy of 'repeat business'. It is arguable from the multiple constituency perspective that organisational culture has led to higher levels of satisfaction, perceptions of trust, and opportunities for professional development among the employees. Overall, the analysis of the data from an integration perspective reveals implicit and explicit assertions that the organisational culture

promotes enhanced levels of commitment, productivity, and quality which some believed accounted for the superior performance and effectiveness of the organisation.

CHAPTER 8

ORGANISATIONAL CULTURE AND EFFECTIVENESS: A DIFFERENTIATION PERSPECTIVE

8.1 INTRODUCTION

This chapter examines and analyses organisational culture and effectiveness from a differentiation perspective. The differentiation perspective (described in chapter one in detail) is characterised by inconsistency, subcultural consensus, and the exclusion of ambiguity (Martin 1992, 2002). Inconsistency takes three forms: action inconsistency (non-congruence between content themes and actual practice), symbolic inconsistency (non-congruence between content themes and cultural forms), and ideological inconsistency (non-congruence between content themes).

To begin with, the organisational culture in Technostar is analysed from the differentiation perspective. Then, the differentiation of the concept of 'effectiveness' in the context of this organisation is discussed. Finally, the relationship between organisation culture and effectiveness is analysed from a differentiation perspective.

8.2 A DIFFERENTIATED PERSPECTIVE OF ORGANISATIONAL CULTURE AT TECHNOSTAR

In the case of Technostar, in spite of the semblance of cohesion, organisation-wide consensus, high claims of integrity and the 'people first' philosophy, there were many aspects of culture that were differentiated and frequently incompatible with such claims. These emerged from the people in supervisory and managerial positions in the service business and the functional departments such as HR, as well as from the contract employees. This can be better understood in the light of the developments in the company before and after the year 2000. Prior to the year 2000, the company focused exclusively on the manufacturing and marketing of telecommunications software products. In 2000 a new 'service' business was introduced which had a number of implications. In this regard, it should be noted that the service business is almost opposite to the product business in that in products, the emphasis is on

rigorous research with a long-term focus, whereas the service business emphasises fulfilling client requirements, often with a short-term focus. Unlike the small numbers of people needed in the product business, the service business requires people in very large numbers to deal with the different aspects of customer requirements. Archival data shows that Technostar employed 481 people on 1st January 2000 and this number grew to 903 on 31st December 2000 and was over 2000 in 2005. Against the background of similar growth in the IT sector in India at that time, it became relatively difficult to get the required number of people with the right skills from the technical campuses Technostar traditionally recruited from. Many managers (especially those that staffed the new service business) were recruited from other organisations where the cultural orientations were understandably different and where business orientations typically had precedence over people. Indeed, throughout the organisation, the researcher observed that the managers recruited in this way were often referred to as 'laterals' or 'outsiders'. It was also noticeable that the views of the 'laterals' differed from the views of the managers who had grown with the company. However, of more significance is the fact that the views of the staff in the new service business (predominantly 'laterals') differed markedly from the views of the people in the traditional product business.

The position of the staff from the service business on a range of issues was akin to what Meyerson and Martin (1987) described as 'counterculture' in that many of their views were inconsistent with the views of the top management and the managers who had developed with Technostar over time. Interestingly, despite the increasing financial significance of the service business, decisions on many important issues in Technostar continued to be made by managers in the product business and by the managers now occupying top management positions in the company who had previously been in the product business. Many of the latter had also been with the company for a long time. The conflict between the established 'old guard' and the new service business people was manifested in the exercise of power in a number of respects (Martin 1992 p.89). For example, the managers in the service business frequently argued that the introduction of a service business in the organisation required a reorientation of the 'people first' culture at Technostar. They argued that many aspects of the organisational culture at Technostar were in contrast to the requirements of business in the service model especially in the context of customer commitments and deadlines. They believed that such a contrast had an adverse impact on effectiveness. One senior manager in

the service business suggested that executives should at least recognise the different requirements of the two business sectors and develop the appropriate strategies to deal with them:

> "... *in a university, at the research level, there might be a few students. You do not make 2000 people do the research; you make 2000 people take an undergraduate and or a graduate course and the culture of the researcher has to be different from those doing an undergraduate course. The emphasis of culture in the undergraduate level would be to do a course, go out, take an employment, and make a salary; whereas a research student is intrinsically driven, more mature and the culture at the research students level will have to be different. Your undergraduates get more salary than the stipend you get but you are still driven, intrinsically driven. You cannot say that the culture of the research students is very free and good and let us have it at the graduate level as well and expect them to exhibit mature behaviour. There has to be more controls at the graduate level because most of them are not as mature as the research students.........the culture change is happening; we are doing very subtly, it is happening, it has been driven from the business managers and happening very subtly. HR still continues to harp on what is relevant for research scholars; whereas the culture is to change as relevant for undergraduate courses but this leads to a lot of conflict here and that is a problem.*" (Programme Manager aged 36, with Technostar for 5 years)

These conflicts were apparently subtle, but the extensive probing of the researcher shed some light on many aspects of disagreements. Managers in the service business commonly complained that the top management was not receptive to their genuine business concerns. They argued that there were a number of difficulties and challenges associated with the service business, including highly demanding customer requirements, constant changes in customer requirements during project execution, and the tough deadlines. They noted that managing these issues and complexities necessitated fast and expeditious action. They also argued that the policies which worked well in the product business could have the opposite effect in the service business and that many aspects of HR policies followed in Technostar are not reflective of the requirements of business in the service business. One of the Project Leaders explains this in detail:

> "*See there was a time when HR philosophy in Technostar gave HR only a consultative role. 'We will provide you data on the possibilities and each group decides on its own as to what is to be done'. This basic mind set as such still remains; because people have not changed; but the business realities have changed; the people in HR, by and large, those calling the shots still remain the same; or driven by people there. This mentality needs to be changed and there is need for a system of bureaucracy to be brought in. You cannot let every group decide the salary, you cannot let every group decide the leave policy, and other kind of stuff, the ownership part is still missing. The*

HR mind set is that I am in a consultative role. What you are doing physically today versus what you believe and your mind set in the past has been, this change happened in the last 3, 4 years. 3, 4, years is not such a big time that people change their mental models; not everybody accept the change internally, though outside they may be doing what they may be asked to do. Inside somewhere, they will still believe that what they were doing earlier is right and that is what creates the conflict. We still call ourselves the people first organisation, and we are looking at people as a primary thing but all acts which are there; activities, decisions which happen are more aligned towards the business directions; so the point is that why go about saying 'people first' when the fact is that and it better be 'business first'." (Project Leader aged 33, with Technostar for 7 years)

The observations of the researcher revealed that conflict between the service and product businesses was frequently manifested in power struggles and political manoeuvring and this had implications for the individual and collective perception of justice in the organisation. For example, a senior manager in the service business pointed out that even when they had a strong case for a business proposal, the people on the 7th floor (the top management team which is principally composed of people from the products business is located on the 7th floor) commonly turned down such proposals particularly if they clashed with their own views of what the company should be doing. The examples cited included issues of employee perks or benefits, conditions of overseas work, and changes in the people orientation of the organisation. In their view, the neglect of such genuine concerns has an adverse influence on effectiveness. However, interestingly, another manager in the service business unit indicated that they had found ways and adopted different strategies of 'equalising power'; for example, they used their relationship with customers to influence the decisions of the organisation:

"We have found our own way of resolving problems and forcing HR to take action. If we find that HR does not address our concerns satisfactorily, we ask our customers to write directly to the company indicating that they are the ones who want such policies changed. We have found that an email from a big customer to the CEO quickly changes things." (Programme Manager aged 38, with Technostar for 6 years)

The researcher was told by many Technical Leaders that such political manoeuvring occurs frequently in Technostar. For example, one Technical Leader told the researcher that some senior managers had suggested to her that she should make the customers 'do the talk' when she was having difficulty in getting more 'resources' (a common term used for people in Technostar).

8.2.1 EGALITARIANISM QUESTIONED

Many employees in the managerial and supervisory positions in the service business question the uniqueness of the HR policies in Technostar. Some of them feel that these policies have only an outward semblance of egalitarianism. Furthermore, they argue that unlike other organisations where HR is aligned to the requirements of business, in the case of Technostar, HR is insensitive to the genuine needs and the concerns of the business managers. In fact many of them are severely critical of the organisational policies. For example:

> *"I have seen much better HR organisations than this. I used to work for Siemens before and the Head of HR for Siemens was on the board of Siemens, India. I was telling* [XXX, HR Prime of the Business Unit] *about his style. He would come in to the office, keep his bag (check his mail at home) and would walk around, just talk to people, do nothing; no deskwork, he had subordinates to do it. What is HR's job? They need to talk to people to find out those who are in trouble; help them, console them; guide them. They are supposed to come professionally trained with knowledge and a different perspective to give; they are also driven from a certain value and learnings which you had over a period of time; which is their core skill supposedly. Compared to a line manager and assist him rather than becoming too much process oriented. Processes have their own need and requirements but what is also true is that there has to be flexibility in it. Otherwise the HR, people perspective does not work. There is fuzziness in it, science calls it fuzzy logic, there is a logic, but it is so fuzzy that you can't put it into algebra."* (Programme Manager aged 40, with Technostar for 2 years)

The researcher also observed many aspects of action inconsistency where there were incongruences between the espoused content themes and managerial actions. One of the expressions of the content themes of 'people first' in Technostar is claimed to be the policy of no lay-offs, even in difficult business conditions, and this is claimed to have led to high levels of employee satisfaction and effectiveness. However, as the interviews progressed, the researcher uncovered a number of instances where people were asked to leave in 2001, when there was a downturn in business profitability. Such differing interpretations present an interesting insight into the culture of the organisation. Informants pointed out that the people who were considered to be low performers were given time to find another job and leave Technostar. In the words of a project leader:

> *"......I think there were about 30 of them. They were said to be low performers and were asked to leave, but the process was 'well' managed and very few people came to know about it. I have heard that they were given sufficient time and notice. However,*

this proves that 'people first' has limitations........This shows that management's commitment to its employees is rather convenient, in spite of the tall claims it makes and that is why employee commitment will be always limited." (Project leader aged 28, with Technostar for 5 years)

Other aspects of differentiation uncovered during data analysis related to symbolic inconsistency, where stories had conflicting interpretations. For example, one of the values claimed to be part of the Technostar culture was the unwavering emphasis on people over profits and there were many stories which appeared to have helped the preservation of this value. However, there were conflicting interpretations of stories around this theme. For instance, one widely-shared story is that in the wake of a major fall in its profitability in 2001, employees throughout the organisation took a 20% cut in their salaries to avoid lay-offs and these were reversed when profitability improved in later years. Many employees in the service business unit interpreted this story differently and generally believed that the salary cut was forced upon people. In this regard, instead of viewing the story as indicative of togetherness and high commitment to the organisation, it was perceived by some employees as an example of a top management imposed strategy that lacked fairness. They believe that such actions bring down employee commitment and consequently hamper performance. In the words of one employee who was a software engineer at that time:

> *"We had to take what I can only describe as a compulsory 20% cut in our salaries. I was one year into the organisation at that time. My salary was not high. The senior management should have taken a greater cut. I was the only earning member in my family and I had to support my extended family. I was heartbroken. I lost interest in what I was doing. Honestly, I looked for options to move out. I got offers, but they were in places far away and I had my own compulsions to be in this location."* (Senior Software Engineer aged 27, with Technostar for 5 years)

Others in the service business unit highlighted action inconsistencies in the adherence to values. They questioned meritocracy and fair treatment which were widely claimed to be the natural results of the value congruence between employees and management. They pointed out that there is a huge gap between what is espoused and what is practised and cited a number of instances to support their claims. They also argued that such violations of values deflected energies and impacted negatively on performance. One of the Project Leaders explains:

> *"....Mostly promotions, it is a bit haphazard. Earlier we had to fight for it. They will be telling, 'this is not there, that is not there,' when I was promoted to Senior Engineer*

from Software Engineer. Nowadays I see mails saying, so and so is promoted, etc., but actually we know if you're a Senior Software Engineer, what is expected of you. Politics is there in promotions. I don't know why it happens. It might be that someone is in the good books of the manager...If the manager feels that someone is good, he can portray anything. They might not have done the technical job, but finally the version that the manager presents is that he has done something outstanding whereas the credit should have gone to someone else. This demotivates people like anything.

Researcher: Do you mean to say that it happens frequently or are these 'one off' incidents?

Interviewee: It is fifty/fifty. Promotion for a Senior Engineer could be a mistake, but promotion for a Programme Leader or Band 4 must be politics." (Project Leader aged 31 with Technostar for 3 years)

The differences uncovered during the analysis of the data include many aspects of ideological inconsistency. One such issue is the perception that in spite of the claims of high employee orientation and friendliness, many employees think that when it comes to many important aspects such as the organisation and structuring of work and contracts, the spirit behind 'people first' is not followed. As a case in point, they point out that in most similar organisations, the contract with the clients is so agreed that for part of the work, the employees go over to the client locations overseas and work there. This is considered highly advantageous to the employees since they are able to make an attractive tax-free income, given the exchange rate advantage foreign currencies have over the rupee. The in-depth interviews also reveal that many employees especially the employees in the younger age groups look forward to such assignments because this also gives them an opportunity to visit different places. However, many employees feel that Technostar does not accommodate this concern of the employees and they think that they are at a disadvantage in comparison to their colleagues in similar organisations and they do not appear to believe that an open and flexible work environment is a substitute for what they consider is their just demand. The researcher sensed their frustration and anger on a number of occasions. One software professional bemoans:

"We have always told them that in future agreements, there should be provision for more work at client locations overseas and more incentives when abroad. In meetings, everybody listens with rapt attention; however, when the contract is signed, it is the same old story. It is very frustrating and this happens time and again. Our batch mates elsewhere are trotting the globe, making lots of money, when we are glued on to the same old computer till late, drawing meagre salaries".(Senior Software Engineer aged 29, with Technostar for 3 years)

It was also interesting to note that the contract employees (about 50 of them) in the IT support functions tended to feel that they were excluded from the organisation. Such employees were easily distinguished within the organisation. For example, the researcher observed that they tended to sit together in the food court during lunch and did not integrate with other members of the organisation. When asked to comment on the culture of Technostar, one of them asked a poignant question, "are you asking about their culture (pointing to the main building) or our culture?" They were particularly unhappy about what they considered to be the differential practice of the 'people first' policy at Technostar. In the informal interactions, the researcher sensed their frustration, anger, and low levels of satisfaction. Many of them confided to the researcher that they had applied for jobs elsewhere and they were looking for an opportunity to move out of Technostar. The dissatisfaction of one contract employee was obvious in the following statement:

> *"I was selected for Technostar but given appointment in a contract firm.....everyone in Technostar got their increments two months back and I am still waiting for mine....I have been here for many years, I cannot purchase a house because no bank will give me a loan since I have a temporary contract. You tell me how I will be committed. However, I still work very hard. If there is any problem in my performance rating, they will not renew the contract."* (IT support officer aged 25, with Technostar for 4 years)

Clearly, the data shows that there is a high degree of differentiation of organisational culture at Technostar. What follows is a discussion of the differentiation perspective in relation to effectiveness.

8.3 EFFECTIVENESS DIFFERENTIATED?

The analysis of the data from the differentiation perspective suggests that the understanding of effectiveness is itself subject to vast differences in perception and in this regard, it is pertinent that Technostar's focus on the telecom domain itself is subject to differences in perceptions. The top management and the employees who have grown with Technostar take pride in the company's focus on the telecom domain and they tend to believe that such a focus is the cornerstone of the effectiveness and profitability of the organisation. On the other hand, many employees in the service division question this belief and argue that the exclusive focus on telecom to the exclusion of other areas such as manufacturing, retail, and banking, adversely affects effectiveness. They equate the exclusive focus on telecom to a person

putting all of one's eggs into one basket and they tend to believe that in the event of turbulence in the telecom market in the future, financial performance will be severely affected. As a case in point, they highlight the example of 2001, when the profits of the company dwindled as low as $100,000 due to the downturn in the telecom market. Furthermore, they argue that in a diversified organisation, the impact of a downturn would have been much less. This is akin to the view of Martin (1992, 2002) that the different groups of stakeholders in the organisation view effectiveness differently. Many employees in this organisation are apprehensive about a slump in the telecom market in future and think that Technostar would stand to lose substantially should this happen. For example:

> "We have taken a line that we stick to telecom domain and we are sticking to telecom, come what may........When you look forward to future, this is a major disadvantage. This is one thing I have expressed in all the fora. Why do we want to keep all the eggs in one basket? We have been lucky so far but I think we should diversify business....Actually we have taken the stand that whatever we do, it is telecom. When you take a stand like that, whatever I do, the domain and the business area will be telecom, now there are technologies associated with it, right, is it not? So the moment I say this, I focus on technology A, B and C; even when the new technology D comes in I will still stick to A B and C, I will not choose D, even if it's a telecom software, if my customer is happy with A, B and C ....It is really foolish that we tend to focus only on telecom; we are not open to other business avenues. This means you are not actually linking your business with other technologies which could be there. If you don't link with the other technologies, then it is a concern when you look forward to the future... see something happens to telecom, then you are caught in the middle."
> (Project Leader aged 30, with Technostar for 3 years)

The analysis of the data from the differentiation perspective suggests that an extension of the above argument is that the exclusive focus on telecom caused Technostar not to plan diversification into software development in other fields. It is argued that many companies which commenced business at almost the same time as Technostar have outgrown Technostar and that the turnover of some of them amount to billions of US dollars. Hence, it is argued that the telecom focus has led to far lower profitability and growth when compared to similar firms. Understandably, this argument contradicts the top management claim that telecom focus forms the cornerstone of Technostar's effectiveness.

The observations and the discussions of the researcher reveal that different stakeholders in the organisation perceive organisational effectiveness differently. The analysis of the data from the differentiation perspective suggests that the sales and marketing team equates

organisational effectiveness with more profitability, they believe that securing more business is the key to this and they operationalise effectiveness as 'clinching' a deal with customers, be it products or services. The analysis shows that the Customer Delivery and Support (CDS) team, which consists of the different technical teams involved in the various stages of the project execution, conceives effectiveness as the near perfection in products and the absence of 'bugs' and especially 'critical bugs' (the errors in programmes are generally called 'bugs' in the software sector), when the product is ultimately installed by the client (in the case of both the products and services).

The analysis of the data from the differentiation perspective reveals the conflicts inherent in the differing and often opposing perceptions of effectiveness by the key stakeholders, although there appears to be a general agreement that the ultimate objective is profitability. The sales and marketing team members argue that in a highly competitive market, the most important thing is to generate more revenues and that securing higher volumes is vital for profitability. They often have to negotiate many terms of the deal and a frequently quoted problem is that they are forced to reduce the timeline in order to 'close deals'. This leads to confrontation with the engineering team members who argue that they do not often have enough time to complete the rigorous engineering work such as test runs and to fix the likely 'bugs', due to the pressures of time and they complain that they often have to stay behind for long hours in order to honour the commitments made by the sales and marketing team. They argue that often such commitments are not properly thought through and are then hurriedly agreed by the marketing department. For their part, the service managers maintain that they are given too little time to ensure delivery. The marketing team contradicts this and argues that success in business demands flexibility, claiming the engineering team's argument shows their lack of awareness of the market realities. They consider that this does not hold good in a 'fiercely' competitive market. Given the openness that is said to be characteristic of the culture of Technostar it is interesting to note that these conflicts are sometimes played out directly and sometimes indirectly and often through 'escalations' (referring to a senior managers). The researcher observed several instances where these were discussed in small groups in the canteen, corridors, and at the tea counter on the terrace. An HR executive acknowledges the existence of these conflicts:

> "In our kind of system, where your compensation is directly related to your performance, everyone is eager to make his point. Sometimes the sales, the

engineering, and the service managers engage in fierce verbal fights." (HR Executive aged 25, with Technostar for 1 year)

The analysis of the data from the differentiation perspective uncovered an interesting insight into the understanding of organisational effectiveness in Technostar. The employees in the product group (who are generally called the 'hard core techies' in Technostar) tended to believe that it was the product focus which made Technostar distinct from other organisations and that the expansion into services made the organisation lose its distinct identity which has been carefully developed over a decade. Many of them believed that the service business would detract from the research focus which the organisation had hitherto maintained. The analysis of the data from this perspective highlights the irritation of this group at what it perceives as Technostar taking up the low value end work such as writing codes. They compare Technostar to many product companies in Israel, which are highly regarded for their high value-added work. The analysis further suggests that their understanding of effectiveness is driven by their belief that this involves making sophisticated and highly valued products. For example:

> "*We are looking at an area, where we make something and sell it again and again; like in the research area, we make brush, tooth brush for example, for the first time and then patent it, we make money. Or we make software and every chip or every CD we sell, we make money, the way Microsoft does. They charge on product basis; they charge 200 dollars for the MS office and they have spent a few millions to make it and than sell it. After we sold x number, every dollar earned is profit.....If I start my company or when I start my company, I would like to cater to a niche area focused on high values, small organisation. See that's how I run my group today, I do not run after growth; I could have grown by another 50 % last year if I decided to take on activities which are resource augmentation in nature, but I prefer to take small niche activities.... there is definite value in playing the other game; Israel has done it and shown it......I think what we have done is a short sighted move.*" (Vice President aged 50, with Technostar for 5 years)

It is clear from the above that the conceptualisation of effectiveness is subject to differences in views. Below is a discussion of organisational culture and effectiveness from this perspective.

8.4 ORGANISATIONAL CULTURE AND EFFECTIVENESS: A DIFFERENTIATED PERSPECTIVE

The analysis of the data from the differentiation perspective suggests that many employees, especially those in the service business, hold the belief that organisational effectiveness cannot be attributed to organisational culture. They argue that the profitability of Technostar is largely attributable to its business strategy, which has arisen because the company has fully exploited the outsourcing opportunities offered by the leading technology firms. They feel that in the Indian context, different companies will have different cultural priorities and the companies which have cultural priorities that are the contrary to those Technostar are also profitable. They further hold that culture is largely internal to an organisation and is not sufficiently powerful to influence the aspects of effectiveness which they consider to be environmentally determined. One software professional argues:

> "Culture, in reality, has got very little to do with profitability. Profitability is external to an organisation and is dependent on a whole lot of factors like the competitive conditions, the business strategy, and host of other factors. I do not mean to say that the work environment need not be conducive; it has to be facilitative. However, that does not guarantee you more profits. In the software sector itself, you have organisations, which have closed cultures and many of them are highly profitable too. Why software alone? Look at other sectors. In manufacturing, for example, don't you have companies which are not employee friendly at all but which are highly profitable?"
> (Senior Software Engineer aged 27 with Technostar for 3 years)

Furthermore, the analysis of the data suggests the belief that productivity and the quality always progress in a linear and incremental mode since they reflect the efficiency with which resources are put to use. However, profitability can be independent of these and to a great extent, are externally determined. It is argued that if there is a general downturn in business, the profits could go down in spite of high productivity and quality. They point out that the general market recession brought down profits in 2001 irrespective of the high levels of productivity and quality. The financial position improved with the general boom in the market without a corresponding increase in productivity and quality. This incident is often quoted as a case in point:

> "Productivity and quality, if you take the case of Technostar, has always been an upward moving curve but this was not the case of profitability. Profitability could be erratic. Every new head employed in the services means more profits, since we would

charge the customer for each person, every hour and it gives us a margin. However, productivity is how effectively we use the internal resources; we might keep on adding more and more people but productivity might remain the same. The same is true of quality. What is more interesting is that there can be low profitability even if we use our resources optimally." (Manager, Finance, aged 34, with Technostar for 2 year)

The following graphs made from the data supplied by the organisation are presented as evidence of this view.

GRAPH 8.1

Trend of Productivity(LOC/person-day)

(Source: the confidential data from the Utilization Report)

GRAPH 8.2

Profitability of Technostar (2000-01 to 2006-07)
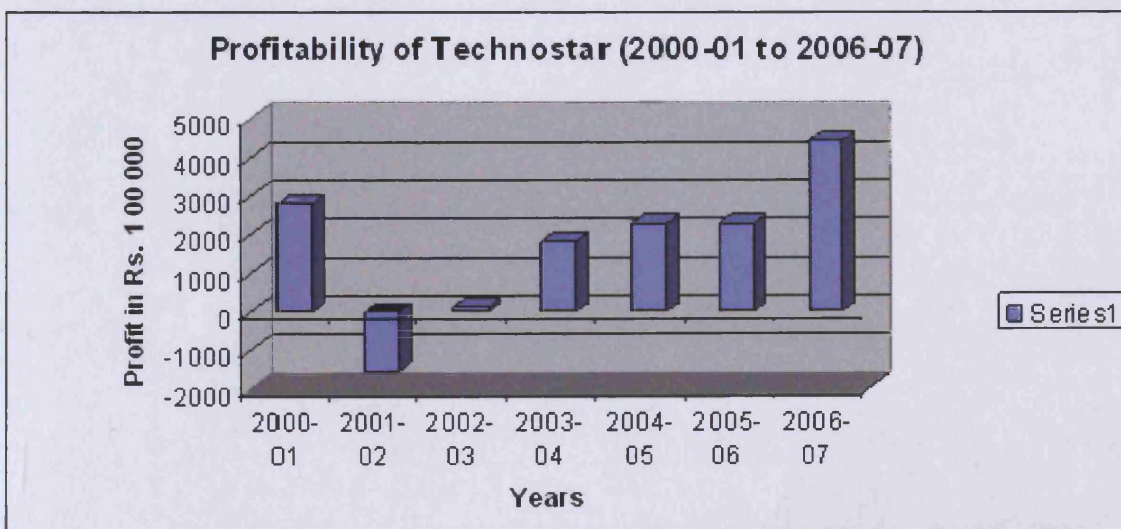
(Source: Financial Statement 2006-07)

Furthermore, they argue that in the kind of business model followed by Technostar, productivity and quality improvements do not necessarily lead to increased profitability. The analysis of the archival data suggests that Technostar follows two broad business models: the time and material (T and M) model and the fixed price model (described in detail in chapter five). In the T and M model, Technostar makes available an agreed number of software professionals and the customer pays for the number of hours they engage such employees. Irrespective of individual productivity, the customer pays the organisation the contractual emoluments. In such a model, it is argued that individual productivity does not lead to more profits since the organisation is paid for the number of people and the number of hours worked by them. The above arguments are akin to the goal-centred view of effectiveness wherein effectiveness is conceived in terms of profitability. The impact of organisational culture on effectiveness in the 'fixed price' business model is discussed later.

What follows is a differentiated discussion of organisational culture and effectiveness under the main themes that emerged from the data.

8.4.1 'PEOPLE FIRST' AND EFFECTIVENESS: A CRITICAL PERSPECTIVE?

The analysis of the data from the differentiation perspective suggests that some employees, especially the managers in the service business and functional departments such as HR, hold the belief that the many aspects of organisational life in Technostar, instead of contributing to effectiveness, have a negative influence on the different aspects of effectiveness. The often-highlighted aspect of organisational life, which is heavily criticised for its consequences on the different facets of effectiveness, is the policy of 'people first' and the various policies and practices which arise from this policy. It is argued by some employees, especially the service and functional managers and supervisors and some managers and supervisors in the customer interface of the product business that the policy of 'people first' which is argued to have contributed significantly to effectiveness in the case of the product business is not only inappropriate in the case of the service business, but could also have several adverse implications on the operational aspects of the service business. They argue that 'people first', instead of contributing to productivity and leading to profitability, often leads to decisions in which the individual needs of the employees take precedence over organisational needs and business requirements. They note that such decisions amount to pleasing the employees at the

expense of the organisation. The analysis of the data from the differentiation perspective suggests the belief of many service employees that such policies, which were arguably relevant when Technostar was small and employed 500 people, cannot be applied to the present circumstances with the employee strength at more than 2000. It is argued that in the service business, which works around short-term customer specifications and deadlines; 'people first' and the attendant policies and practices have negative consequences for productivity and profitability. For example:

"'People first' and 'single status' look very esoteric and attractive in the Indian context where senior people are looked upon with a lot of awe. However, let us not forget that in the telecom business, we do business with cutting edge technology players. We cannot afford the luxury of default and your mistake is someone else's opportunity. If we need to honour our commitments, we need to display discipline and dedication. We cannot tell the client that we are people first and hence we will deliver late. The clients are not concerned whether you are people first or not. They are focused on deliverables and quality. Hence, we need to be preoccupied with this rather than people.

Researcher: What about your view on the argument that 'people first' has generated a great deal of commitment and satisfaction and that this leads to heightened productivity and profitability?

Interviewee: *In reality, there are times we cannot ramp up due to 'people first'; there are times we cannot stretch due to people first. It is not that it happens always. Even if it happens once, the damage is done, given that a good part of our business is 'repeat business'. My experience is that it happens. I previously worked in a software service organisation, which had a rather 'closed' culture, and there we had strict norms for everything. The line of code written per person was higher there and the line of code written per person shows productivity. In our business which is highly people intensive, achieving high productivity is crucial for higher margins."* (Senior Manager HR-Operations aged 42, with Technostar for 2 year)

This reflects the goal-centred approach to effectiveness, in which it is argued that organisational culture has a negative relationship with productivity, a key managerial aspect of effectiveness.

The researcher observed the manifestation of many ideological inconsistencies in the culture-effectiveness relationship. An interesting example of this pertains to the training policy followed by the organisation. The in-depth interviews reveal the concern shared by many employees that there is a low emphasis and investment on technical as well as behavioural training in the organisation. Furthermore, the discussions with the training manager reveal

that training in Technostar is often not proactive and is mostly based on specific requests from employees. Many employees appear to believe that this low emphasis on training goes against the claims of the high people orientation. Managers in services were particularly critical of this. They believed that in the absence of the required training, people did not always perform at their best and this adversely affected productivity. Many employees told the researcher that often they were the ones who initiated training and they contrast this with other firms many of which have dedicated training centres and a training calendar and where training is aligned to the performance appraisals and the identified competency gaps:

> *"Often we have to make a strong case for training. It is not ingrained in our culture to give a steady flow of technical inputs. Obviously, it has a direct bearing on individual and group performance. I have seen many instances where projects have suffered due to insufficient training. It brings down productivity... You look at [XXX, a software organisation situated close to Technostar], they have a training college, which is fully equipped and it is like a five star hotel. To have greater synergies we need to have training especially technical training on a continuous basis. We need to invest time and resources on this."* (Senior Software Engineer aged 30, with Technostar for 5 years)

The analysis of the data from the differentiation perspective also suggests that the 'people first' policy which make it possible for employees to choose projects that interest them often has negative consequences on effectiveness. Many employees, especially the managerial employees in the service business argue that this leads to a situation where a large number of employees prefer to sit idle rather than move to projects in which they do not have a keen interest. Furthermore, in the service business, where teams are formed and disbanded on a continuous basis depending on the nature and duration of projects, the managers and employees in the supervisory positions maintain that they often find it difficult to form teams because of the unreasonable demands of some of the employees. In their view, this impacts adversely on productivity and they argue that these processes are carried out much faster in other organisations, where employees do not have these options. For example:

> *"The option and possibility to choose the area of work that you would like to do is bad enough. True, you have a right to say no for certain areas, but some people say 'I will not do anything, I will sit idle instead of doing what you are asking me to do'. This is one scenario at one end of the spectrum. On the other end the options is to say 'you do whatever you are asked to do, we don't care about what you are going to do, what your past is, how does it fit with you; what your aspirations are'. Practically, you cannot adopt both extremes, whereas you have a choice of saying no a few times for activities whether you want to do work on this project or not work on this project; that is something which is different. We cannot often find a perfect match between the*

aspirations of people and the projects we have. It is a major problem here that people refuse to work on areas that do not immediately attract them and we cannot force it on people." (Project Leader aged 30, with Technostar for 3 years)

Another example of inconsistency in the perception of a culture-effectiveness link in Technostar is derived from the argument of many employees in the service business relating to employee retention. They point out that the rate of attrition in the case of Technostar is more than 20 % and they highlight this as indicative of the failure of organisational culture to influence effectiveness. Furthermore, they argue that since people have transient affiliations, they have a limited attachment to the organisation and therefore their investment in the organisation will be limited. A Technical Leader explains:

"Is there is anything more absurd than saying that culture has helped retention? Look at the figures. The average market attrition is 10-12 % whereas the figure of our company is close to 25%! You ask HR; they have the figures. This means that effectively in every four years, we have all fresh faces in the company. Any case, the percentage of IITinas (graduates of the Indian Institute of Technology, the premier institute for engineering in India) in the company is less than 10% now. The REC component in recruitment has also come down heavily......We get the same type of candidates which an unknown company gets. So where is the high point of selective recruitment HR brags about? People leave us because of more money and the high talk of culture and all is just the figment of imagination. Since people leave fast, the repository of our captive knowledge and skills come down. A short-term guy would have fewer stakes than a guy who thinks of a career with the company." (Technical Leader aged 29, with Technostar for 2 years)

The differences uncovered during the course of the research present an interesting insight into the way organisational culture is perceived to influence effectiveness. The interviews and observations suggest that many employees feel that the extent of tolerance of business mistakes (an extension of the 'people first' policy) which is claimed to characterise organisational life is subject to differing views especially with respect to its impact on effectiveness. Many feel that such an aspect amounts to lack of accountability and often detracts from effectiveness. There are many examples of stories having alternate interpretations in this regard and they constitute examples for symbolic inconsistency (Martin 1992, 2002). For example, there is an often-quoted example of a senior manager who recruited a few hundred people for a project which never materialised and many people had to be 'on bench' for a long time:

"Hundreds of people were recruited and they were on bench and had to be paid for doing nothing for a few months. This was a charge on our profits. No action was taken

against the guy responsible for this huge mess. Is this possible in any other organisation? You might use any 'sexy' jargons- 'single status', 'people first', justice, but even a small child would understand that this breeds inefficiency. There are many instances of this in this organisation........this actually amounts to defrauding the shareholders". (Manager, HR, aged 35, with Technostar for 4 year)

Thus the analysis of the data from the differentiation perspective reveals the perception shared by many employees that the application of the 'people first' policy to the work context impacts negatively on effectiveness in the case of Technostar. Many argue that in the T and M model (described in detail in chapter five), Technostar makes available a certain number of software employees for a project, and if these employees are not available in time for work, this amounts to being unethical. Such a view is akin to the goal approach of effectiveness in which it is argued that aspects of organisational life have a negative consequence on profitability, one of the strategic objectives of the organisation.

8.4.2 SINGLE STATUS AND EFFECTIVENESS: A DIFFERENTIATED PERSPECTIVE

The analysis of the data from the differentiation perspective suggests that some employees question the prevalence of the widely-professed features of 'single status' and the high level of commitment that this is said to have generated. Many employees appear to believe that the growth in the size of Technostar makes 'single status' employment practices difficult to achieve. They point out that given that the service business frequently entails employees working at the client sites, it is difficult to see such 'single status' work in Technostar. They also observe that such breaches in organisational values impact negatively on commitment and satisfaction. For example:

"People are spread out in different geographical locations in this city itself, so people move from this office to another. In the process, single status might go as well. For example, I am a working mother; I need to look after my young daughter. In the head office, there is a crèche; there is none out here in the client's office or in the offices at the [two other locations]. It affects me. Unlike the head office there is no gym here. Where is single status? Definitely, it has affected my feeling towards the organisation. We have many people working in client offices, who have no such facilities." (Senior Software Engineer aged 27 years, with Firstware for 3 years)

The observations and interviews lead to the suggestion that the contract employees share the view that their work is significant to the organisation. However, many feel that they are retained as contract employees purely due to cost considerations and they question the organisation's emphasis on values and the doctrines of 'single status' and respect for the individual. This clearly demonstrates subcultural consensus (Martin 1992) in that this view is widely shared by the contract employees. The analysis of the data from the differentiation perspective suggests their belief that 'single status' is a management ploy to get the 'best out of bright software engineers'. They were not very keen to discuss this initially; however, as the research progressed, the researcher made friends with many of them and spent time with them. On two occasions the researcher was invited to their extended social gatherings and the interactions at such social gatherings and the informal meetings at the canteen led to many of them opening up to the researcher. In these discussions both the tenor and the tone of their talk matched what Martin (1992) described as 'underdog'. They tended to think that the organisation was not genuine about 'single status'. For example:

> "If they are genuine about values, why do they exclude us from 'single status? I am a qualified engineer. My work is equally important as theirs. If we were on the rolls of the company, it would cost them two to three times what they are paying us now. True, it makes immense financial sense for the company. It is certainly 'multiple status' and not 'single status'." (IT Support Engineer aged 25, with Technostar for 2 years)

The constant reference to the regular employee as 'they' is indicative of the detachment of the contract employees. Both the arguments presented above are akin to the multiple constituency approach of effectiveness in which effectiveness is viewed in terms of the satisfaction of the important stakeholders (see Friedlander and Pickle 1968) and it is argued here that many aspects of organisational life lead to lower level of employee satisfaction.

The interviews and observations present an interesting insight into the way the different HR policies, especially the much publicised innovative practice of 'single status' is perceived. The analysis suggests the prevalence of a strong sense of resentment towards the Technostar's policy of treating all employees equally for company facilities. This view was widely prevalent among the managers, especially the so-called 'laterals' (recruited directly from other organisations to higher levels) in the service business. The analysis of the interviews and observations suggests that many managerial employees had come from organisations where they were entitled to the special privileges for the high raking officials, for example,

the entitlement to business class travel and special cubicles for senior managers. They felt that the nature of the business required people to take up different roles and the proper discharge of the functions associated with the roles demands differences in the facilities. Interestingly, such views are consistent with the prevalence of high power distance in India (Hofstede 1984; Budhwar and Sparrow 2002). However, in the context of Technostar where such views were not seen in an appreciative light, the voice of dissent was disguised under the cover of the need to manage 'business exigencies'. One of the senior manager echoes these sentiments:

> *"One thing which I felt was that at least Senior Managers should be given separate cubicles − separate enclosed rooms, which is contradictory to our single status philosophy......The concern is that for every small things you have to do a lot of running around. For example, our Vice President sits in cubicle next to me and there are some software engineers sitting in the next row. Definitely some information the V.P. discusses, will be confidential.....Many times we will have to discuss things which may be unnecessarily confusing to people if they overhear; forget about the real confidentiality of the matter. For example, I will tell you one incident. One day somebody − another Band 3 Manager called me and wanted to know the salary level of one of my reportees. So now, they are asking me over the phone; they are sitting in a conference room and spoke the name of the guy. It is not comfortable to give the information pertaining to salary over the phone. Now I have to immediately put down the phone, go to the conference room and then call him again and give the information. Okay, this is for my level. I don't say that they start giving rooms to people at my level; I think it will be a huge problem, but what I am saying is for Band 3 and above, some distinction should be there. At least there should be an executive wing for senior people, that way it is okay."* (Programme Manager aged 38, with Technostar for 6 years)

In the informal interactions in the canteen and outside the office, managers were severely critical of such practices. However, in Technostar where the top management openly supports single status, such protests are voiced only subtly. Furthermore, the researcher observed that on more than one occasion senior managers found it difficult to get rooms for their urgent meetings as the practice of Technostar for booking meeting and conference rooms is on 'first come first served' basis, an extension of the 'single status' policy.

8.4.3 RELAXED AND FLEXIBLE WORK ENVIRONMENT AND EFFECTIVENESS - A DIFFERENTIATION PERSPECTIVE

The analysis of the data from the differentiation perspective suggests that some managerial and supervisory employees in the service business share the feeling that the flexibility that is

argued to be a key characteristic of organisational life in Technostar produces a negative influence on effectiveness in practice. Many argue that flexibility often becomes unrestricted and that this imposes limits on managerial choices and decisions thereby preventing difficult decisions from being taken by the managers. For example:

> "Flex-timing and the flexi policies have a negative impact on Technostar. The manager will not be in a position to take strong decisions. I am not affected very much……. I feel that sometimes management has to take strong decisions but because of the flexible ways, the decisions are not always that strong. My team has not faced that problem, but I have seen others facing problems. When I look at the management sometimes, I feel that they should have taken stronger decision." (Project Leader aged 29, with Technostar for 2 years)

The analysis of the data from the differentiation perspective suggests the perception that flexibility, which has arguably contributed significantly to many innovations in Technostar, has a negative influence on effectiveness. Many managerial employees argue that flexibility inherently implies that employees can often choose to act in innovative and new ways and that it frequently leads to a situation in which employees deviate from the set processes. Given that Technostar is a PCMM level five (the process standard discussed in chapter five) certified company, and since there are clearly laid down processes for the different aspects of work, the customers have high expectations of the adherence to processes. However, it is argued that the flexible ways of doing work often adversely affect effectiveness because this approach to work has led to non-compliance with standard processes on a number of occasions. Consequently, some even view the flexible ways as amounting to indiscipline. One of the managers put it subtly:

> "To some extent…. discipline definitely contributes to productivity. ..Discipline means adherence to some of the so-called best practices; we are used to doing certain things very well and probably want to continue to do that. We face many situations which form the base for our planning, but in my view a lot of improvements are required in this. The improvement could be anything, say, a benchmarking of something, then we can set our own goals internally saying that we need to organise things this way. This pertains not only to the engineering processes; let us look at the whole chain of processes which contribute to productivity. We are not formally tracking some of the areas; for example, sales. It could be brought under a formal tracking mechanism so that this may add to the visibility of where exactly productive improvement opportunity lies; that is possible. There is scope for bringing in this kind of improvement; that is what I meant by discipline; like from upfront the sales process or bringing in the customer requirements at the very first level to support the process. We can review many processes such as the contractor reviews and legal reviews. We

can track all these things and trace where the productivity improvement opportunity lies, and I honestly believe that we will be able to increase the numbers." (Business Manager aged 29, with Technostar for 2 years)

It is common for employees in the managerial positions in Technostar to compare Technostar with other software companies and to point out that the latter have recorded a higher rate of growth and profits and that they have firm controls in place. In their view, Technostar has a misplaced emphasis on flexibility. They argue that having checks and controls in the systems cannot be treated as going against the dignity of people. The analysis of the in-depth interviews suggests that they generally believe that the absence of rigorous systems could have an adverse effect on Technostar especially because it is growing fast. Indeed one of them angrily questions the policy:

"I tell you, we are to be aware of our competition; what is [XXX, A well known software organisation] doing? They have grown phenomenally; they have shown growth quarter on quarter. Their profits are growing by leaps and bounds. They are maintaining profits and are growing. [YYY, another well-known software organisation] is doing the same; don't they have control? YYY won the best employer award, some time back. Don't they have attendance system? What I am saying is it does not detract anything from them, if they have control. People are still proud to be there having all these controls....The absence of control is not going to be of significant advantage to us." (Manager HR aged 36, with Technostar for 1 year)

This is akin to the views of Mintzberg (1979) that as an organisational form, adhocracy is suitable only for start-up entrepreneurial firms and as firms grow they have to adopt other organisational forms such as professional bureaucracy. Mintzberg (1979) argues that informality and adhocracy characterise start-up firms, however, during the process of their growth and evolution, there arises the need for formal systems and processes, and gradually professional bureaucracy becomes the organisational form.

Many employees especially those in the supervisory and managerial positions are particularly concerned about the absence of attendance monitoring in Technostar. Such absence is claimed to be an extension of workplace flexibility and a key feature of organisational life in Technostar. However, the informal interactions with the service managers reveal their severe criticism of the policy and they frequently compare the present setup at Technostar with their previous organisations and the other software organisations which adopt an attendance logging system. They believe that there is no contradiction of values in relation to flexibility when it comes to attendance monitoring. For example:

"What I am saying is even if you have an attendance system you can still treat the people in the same way. Where does the dignity get lost if from the lowest to highest to the CEO, everybody marks attendance? Where is the problem? Where is dignity lost?" (Senior Executive, HR, aged 30 with Technostar for 2 year)

The analysis of the in-depth interviews and the observations suggests that beneath the euphemistic expressions of dissent and disagreements, there is a hard fought battle for control. Many managers appear to be quite unhappy that they cannot exercise the traditional managerial prerogative of control and they feel that the cultural orientations of Technostar made them 'powerless'. Indeed, they frequently argue that the exercise of power is essential for effectiveness and they bemoan that Technostar's culture prevents them from exercising power in many respects. One manager makes a subtle case for more control under the guise of bureaucracy:

"We have an open culture; there is no doubt about that. Then you have to take a call in terms of how much open you would want to be, there was a time, when the employee strength in Technostar was 50, 100, or 200. That was a time when people sat together, and decided what our policy should be and what all charges should be made; what rules have to be framed. Those things can not continue in a organisation which has become 2000 plus; there has to be certain amount of bureaucracy which has to come in and certain kind of defined processes have to come. When it comes to treating everybody in a similar manner on certain areas or keeping flexibility and things like that we have to find out when and where to draw line and how it is going to be". (Manager, Finance, aged 34, with Technostar for 2 years)

The analysis of the interviews and observations from a differentiation perspective suggests the interesting finding shared by a section of staff, especially the managerial and supervisory employees in the service business that workers are generally happier and more satisfied in Technostar when compared to similar organisations but the work output, productivity, and profitability are relatively lower. This view contradicts the hegemonic claim that organisational culture influences profitability and growth through increased commitment, satisfaction, productivity, and quality. This perspective also suggests that cultural orientations often help in keeping employees happy and satisfied but often this is not accompanied by a corresponding improvement in productivity, quality, and profitability. Rather, it is argued that employees are often lax about aspects of work and many managerial employees share the view that the work output and productivity could be much higher if the work environment was more task-oriented. For example, a Project Leader claims that the absence of strict measures makes people lazy and that the work output is lower.

".....there are many cases where I found people being lazy, people not working; for example, recently, in the previous team, there was a guy, who used to sit on a corner. Every time I go there, he would be chatting or doing something other than his work. So then, I had to move the cubicle from that place to somewhere near his immediate reporting manager. Thereafter he was fine, so there would be cases where they would misuse....I am comparing this to a good company where micro monitoring is there. For example, let us take [XXX], where I was working earlier. I would even say their profit is more than this....Productivity, you ask anybody about Chinese companies: they have a fantastic output out of the people." (Project Leader aged 29, with Technostar for 3 years)

The above arguments are akin to the competing values framework of effectiveness, wherein effectiveness is conceived as ensuring the balance between consistency (stability) and flexibility and process and ends (Quinn and Rohrbaugh 1983). The above analysis also suggests the perception that flexibility in the case of Technostar has an adverse effect on stability or control and that the emphasis on means (process) has a negative influence on ends. The argument of some of the employees in the service business is that effectiveness demands more of control and less of flexibility in view of the growth of the organisation. In their view, organisational culture promotes values which have the effect of negatively impacting the various aspects of effectiveness.

8.4.4 EMPOWERMENT AND EFFECTIVENESS: A DIFFERENTIATED PERSPECTIVE

The analysis of the data from the differentiation perspective reveals that the managers and the supervisors in the service business question the belief of some employees that the high level of empowerment claimed to be followed by Technostar has a strong positive impact on effectiveness. This is somewhat akin to the arguments raised in the 'people first' and the flexible work environment presented above in that it agrees with the broad people orientation, which is claimed to be part of Technostar. However, empowerment is distinct from the other themes in that empowerment relates to the delegation of decision making power in the operational functioning of the organisation, which is different from a distinct preference for people over business ('people first') and a relaxed and flexible work environment. Many managerial employees appear to believe that the extent of empowerment in this organisation has a number of negative consequences for productivity and effectiveness. They believe that the high levels of empowerment lead to decisions being made at the lowest level and one of the drawbacks of this is that sometimes middle level managers are not kept informed about

the operational aspects of business and their lack of awareness often creates a number of practical problems. Furthermore, it is argued that this leads to immature and inconsiderate decisions by the relatively junior employees. One of the HR executives elaborates:

> "One of the advantages of this 'no hierarchy' based set up is that people can approach any one, discuss things, and get it done. The disadvantage of this is that at the intermediate levels, at times people will not be aware of the problems at all. That is not healthy again. For example, there is an issue with the lower level of people, say executive level of people. Let us assume that they have a problem. Now the culture of the organisation is such that they can reach every one at any level, discuss things, and get them sorted out. So this person can reach a higher level person, can in fact walk into a senior colleague's cabin and generally one gets instant help. The higher-level person can give a suggestion, and it can get resolved. It can be sorted out within minutes or even seconds because it involves a high-level person. The ultimate thing is that the issue should be resolved, that is done, but where does this guy who is sitting in the middle get an opportunity to learn how this can be resolved. So that becomes a disadvantage." (Executive, HR, aged 31, with Technostar for 2 year)

Another interesting aspect of action inconsistency uncovered during the analysis of the data from the differentiation perspective pertains to the impact of empowerment on effectiveness, especially at the project level. According to many employees at the supervisory level, such as Project Leaders, in spite of the high claims of empowerment, there are many occasions where the spirit behind empowerment is openly violated. They argue that this typically happens if technical problems arise during the course of project implementation. Many employees, especially the employees at the supervisory level, told the researcher that in the event of problems in projects, empowerment operates 'in the reverse gear' (in the words of one of the Project Leaders). Many of them complained of high levels of monitoring and pressure and they appear to believe that such interference is often counterproductive. Furthermore, they also appear to hold the belief that because of the 'no hierarchy' policy, many employees, who are not directly related to the project, also start to give directions and offer advice on technical matters and the researcher experienced the frustration and anger of many of them about such actions. For example:

> "In times of crisis, we need enabling, but what we get is more pressure and questioning....I was handling a complex project with a difficult customer. The vagaries of the client resulted in a series of problems and they escalated the issue to the top management. 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 and demoralising. The crisis arose because of the unreasonable demands

of the client. Our team was actually doing a good job of it, but we had to face the brunt of everyone's ire." (Project Leader aged 31, with Technostar for 3 years)

The researcher met many such aggrieved employees at the food court and some of them shared their frustration at the undue interference from the managers and the top executives in the event of crisis.

Another revealing inconsistency, uncovered during the analysis of the data from the differentiation perspective, is the belief among the employees of the support function that there is a great deal of red-tape and bureaucratic procedure in their functioning which they believe negatively impacts on effectiveness. This presents a sharp contradiction to the views of the technical managers who argued for the strengthening of systems and more rigour in procedures. For example, employees in the departments such as Training, HR, and Facilities told the researcher that although there was a high level of empowerment with respect to the technical matters and projects which are directly related to customers, the opposite is true in their case. They often term the technical departments the 'blue eyed boys' of the top management (archival data suggest that technical employees are paid much more than the non-technical employees of the same level) and appear to share the feeling that the top management is very sensitive to the requirements of the technical departments whereas sometimes even their legitimate requirements are often neglected. Anger and frustration are clearly evident in the words of one of the senior managers in a non-technical section:

"Here the red-tapism is too much. ... Let me give you an example, a very recent one. Though I am physically here, my mind is not. We are planning to introduce e-learning in Technostar. For that I asked the management to get earphones, telephones and speakers. Had it been my earlier organisation, by this time it would be on my table. Here they asked me to send a mail; I sent a mail. Then they asked me to raise it in 'people soft' (a software used for internal administration)*; I raised the intent in 'people soft'. Then I have to follow up with the Finance Prime* (finance officer for this section)*, he has to approve based on budget. And it has to go to my 'boss' and 'super-boss'. This is how the chain goes and everywhere I have to follow it up. After all, it is a matter costing about 8 to 10 thousand Rupees* (approximately £120)*. I don't have the power, I don't know! Or is this the way this company is operating? I don't know! However, in my earlier organisation this would not have happened..*

Researcher. How would you have done it in the previous organisation?

What I would do is I would ask my subordinate to get it from the market, I will approve the budget, and the money would be released. Sometimes we spend the money, bring the

material, immediately sign the bill, and submit the bill and they will release the cash. The only thing that I have to ensure is that it is within the budget. I can know it quickly because the accounts person in my department knows how much is our budget. After all this is April – budgeting period starts in April and obviously, budget will be sufficient. They have not yet approved my request. I am not working in this facility. My office is in another unit. I am here just for this purpose, exclusively. They are working like a government office!" (Senior Manager aged 35, with Technostar for 2 year)

The overall view of the non-technical departments is that the low levels of empowerment in their functions negatively affect productivity and effectiveness.

8.5 CONCLUSION

Overall, data analysis from the differentiation perspective shows that many aspects of the culture of Technostar are inconsistent, with the examples of differences in orientation and the perception among diverse groups in the organisation. These differences not only impact on the management of human resources but also on individual and collective perception of their roles, their levels of satisfaction, their levels of commitment to the organisation and their perceptions of how culture impacts effectiveness. Such perceptions are marked by inconsistency, subcultural conflict, and tensions. The data analysis shows that effectiveness itself is subject to a high degree of differences in perception. Many groups in the organisation question the high claims of culture-effectiveness linkages found in the integration perspective. The data analysis suggests that the differences in the orientation among these employees have a strong influence on their perceptions about the relationship between culture and effectiveness. However, the analysis suggests that, viewed from a differentiation perspective, some aspects of organisational life may indeed impact negatively on the levels of effectiveness.

CHAPTER 9

ORGANISATIONAL CULTURE AND EFFECTIVENESS: A FRAGMENTATION VIEWPOINT

9.1 INTRODUCTION

Data generated from Technostar suggests that certain elements of the company culture, particularly those that relate to effectiveness, can be analysed from a fragmentation perspective. The fragmentation perspective (as described in detail in chapter one) captures ambiguity, multiple interpretations of culture, contradictions and ironies (Martin 1992, 2002). Ambiguity, according to Martin, can take three forms: action ambiguity (an unclear relationship between themes and observed practices), symbolic ambiguity (the absence of clearly consistent or inconsistent relationship between themes and cultural forms) and ideological ambiguity (ambiguity in the relationship of the content themes). Firstly, organisational culture is examined and presented from a fragmentation perspective. Secondly, effectiveness is analysed from a fragmentation perspective. Finally, the relationship between organisational culture and effectiveness is analysed from a fragmentation perspective.

9.2 ORGANISATIONAL CULTURE FROM A FRAGMENTATION PERSPECTIVE

In spite of the high claims of cultural hegemony, many software engineers and many employees especially those who joined the organisation laterally (people who are directly recruited to higher positions from other organisations), appear to notice a number of contradictions, ironies, and ambiguities of organisational life at Technostar. This is distinct from the differences described in the differentiation perspective and sometimes reveals the existence of confusion, ambiguities and mutually conflicting and hard to reconcile views. There are examples of action, symbolic, and ideological ambiguity in this organisation. The researcher observed a number of examples of symbolic ambiguity in this regard. One of the key symbolic ambiguities relates to the much acclaimed informality and flexibility that are argued to be characteristic of Technostar culture. The informal and flexible methods of work

encouraged by managers are interpreted differently by different employees and many of them believe that this creates confusion and chaos. Such ambiguity transcends the day to day administrative tasks to technical aspects of the work and it is common for employees to compare Technostar in a negative light with other software organisations. During a tea break, one of the Programme Managers pointed to the main entrance area and remarked that although the absence of a main door in Technostar is interpreted by the top management as indicative of openness and flexibility, this in fact meant that virtually anything could get into the organisation, be it positive or negative and that there is no knowing what comes in. Some employees even go to the extent of arguing that ambiguity is so pervasive that many people in Technostar are not aware of how to do business. For example:

> *"Even though* [PQR, where the interviewee was working previously] *is a very big organisation, there is a very good process in place.........You need a pencil or notebook; it is there. You have to apply for a visa; it is there. Even when you resign, for example, they give you a checklist: at 10 o'clock you meet X, he will give you this letter; at 11 you meet this person he will give this. So one day you go to the office; you go to each and every department, all your papers will be in place. You are 100% sure that everything from their side will be done.......Here nothing is there, no process in place actually. You have to go and fight with people for many things and it is quite annoying. Today you quit and they will ask you to come after two days to collect your final settlement...I can give you one technical example, technical process oriented example. When we are working on a project, you are supposed to do a review of whatever codes you write. There should be a moderator and you should actually store that review comments. I have never seen it happening in Technostar and the consequences are sometimes quite disastrous, sometimes we waste a lot of time fixing bugs. In [PQR] we used do review each code independently. I do not understand how they can do this. If they cannot manage 2500 people, then it is difficult to imagine how* [PQR] *manages 40,000 people...... I don't find our ways of doing business promising at all."* (Senior Software Engineer aged 28, with Technostar for 1 year)

Furthermore, the analysis of the data from the fragmentation perspective suggests that many employees appear to have deep-seated anxieties and concerns about the future directions of business and organisational life in Technostar. Such concerns had in fact grown in the light of the planned conversion of Technostar into a public limited company and the planned initial public offer (IPO) of shares. One key concern which emerged from the interviews and observation was the fear felt by many employees that with the conversion into a public limited company, Technostar would not be able to retain many of its positive aspects of organisational culture and there was confusion as to how organisational life would change. It was especially feared that it would not be possible to share data and information freely with

employees due to the regulatory framework of public limited companies. Furthermore, many employees even feared that it might not be feasible for Technostar to retain some aspects of working life, such as flexibility, because the organisation had grown too big in size. Some even feared that the unlimited flexibility, which arguably played to the advantage of the company, had led to a number of issues in the changed context, creating confusion and ambiguity to the extent that it had become a 'sort of 'liability' (in the words of one of the employees). For example:

> *"Now, is anybody tracking the processes here, I don't see that. How many people are required to be interviewed, what is my method, what is the plan for accomplishing this, what are the sources of recruitment; for example should I go to a consultant; should I go and advertise, what is my probability for a hit or what is happening in interviews, What is the reason why someone has been interviewed etc: none has any clue. I am saying the whole process has to be well laid out. Here can they show me against an intent: who all are short-listed and who all are interviewed? My experience is that you cannot always get this data here. I do not think that here you can figure out why the rest of the applicants were not called for an interview. I don't get report on any of these. These are some grey areas here and there is a definite scope for improvement and I think there should be a difference.... Many times, it is just because the process has not been, first of all, put in place or it is not the right kind of process or it has not been improved upon. If we do not have processes how will we ensure compliance when we grow big?"* (Programme Manager aged 51, with Technostar for 7 years)

The researcher observed many instances where inadequate systems and processes led to chaotic situations. One such instance pertained to the recruitment process and one of the repercussions of the informal ways of carrying out the process was that people, who were interviewed and rejected by one section, appeared for interview with some other section. The researcher was in fact shocked to observe that some candidates who were rejected by one section were hired by another section or project which required similar competencies. The researcher further observed that many line managers were quite furious about such serious lapses on the part of HR and they attributed this to the confusion and chaos surrounding HR and the organisation.

The interviews and observations capture many deep-rooted concerns that employees have about organisational life and about the future directions it is likely to assume. One such concern relates to the issues arising from the high rate of growth and the flux that such growth creates in the organisation. An artefact of this was the batch of freshers coming and joining the organisation, the group of employees leaving the organisation and the constant

queue of people waiting to be interviewed, all happening simultaneously and without allowing the time for stability. The in-depth interviews brought out the deep-seated fears in the minds of many employees that such fast expansion poses a challenge to the organisation in terms of perpetuating the cultural values. Many argue that in the absence of employees who have stayed with the organisation for many years, the transmission of cultural values is challenged. They fear that the high rate of turnover amongst new software engineers means that many of them will not be culturally integrated into the organisation. Furthermore, a large proportion of the newly selected software engineers start their work in the client sites and many 'old timers' fear that such employees do not have a clue about the organisational culture of Technostar. The archival data shows that about 50 per cent of the workforce has three or fewer years of experience in Technostar. More importantly, there appears to be constant internal dialogue and confusion as to which aspects of organisational life need to be changed in view of the fast growth of the organisation. One of the senior managers expresses his concern:

> "As we are growing, growing faster, growing wider, we are spreading, becoming multicultural, all these things. It is not the size of growth that I am concerned with, it is the speed with which we grow. Speed at which we grow has its implications. At any point in time what proportion in your employees is new?......... Suddenly we have large number of people who are new to the company. And we have few people who are old-timers, who are the custodians and the perpetrators of our culture. The speed with which these people can actually get the new people to imbibe our culture is a big challenge.... We also don't know what kind of an organisational culture we should have here! There are certain things which I think would change." (Director, HR aged 48 with Technostar for 2 years)

Many feel that such changes are already taking place. For example, a large number of employees fear that as Technostar grows bigger in size, the highly acclaimed 'single status' policy may became the casualty. They feel that the present arrangement whereby employees work in client offices itself has made 'single status' difficult to practise. Some employees told the researcher that in the project sites there was no single status. Once the CEO was asked in a Business Update Meeting (BUM) to explain what would happen to single status as Technostar grew in size. His reply that "in future, 'single status' would be challenged" fuelled the anxieties of the people.

The 'single status' policy is a case in point and there are several changes taking place on a regular basis and additionally there is confusion and anxiety as to which aspects of culture

would continue. To give an example, some employees told the researcher that they were annoyed with the discontinuation of many customary practices (for example the sweet packages which used to be distributed to the employees on the occasion of 'Diwali' - the festival of lights, a feast similar to Christmas in the West). These employees noted that this was indicative of the change away from a people-oriented culture. One of them quite angrily remarked that it costs the company a mere Rs.60.00 (approximately £0.80) a packet and observed that life in Technostar was changing and that it was no longer the company he loved to work with. Therefore, many employees saw a clear contradiction between such changes and the top management assertions that cultural values would not undergo any changes.

An interesting finding from the analysis of the data from the fragmentation perspective pertains to the deep-seated confusions and dichotomies among the members of the top management about the way organisational life was structured in Technostar. Such anxieties were not apparent in the initial days of the research but emerged as the researcher became friendly with many senior executives. The informal interactions with them exposed their anxieties and confusion about the implication of the business strategy of expansion into service business. Although they appeared to be committed to the cultural values of Technostar, there was often a rethink as to how to position the cultural values in the changing business scenario in view of the particularities of the service business. The analysis suggests that they are caught between their own convictions and the pressures from the service managers and customers who pressed for radical changes to the cultural values. The researcher sensed that their position on this was fluid. For example, after a call from an annoyed customer, they appeared to be critical of the workplace values. On other occasions, however, they appeared convinced about the cultural values. Their anxieties in this regard are akin to what Martin described as the 'fragmented view of the self' (Martin 1992, p. 155). For example:

> "[XXX, a leading Indian software organisation] *somehow has got this very interesting thing worked out. They have chosen to operate only in services and they concentrate on volumes....Their business strategy is very clear and their internal systems are geared to facilitate that strategy. They take up high volume, low value work. It is like an assembly line and there is even a dress code for employees. Some of them are like sweat shops! They do not experience any dichotomy since they follow a single line of business. .....However, we are in both products and service; businesses that have conflicting priorities and orientations. The product business involves hardcore research whereas in service business, we cater to the low-end customer specific work*

and volume is the name of the game in that business. There are heated debates and divisions about the values of work environment within the top management team. Honestly, we do not know how to balance this. We have doubts; a lot of doubts as to how to cater to these conflicting requirements. We are involved in a self-talk all the time: 'are we doing the right thing? are we not doing the right thing?'" (Vice-President aged 44, with Technostar for 3 years)

The analysis of the interviews and other data reveal a number of ambiguities, many of which emerged in the form of conflict between content and themes. The managers and employees in supervisory positions in the service business unit typically highlighted such issues. Furthermore, although there was some evidence of consensus within subcultures, this did not always extend across subcultures. For example, the general dissatisfaction of the employees in the service business unit suggested an incomplete realisation of Technostar's 'people first' policy as well as the desire of the service employees to re-orientate the culture of the company to a 'business first' approach. The analysis suggests that often there is a lot of ambiguity and confusion surrounding the meaning and application of the 'people first' policy. The following vignette highlights the belief that the consequences of the 'people first' policy were frequently unintended and commonly counterproductive for organisational effectiveness:

> *"........a delivery date is there and let us say you have tight estimation that you will deliver a product in 5 days... suddenly, on the third day, an employee applies for leave, now what will you do? Under the 'people first' policy, you will have to give him leave."*

Researcher:... like somebody falls ill?

> *"Not only ill...... some personal reason, not even ill. You can't do anything about it. He needs time off. He says [name] I have to go, at that point of time; you know that if he goes, you can't deliver on time, so we slip......"*

Researcher:... Would you still grant them leave in such situations?

> *"We still give, that is one of the problems we have faced in Technostar, and so we always slip. We aim to be high customer centric, but if you ask the quality people, I think they will have a different story, they will say that there is always some amount of slippage in Technostar."* (Project Leader, aged 31, with Technostar for 5 years).

The researcher observed several other examples linked to the above issue. One day the researcher was having lunch at the food court where a senior HR manager was speaking to a senior manager about a service business unit who said: "[a major client of the firm] *had a*

serious problems and none of the software engineers were available to resolve it. The project leader was granted leave in the middle of the project and the client was yelling at me." The junior employees often interpret this as a privilege and many of them are, in a sense, pleased about this.

As the researcher spent time with the employees, it became clear that there were many perceived contradictions; some of them were distinct contradiction of values, which were believed to occur in Technostar. In fact, one doubts the high claims of integrity following the analysis of such contradictions. For instance, one of the Business Units (BU) in Technostar had an American as its head. In the opinion of many employees, he was widely perceived to be effective and result oriented; however, some in the top management had problems with him. One day he was unceremoniously removed from the post and the decision was announced in a top management meeting without even informing him prior to this. The reason given was that his services were required in more strategic work. However, another story was also spread that the top management did not like the way he tampered with the cultural aspects of Technostar. Absence of authenticity in this case is very revealing in the context of the high claims of authenticity and integrity. Some of the senior managerial employees who became friendly with the researcher revealed that there had been clashes between certain members of the top management and this top executive and that they thought that he had had a rough deal. One such issue related to the quarterly appraisals, which the American replaced with annual appraisals in his business unit. Apparently, there was a verbal disagreement about this. One of the top management team reportedly chose to make an openly personal accusation, telling him "you do not understand our culture" to which he reportedly retorted, "you are adopting what we found useless in the US and discontinued all together." Others pointed out action ambiguities. For example, many employees in the staff functions such as HR tend to believe that the technical people always advocate respect for people, but practise otherwise. For example:

> *"These are the things that I see: there is a lot of indifference to people. You send a mail you hardly get a response; send a CC to the boss; then you get a response. Why? What for? It doesn't happen in other organisations. You talk about respect for individuals; you talk about single status!"* (Executive, HR, aged 25, with Technostar for 2 years)

One of the HR officers told the researcher that many of the technical employees were involved in manipulations to raise their salary by giving false threats of resignation during the times of the salary revision and he argued that some managers were also privy to this.

The extent of multiple and conflicting interpretations of aspects of organisational life is clear from the fragmented interpretation of the 'single status' policy and this is best illustrated by an incident witnessed by the researcher. A group of software engineers were working in one of the client offices, which understandably does not follow the 'single status' policy. The software engineers involved in the projects in that organisation approached the HR manager and argued that they should be given special 'financial compensation' since their project organisation did not follow the 'single status policy!' The HR manager expressed his consternation at this and pointed out that this demonstrated a complete lack of appreciation of the 'single status' policy. The informal discussions reveal the conflicting interpretations of 'single status' by the different sections of employees and the researcher observed that on many occasions the group affiliations changed. For example, it was observed that some Project Leaders who appreciated 'single status' when they were with software engineers, highlighted its abuse when they were with the senior managers. When asked to clarify, one of them said: "both positions are true in their own way; there are positive and negative aspects." Furthermore, some employees failed to recognise this as a unique feature of organisational life in Technostar. They felt that software organisations were highly people-dependent and the kind of recognition given to employees was intended to 'exploit' the knowledge workers subtly. Some of them did not appear to share the claims of uniqueness of organisational life in Technostar.

> "I have worked with many software organisations. They are more or less like Technostar although they may not showcase 'single status' as a unique aspect. People get their due respect." (Programme Manager aged 40, with Technostar for 2 years)

The analysis of the data from the fragmentation perspective suggests that such multiple interpretations of 'people first' lead to a situation wherein 'single status' is not viewed as a source of increased commitment, satisfaction or effectiveness.

Some employees pointed out the ironies in the organisational life. One pertinent incident was about an employee who had to work abroad and wanted to take his mother along with him

since his father had recently died and there was no one to take care of her as he was the only child. He was denied permission and a software engineer remarked that if the employee were married, the company would have paid for the tickets of his wife and children and he viewed this as an irony in a 'people first' company. This needs to be viewed in the Indian context in that parents mostly live with their eldest child. In fact, data analysis from the fragmentation perspective suggests that organisational life presents a number of ironies. For instance, some people were of the view that one of the key executives, who was widely perceived to be anchoring the cultural orientations of Technostar, was an embodiment of values contrary to those of Technostar. For instance, the researcher was shocked to learn from one employee that she was reportedly called by this particular executive and was asked whether, she would get another job if she lost her present job because she disagreed with him on some important issues. There was a belief amongst some that he was reluctant to delegate power or authority. The researcher observed that of the 27 members of his team, 13 had resigned from the company over a period of 5 months and there were rumours that two more were about to leave shortly. The researcher was shown the highly confidential transcript of the exit interview of a senior manager in which he stated that he was resigning due to his problems with this executive. Another manager made a scathing dig at him and did not conceal his anger: "there are some people here who introduce esoteric academic jargons far removed from reality" (a direct attack on his academic predilections). Some employees even considered the behavioural training programmes, initiated at his behest, as a drain on the company resources. Interestingly, the analysis also brings out a contradictory view held by certain employees that this executive was highly value-oriented and even restrained the attempts of the managers in the service business from changing the people-oriented aspects of organisational life. Furthermore, some employees held the perception that the top management preferred people from a particular caste (like race, caste is a social categorisation of the Hindu society, showing higher or lower social positioning) for important positions whereas some employees believed that merit was the only factor that influenced organisational choices and selection. This is a unique example for fragmentation in that views about organisational life are situational, hard to reconcile and are not clearly consistent or inconsistent and are characterised by contradictions, complexities, and ironies.

Another interesting aspect of fragmentation that emerged from the analysis of the data pertains to the perceptions of the paternalistic leadership styles followed by the CEO. Some

went as far as to describe him as a role model, whereas others view his words of appreciation as manipulative and political. A conversation the researcher overheard in the lift supported this view: "*the other day* [CEO] *patted me on my shoulder and said 'you are doing an excellent job'. He never meant it, but was just trying to motivate me.*" Some others even saw him as very emotional and held the view that people often manipulated him, taking advantage of this. For example, one manager indicated during an informal conversation about the CEO: "*he is very emotional. Many of his choices are too much moved by compassion, whereas business cannot be run on such tenuous grounds.*" In the following section the fragmented perception of effectiveness is analysed.

9.3 EFFECTIVENESS FROM A FRAGMENTATION PERSPECTIVE:

It was revealing that many employees argued that effectiveness was something which could not be defined concretely and that rather than the actions of the organisations leading to effectiveness and profitability, effectiveness was acted upon and influenced by many complex and unknown factors in the environment. Viewed from this perspective, effectiveness is an abstraction which cannot be shaped by human action; rather it is seen as a chance event or even luck (see Budhwar 2001). It is interesting to note that many employees attribute profitability to 'chance'. It should be mentioned in this regard that one of the tenets of Hinduism (more than 80 % of Indians are Hindus), is 'fatalism', which advocates that things are predestined and that things happen by a script which is pre-written, in which people are just play-actors. From this point of view, culture has very little to do with profitability and effectiveness. In the words of one of the employees:

> "*Profitability is mostly, nothing but chance. We can do only* 'karma' (Hindi word for duty) *and 'karmabhala'* (Hindi word for the fruits of our actions) *is God given. Let me tell you, a major part of our profits comes from the service business. Getting a project is nothing but chance. Different players will be bidding for a project, some of them will be big firms established over many years of having a huge clout. Winning a contract is nothing but chance. The top management always gives the impression that our strategies account for our profitability, but I see no merit in that. Look at our profitability data. It shows a lot of fluctuation. It is just a chance.*" (Software Engineer aged 27 with Technostar for 1 year)

Furthermore, the analysis of the data from the fragmentation perspective suggests that there is complexity surrounding the understanding of effectiveness itself. It has been argued by some employees that the measurement of effectiveness itself, especially productivity is

characterised by many problems. The analysis of the data suggests the view held by some employees that projects which form the major part of Technostar's revenues vary in terms of their complexity and duration. Against the background of such variations in complexity, it is argued that it is difficult to measure and compare productivity. For example, the archival data suggests that one of the frequently used yardsticks of productivity is the lines of code written per day by software engineers. However, many employees believe that, depending on the level of complexity of the projects, the time involved in writing codes vary from project to project and hence the number of the lines of code might not be comparable. Some employees go on to argue that the number of hours spent writing a code is not a proper yardstick. In the words of a young software professional:

> "A really bright chap might write a code in a day or even a few hours that might be powerful enough to fix a complex bug, which might take another chap many days. One might roam around for a day or come late or do whatever, but might finally sit down and pen a few lines of quality. Compare this with a disciplined guy who sits religiously for days together and produce a heap of defective codes. So looking at numbers will be misleading. I do not think that one can truly measure productivity." (Software Engineer aged 23, with Technostar for 1 year)

The more recent measures introduced in the organisation incorporate complexity as a factor in the measurement of productivity. However, some argue that even such innovations are not powerful enough to portray a true picture of productivity.

The in-depth interviews gave further insights into the ambiguities and complexities surrounding the conception of effectiveness. Some managers told the researcher that some projects might have little margin, but that they brought in 'repeat business', whereas some projects might have higher margins but they did not give steady revenues. From the business perspective, high revenues and consistency are equally important and the task of determining which is more effective is arguable. The analysis of the data from the fragmentation perspective also throws light on the ambiguities about repeat business itself. Some employees maintain that the work brought in by many MNCs are routine mundane, activities, whereas the 'mission critical' activities are retained by the MNCs alone. As a result, many employees argue that Technostar ends up doing the low value end work for the MNCs and many employees do not see this as an indicator of effectiveness. Rather, they fear that it diverts energies from the high value end work Technostar has specialised in. In the words of a Technical Leader: *"Do you think that MNCs will part with their technological edge? Not*

at all, all that they are doing is getting rid of their mundane activities to centres of cheap labour."

Furthermore, the analysis of the data from the fragmentation perspective suggests the perception held by some employees that profitability is the result of innumerable factors operating in a complex relationship and in their view, even if one factor such as culture facilitates profitability or productivity, other factors might neutralise the impact of culture on profitability. This view holds that innumerable factors impact upon effectiveness and it is a complex relationship. For example, some people fear that if the other developing countries are able to produce English speaking technical professionals, then outsourcing would move to those destinations, if labour is relatively cheaper there. Such a move would directly and sharply affect Indian organisations, in spite of the highly qualified and trained staff. For example:

> *"There is seemingly, let's say, lack of correlation between culture and profitability in this company. I think we need to do further scrutiny as to how much real impact culture has on the business results and what the other factors are or how many parameters really have a weightage on the company performance. Culture is one aspect. There are others like processes, quality, technology, business strategy and the environmental factors, to name a few. They together produce the results. The other driving factors, which, if you properly look at them, can offset these benefits or advantage derived by this culture and the people passionately working, identifying themselves with the company and all. There any nullifying or offsetting factors which play a role; I don't know which one of them applies to our case. What I am saying is that, may be, if we look at from a holistic point of view, if we have a premise that culture alone should lead to profitability, that is seemingly not working"* (Manager, Quality, aged 42, with Technostar for 4 years)

Furthermore, the informal interactions with the employees reveal the extent of fragmentation in the understanding of the effectiveness concept. Although there is some broad agreement about profitability and growth, when it comes to what constitutes effectiveness, there appear to be multiple interpretations of effectiveness in the organisation. This is unlike the differentiation perspective where the different groups of employees define effectiveness in terms of their functions or group affiliations, for example top management or managers or software engineers. Some noted that effectiveness warranted Technostar to be a small and fast moving 'nimble' company, others argued that effectiveness required Technostar to be a big company with huge resources, still others thought that effectiveness demanded

Technostar to undertake all kinds of software work and some wanted the company to continue only in the telecom sector to be effective. There were some who equated effectiveness with profitability, others with growth or with more sales, certain employees thought that effectiveness meant more patents or thought of effectiveness as having more innovative practices, some thought that effectiveness meant productivity and others associated effectiveness with high quality. This, therefore, shows how hard it is to reconcile definitions of effectiveness.

Another interesting aspect of the fragmentation of effectiveness is related to the unique conception of organisational culture in Technostar. Some employees, especially the top management and some of the employees who have been with the organisation for a long time, argue that certain professed aspects of organisational life such as concern for the dignity of people, trust and absence of fear are aspects which are fundamental to organisational life and are not envisioned to lead to particular effectiveness outcomes. These employees argue that such aspects are ends in themselves and the existence of these values is itself indicative of organisational effectiveness since the founders of the organisation wanted these values to prevail in the company and that they wanted Technostar to be different from typical organisations. Viewed from this perspective, the prevalence of certain cultural values encouraged by the founder of the organisation indicates the achievement of effectiveness since this is an indication that the founder's values have been realised.

In the following section, the relationship between organisational culture and effectiveness is analysed from a fragmentation perspective.

9.4 ORGANISATIONAL CULTURE AND EFFECTIVENESS FROM THE FRAGMENTATION PERSPECTIVE:

The analysis of the data from the fragmentation perspective suggests the perception by some employees that the impact of the aspects of organisational life such as flexibility on productivity is often unintended and counterproductive, contrary to the claims of the management and many senior executives. It is argued, for example, that the ambiguous manifestation of flexibility has an inverse relationship with productivity and it is particularly noted that in the context of a country such as India, where the level of collectivism is high,

the emphasis on flexibility leads to increased social loafing. The researcher observed that frequently, employees were seen in the canteen and the open terrace for long periods involved in social conversations. Furthermore, many senior employees argued that younger employees (between the ages of 25 and 30) which constitute about fifty per cent of the employee strength spent a lot of time on the internet surfing and chatting. The researcher observed at various points, many of the young employees had either Yahoo or MSN messenger and in some cases both downloaded in their systems and many of them were often seen chatting for long periods of time. Moreover, in the informal meetings and gatherings the researcher attended, many young software engineers pointed out that unlike the other organisations, there was no restriction in Technostar on chatting and many of them admitted that they spent a lot of time chatting and surfing at the office. Interestingly, the researcher observed that some of them used the freedom and flexibility accorded by the organisation to trade actively on the stock exchange while still at work.

Furthermore, the analysis of the data from the fragmentation perspective suggests a perception by some employees that the relationship between organisational culture and effectiveness is neither uncomplicated nor direct. Such views hold that organisational culture cannot be treated as a single and unidirectional phenomenon which always impacts positively on effectiveness but rather that culture has different aspects and that such aspects have varied effects on aspects of effectiveness. One such perceived difference pertains to the technical and non-technical aspects of organisational life. Some employees argued that when it came to the technical matters, which are directly related to the customers, organisational life was characterised by a high degree of rigour and strict standards, especially with respect to quality. However, when it came to quality with respect to internal processes, they felt that such seriousness or rigour was often found lacking. One of the top executives acknowledges this:

> *"I think Technostar has two faces. The customer facing face, the face which is looking at the customers, has all these qualities, but internally we may actually be lax, so the quality you are talking about may actually be lax internally speaking. You go to the eighth floor. There is a huge board which we have put up and the board rests on some scaffolds. On the scaffolds, there is a brick structure into which the leg goes. You look at the brick, that structure, it is of a very poor quality. Just walk around and see, though it may not be visible, but for a discerning eye, it is visible. Go to any of these places, they paint with some bright paint and you look at how it is there at the bottom. There is a black strip, black colour on the top of a bright colour. How can the black colour come on the bright colour if it is of great quality? Must be impeccable, right?*

In fact that happens, no body has noticed, no body has bothered about it. This will be not be there in the customer product. The quality in the customer product is strictly monitored. Otherwise you will not have customers." (Senior Manager – HR Operations, aged 42, with Technostar for 2 years)

This is akin to the goal-centred view of effectiveness wherein effectiveness is analysed in terms of the key managerial goals. In this case, quality is examined as a key organisational objective. It is argued that organisational life leads to a greater focus on quality as far as outside customers are concerned, but the impact of organisational life on the internal aspects of quality is often negative. This highlights the complexity in exploring a culture-effectiveness relationship.

Furthermore, the analysis of the data suggests the perception of some employees that organisational life in Technostar is multifaceted and that some of these aspects of culture are not envisioned to lead to profitability (this has been briefly mentioned under the fragmentation of effectiveness). According to this view, certain professed aspects, such as concern for the dignity of people, are not intended to lead to particular effectiveness outcomes. However, these are ends in themselves and the prevalence of such values is proof of effectiveness and they need to be adhered to in spite of their impact, positive or negative, on effectiveness but others may not have a direct link. According to this view, some aspects such as customer focus and high level of empowerment are related to and contribute to effectiveness. However, other aspects may not have a direct link. In the words of a senior software professional:

> *"It depends on what culture you are talking of. Not all dimensions of culture will lead to productivity. You need to look at the productivity-linked dimensions of culture. Socialisation need not lead to productivity or respect for an individual may not make you profitable or productive. If it is an excellence culture, if it is a customer-centric culture, things like that could contribute to productivity indirectly. Culture might not be able to predict profitability and growth in the organisation. Again, it depends on which dimensions of culture we are looking at. It may be related to innovation, creativity, product development, but may not really determine profitability because ultimately from creativity and product development to get into the market acceptance and growth is a totally different aspect."*

Researcher: Are you saying that culture is like the hygiene factor? Culture can bring effectiveness or profitability to a take off level, from which perhaps other factors will have take over to a achieve profitability and growth.

That is what it looks like. From our experience it looks like this." (Technical Leader aged 31, with Technostar for 10 years)

This argument is also akin to the goal-centred view of effectiveness in that it examines organisational effectiveness in terms of profitability, one of the key organisational objectives. It is argued that organisational life is a complex phenomenon and some aspects of this phenomenon are not related to effectiveness, whereas some aspects are argued to contribute to effectiveness positively.

Interviews with service business unit managers also highlighted many ideological ambiguities and such ideological ambiguities often lead to unintended consequences impacting upon effectiveness negatively. The analysis of the data suggests that the 'people first' policy had an unclear and often conflicting relationship with other aspects of organisational life such as customer centricity, integrity, and commitment. For example, the researcher observed many instances where employees refused to go to less attractive client locations which did not have the facilities offered at Technostar (employees, for example, were eager to go to Europe or US but were very reluctant to go to China). The managers argued that they were unable to exercise managerial authority in such instances because Technostar's culture did not permit managers to compel employees to act against their self-interest. The observations brought out their feelings of 'powerlessness' and 'helplessness'. On one occasion, the researcher was having a discussion with a Project Leader in the food court. She described in some detail the unintended repercussions of the policy of 'people first':

> *"...you forget permanent employees, the contract employees too interpret 'people first' in their own way and there is often chaos. There was urgent work in connection with a project we were doing with a company in China. I asked one of my engineers on a contract assignment to go to China for that work. He bluntly said 'no' and I was shocked when he argued that it was 'people first' in Technostar ..... This is much too much. I do not think that we can carry on business like this....I am answerable to my client and the project needs to be closed on time. The top management exhorts that you need to 'influence' the employees and not 'dictate'. You tell me how will I do this when my subordinates refuse to listen?"* (Project Leader aged 30, with Technostar for 3 years)

However, the senior executives contradict this and argue that there is considerable degree of empowerment and professional freedom in Technostar and managers are empowered to take

appropriate decisions. This said, some managers and supervisory employees fail to recognise this and they view this as highly dichotomous.

Data analysis from the fragmentation perspective suggests that employees across the business highlighted many ambiguities arising from the people oriented aspects of Technostar culture. One key ambiguity closely related to the above aspect was that the attempt by senior executives to foster a close and happy work environment was mistakenly interpreted as an indication of senior managers being 'soft' on bad performance. A number of interviewees argued that this was having a negative impact especially on the commitment and satisfaction of high performing employees and on the effectiveness of the organisation. An example of this was claimed to be linked to appraisals which were often perceived as meaningless, as the culture of non-confrontation (an unintended consequence of people first policy) was interpreted in such a way that staff were always given high ratings. The researcher was able to inspect some appraisal ratings and found that all 60 appraisals forms selected at random were awarded a top rating. Such positive leniency has many implications. The company also follows a policy whereby after the appraisal ratings, the employees are grouped into five categories and a higher bonus being given to employees in the top category. The tendency to give relatively high ratings to employees is interpreted as leading to issues of equity, since compensation is directly linked to appraisal ratings. This frequently means that the best performers get the same reward as the average performers. Thus, instead of leading to employee satisfaction and commitment, this aspect of organisational life is perceived to lead to employee discontentment and dissatisfaction. The head of HR openly acknowledged this and observed:

> "... we need to strengthen our managers to become competent to handle that which is difficult. They need to do what a doctor does. Doctor cares, but he is not soft, he is not nice. If he believes that your leg has to be cut, he cuts it. He cares for you, that is why he cuts your leg. He says, 'there is cancer which will kill you, so I have to cut this leg'. If he was a soft guy and a nice guy and says, 'no, no, I don't want to cut your leg, I don't want to give you pain', he is actually killing you. And most of our managers are killing the whole business. Today one of our major problems in this organisation is that most managers are soft on bad performance. This has an impact on good performance and this brings down commitment of people who do well. Procedurally you are being unjust." (Senior Vice-President, HR, aged 48, with Technostar for 11 years)

Another specific area in which the above ambiguity is perceived to have a direct negative impact is the provision for handling poor performance. The performance management system lays down the processes for identifying bad performers and putting them on a scheme called 'performance watch' where their performance is tracked on a periodic basis and the necessary action is initiated. However, due in part, to the differing perceptions of 'people first', there is confusion around this and many employees claimed that in practice, this process is seldom followed which has adverse implications on effectiveness in this organisation. One of project leaders argues:

> "The reporting manager has to do the performance watch process and report again to the required levels; this happens rarely; there are hardly any cases, on performance watch. I am not saying that it is 100 percent, but the people are having a soft approach................definitely people are tolerating poor performance. At least, let's say 10 to 15 % people may not be performing well, but still there is no action taken; I have not seen any action at least. Sometime back in 2001 we did that; thereafter I have not heard anything happening like that." (Project Leader aged 33, with Technostar for 7 years)

A revealing action ambiguity, which was not apparent but which emerged from the analysis of the in-depth interviews, is the rather strange need on the part of the managers to appear to be 'nice with people' and this perhaps partly explains their positive leniency on appraisal ratings. This was not something which the managers themselves were fully aware of in some cases, but the detailed probing of the researcher threw light on this. The analysis of the data from the fragmentation perspective suggests that, over a period of time, such confusion and ambiguities have become a part of the assumptions that direct behaviour (See, Schein 1985) in this organisation. One of the unintended consequences of this has been that people are generally reluctant to give negative feedback, especially about individual performance. Such behaviour, in a sense, appears to be a sharp contradiction in the context of the much acclaimed 'openness' and the systematic organisational processes such as 'skip levels' aimed at ensuring the confrontation of issues. It was quite revealing that some of them admitted they were 'afraid' to give negative feedback during the course of the in-depth interviews. What makes it all the more interesting was that it was managers and supervisory level employees, who appear to harbour such fears. For example:

> "This is the culture, which I have also got used to.....I hesitate to give negative feedback and be firm. I almost used to be afraid to do that, I think. Generally in Technostar, I was afraid as to what would happen, if I openly confront

problems........People try to be 'goody-goody' (Hindi word for appearing to be good to each other) here, including me, I think. I have got used to this. When it comes to appraisal, I am afraid to give negative feedback. You must understand, this also comes to me from the top to me and that gets transferred. I have not met managers who were really firm and said, 'you had done this; you had not done this so you will get this much. You have not done this, you can do better, so you get average 'plus little'."
(Project Leader aged 30, with Technostar for 4 years)

The above arguments resemble the system perspective of effectiveness in which it is argued that the fragmentation of organisational life has a negative impact on the processes vital to achieve effectiveness such as a sharp focus on performance and maintaining a climate of motivation and commitment.

The analysis of the data from the fragmentation perspective suggests that there are many ideological ambiguities arising out of the application of the 'people first' policy and an example in this regard is the opportunity extended to the employees who are not found to be performing well in their present role to take up other roles where they think they would do well. Such an expression of 'people first' is also viewed as a manifestation of ideological ambiguity bearing an unclear and conflicting relationship with the principles of fairness and justice and respect for people. The in-depth interviews suggest that opportunities extended to the non-performing employees are interpreted in varied and often contradictory ways and some argue that this has many adverse consequences on effectiveness. Some employees view this as contributing to lower performance in the present role because there is no positive pressure on employees to perform and some argue that this goes against the high regard for the customer, which Technostar professes to uphold. This is also perceived by some software engineers, especially the so-called 'laterals', to be affecting the motivation of employees who are performing well. Many in the supervisory and managerial roles did not conceal their concern. For example,

"One thing that is definite is that asking somebody to go on performance grounds is something which Technostar finds it very difficult to do; taking hard decisions, Technostar finds very difficult to do....so we tolerate incompetence in the name of 'people first'. However, will my customer tolerate 'bugs' in programmes? Let me tell you they will never, so I am sandwiched between 'people first' and the demanding customer....Frankly speaking, I do not know what to do. More importantly, I lose face in front of the performing guy. I have my best performer working along with my lowest performer. These are all very intelligent software professionals. They know what is happening. It certainly demotivates them." (Technical Leader aged 29, with Technostar for 2 years)

Another aspect of symbolic ambiguity which is akin to the above aspect pertains to accommodating people whose skills are not required in the organisation. This issue arises in the service business where the new projects are vastly different from the exiting ones and the new projects require a different skill set. One example for the manifestation of ideological ambiguity is related to the management of such redundant skills. There is a belief among some employees that due to the misconstrued application of 'people first' such people are retained in the organisation thereby negatively impacting upon effectiveness. Some employees even argue that this contradicts the core value of respect for people. For example:

> "I will give an example, say, respect for individual, it is a core value. One thing, which we have never done in this company, is to ask people to go. We have asked people to go for some other reasons for example, on performance grounds........but we do not do anything, even if there isn't work for them for that individual year or if some project is over and that competency is not required. There we do not take any action; rather we make adjustments and keep that person. There are certain kinds of capabilities which we cannot use. For some reasons, if we have to let people go, we used to think three times, five times. This actually arises from the misunderstanding of the 'respect for people'. If you do not ask the person to go away, it is not respect for people. In fact it is better for us, more respecting a person, you are actually practising this respect for individuals deeper, when you identify this person who may not be required here, and let that person go gracefully. What is the alternative? I will keep the person inside, in a job which does not require him. Unfortunately, that is what we are doing and I find it very difficult to change it. It is showing disrespect to that person. Naturally we should let that person go and that is what is nice to him."
> (Manager – Resourcing, aged 42, with Technostar for 5 years)

This is akin to the evolutionary perspective of effectiveness in that this emphasises justice as a criterion of effectiveness and it is argued that the incomplete realisation of the values of organisational life has a negative impact on justice.

Furthermore, the analysis of the data from the fragmentation perspective suggests that the informal and flexible working environment is characterised by action ambiguities and such ambiguities negatively impact on effectiveness. The observations of the researcher suggest that many employees perceive the implications of the flexible working environment to be rather chaotic with different sections of employees interpreting the meaning and implications of the flexible working environment differently. Surprisingly, the observations of the researcher suggest that many employees misinterpret the spirit behind 'people first' and the flexible working environment and equate this with coming to office late and leaving early.

Many such cases are handled by the Employee Relations (ER) executives. For example, one of the managers in the ER section alerted the researcher about one such case. This was a junior software engineer who frequently misused the flexible working hours. The researcher also observed that she was frequently seen talking on her mobile in the corridors and in the main reception area. The ER executive and the researcher further observed that she was away for a long duration on three different occasions. The ER executive asked her for an explanation and was told she had gone to visit a friend on one occasion, a beauty parlour on another and was shopping on the third occasion. The ER executive who wanted to initiate action in this regard was told that the issue should be raised with the line manager for action to be taken, according to procedures. The concerned line manager was contacted and he promised to investigate the issue. Later he told the ER executive that the software engineer has indicated that she was still doing some work while she was away and that she was contactable over telephone during this time and showed a couple of mails from a customer as cases in point. The ER executive told the researcher that this was not an isolated case and it was clear that some employees used to come late to the office regularly. The service managers argued that that Technostar would be much more productive if proper checks were in place. It therefore appears that the fragmentation of organisational life has the effect of bringing down the level of productivity.

Other informants pointed out ideological ambiguities observed in the policy of flexible work times and the absence of attendance monitoring, where themes had a conflicting relationship. Indeed, a number of informants raised interesting moral difficulties. A commonly cited concern was that many employees interpret flexitime differently and hold that this leads to a situation where ultimately employees put in less time than required. It is argued by some managers that such staff abuse of generous company policies resulted in the customer paying higher prices and there were some who felt uncomfortable with exploiting the customer in this way:

> "Assume that only 5% misuse this. Who pays the price? It is the customer who will ultimately pay the price. Would that not go against our claims of integrity?" (Head of Engineering aged 50, with Technostar for 5 years)

One member of the top management team told the researcher that a total of Rs.50,00,000 (equivalent of £71,500 approximately) was claimed as medical expenses in that year and he was concerned whether all the claims were genuine. This is consistent with the evolutionary

perspective of effectiveness, wherein effectiveness is examined in the light of a meta criterion - justice. In this case, culture is argued to be problematic with respect to justice *vis a vis* customers.

Furthermore, an action ambiguity which has relevance for effectiveness is that often informality is misinterpreted as diminished accountability and it is argued by some employees that this impacts on effectiveness negatively. Many managers told the researcher that they have to do enormous amount of follow-ups to get work done and that this can reduce their 'bandwidth', 'hog their CPU', and adversely affects productivity and effectiveness. For example, one manager showed a series of four follow-up emails he had to send to get a response from a Technical Architect.

The analysis of the data from the fragmentation perspective further suggests the perception of some employees in the service business that flexitime has a rather chaotic influence on the projects where teams of employees work together and where the output of one team member becomes the input of some other team member. In this context, the flexible working hours result in employees reporting for work at different times and it is argued that such behaviour on the part of the employees leads to disruption of work and consequently to a situation where the organisation finds it difficult to ensure the timely completion of the projects. Furthermore, it is a frequent occurrence in Technostar that people arrive late for meetings. The researcher attended five team meetings and noted that people frequently came late. One afternoon the researcher was to attend the skip level feedback of a technical team. The Employee Relations Executive and six members of the team arrived on time and three people arrived 10 minutes late. The manager did not turn up at all and everyone was waiting for him. After about 15 minutes the Employee Relations executive contacted the manager on the mobile phone. The researcher could hear him saying: *"I am at my son's college for his admission, I am sorry; I have not even informed the office; I cannot come now."* All those people had to go away since skip level meetings cannot be held without the manager. This reflects the themes in the competing values framework, which examines the balance between flexibility and control. The argument in this instance is that misconceived flexibility has an adverse impact on stability and control.

An interesting aspect of fragmentation and ambiguity uncovered in the relationship between organisational culture and effectiveness relates to the way organisational initiatives are planned and implemented in Technostar. Many employees feel that there is ambiguity and confusion surrounding the people oriented aspects of organisational life in Technostar and they believe that such misinterpretations are reflected in the ways organisational initiatives and processes are planned and implemented thereby negatively impacting on effectiveness. They believe that such ambiguity dilutes the seriousness of many action initiatives and results in unnecessary investment of time and energy, which was not envisioned in 'people first'. For example, they argue that when the issue of information security was noticed where there was a perceived fear of data theft, Technostar went into what one of the managers called an 'influencing' mode and introduced an awareness and training initiative instead of introducing strict measures. The real issue was that in Technostar employees were not physically searched for CDs, pen drives and the like and there were fears that this would expose the organisation to a possible leak of confidential data. Many employees in the service business are highly critical of this and they feel that this is a crucial area where the organisation cannot take risks and they blame the Technostar culture for going into the 'influencing mode'. They also feel that stern action should have been initiated in this regard. For example:

> *"It is foolish to plead with people and run information campaigns that they should not bring pen drives and cds into workplace. What if there is a breach tomorrow? Suppose some bad element sneaks into the company with wrong intentions and steal data, who will be responsible? ...You tell me what harm would happen if from the CEO to the trainee is asked for the details of the things they bring and such things are checked...On the other hand, you go on requesting them.... Why do we do this? I do not see the point.....What do you do in the airport? Do we educate people? We will not, we will check people and the baggage".* (Senior Software Engineer aged 28, with Technostar for 1 year)

The analysis of the data from the fragmentation perspective suggests the perception held by some employees that the emphasis on empowerment is stretched to mean unrestricted freedom and such freedom often leads them to introduce unduly fast, erratic, and far-reaching changes, and some employees share a feeling that such changes lead to chaos and flux. Furthermore, some believe that such erratic changes are accompanied by hasty and immature decisions. Some see the extent of empowerment and freedom as adhocracy. It is also argued by some that this often leads to unplanned and abrupt changes. Interestingly, some

complained that even the mission statement kept changing and some employees felt that such erratic changes created confusion and thereby making the alignment of the goals of the organisation difficult. For example:

> *"Definitely one can see lots of issues as far as policy deployment is aligned, ...let us say we want to be No 1 Telecom service provider, so we keep on changing vision and mission statement....every year more or less. I have experienced that; so every year we come with a new vision statement. We do not have our goals aligned properly; for example, we want to be the number one telecom service provider from India. To achieve that we need to benchmark with the competition and we also need to set our goals accordingly. Our operational goals setting too should be aligned on these lines. More or less, I have not seen the structured goal setting here in the sense that we are not doing enough planning based on the sensing of our competition and then adopt a structured approach. It's very ad hoc according to me; I have worked in the previous companies where we had a strategy department. Here also, we have the strategy department for some time but I could never see it in action. There are some people working in strategy but they were mainly focusing on the product side, like, where our product lines are heading towards and stuff like that. There is no planning about how internal engines can be harmonised and synergised to achieve that single goal."* (Manager, Quality, aged 39 with Technostar for 5 years)

This argument is similar to the competing values framework of effectiveness in that it is argued that the flexibility in this case adversely impacts on consistency and thus detracts from effectiveness. Specifically it is argued that flexibility in this case is leading to erratic changes, thus arguably undermining consistency. Confusion and ambiguity arises from balancing flexibility and ambiguity.

Others argued that such fast decisions lead to circumvention of the processes and as a result, such changes do not offer an opportunity for employees to learn and grow. What is argued to be typically happening is that many people in the hierarchy are not kept informed of the changes and this creates ambiguity and is perceived to be disruptive. For example, one of the managers in a support function complained that she had to work with three different people and three different types of structures in a span of one-and-a-half years. Once she had finalised an action initiative, the manager changed, and the new manager wanted things to be done differently and she therefore had to shelve that initiative and make a different plan. When this was halfway through implementation, the reporting manager suddenly changed and the new senior managers had new ideas and she had to change the initiative once again. Furthermore, it was argued that employees in the staff functions such as HR, who were

interested in practical learning and insights from hands-on work, found this highly frustrating since they claimed that they did not learn much in the process. In her words:

"This is highly frustrating. Ultimately we do not do get time to do anything, rather than changing systems. If I apply for a job outside, people would ask me what was I doing and honestly, I did not learn much here. I am seriously thinking of moving" (Manager, HR, aged 40, with Technostar for 2 year)

Such decisions taken in haste apply to different people in the organisation and in the absence of proper communication, this leads to considerable ambiguity and flux resulting in paralysing actions. This is akin to the multiple constituency approach effectiveness in that it describes the ways cultural aspects bring down employee satisfaction.

A thought provoking observation of the fragmentation regarding the understanding of flexibility emerged from an interesting incident in one of the sections of Technostar. The implications of flexibility were openly debated in this section and an argument ensued where it was claimed that due to flexibility, many employees were lax at work during the day and this was the reason why people had to work until late. Specifically, the managers were of the general view that many employees tended to be quite relaxed at work towards afternoon and that this often accounted for the long hours they spent at night in the workplace. The employees in this section decided to finish work by 7 pm except under extraordinary circumstances and they found that they were able to meet all their commitments during this time. They often criticised the other sections and argued that there were a lot of inefficiencies built into the timelines due to the lax attitude towards work. They interpret the long hours spent at workplace as an expression of inefficiency.

The analysis of the data from the fragmentation perspective reveals that there are often conflicting views about the perspectives of the employees on the relationship between organisational culture and effectiveness. One such perspective pertains to the impact of culture on quality. It is argued by some employees that the ambiguity surrounding the people oriented aspects of organisational life has many unintended consequences and there is the perception shared by some employees in the managerial positions that such ambiguity results in a certain degree of laxity about many aspects of business and especially quality. It is argued that flexibility is often misconceived as the absence of the rigours of control. Some

argue that this leads to a situation where proper quality checks do not take place and this is argued to have a noticeable negative influence on effectiveness. For example:

> *"There is a process for quality checking irrespective of the section or the person responsible for the same. For example, in one of the programs there was a lot of openness, a lot of flexibility, but at the same time there is a well-defined process for the quality. In that case, there are no issues; quality and productivity are maintained. However there are other teams where this is not the case. For example, in one of the teams where the process was not there, flexibility and freedom caused a lot of issues in quality."* (Module Leader aged 27, with Technostar for 2 years)

The observations of the researcher suggest that an important concern in this regard is that often software codes written are not reviewed as required by quality norms. It is a requirement as per the PCMM standards (described in detail in chapter five) that the codes written should be independently reviewed by a person other than the one who wrote the codes. The informality in this organisation is often misunderstood as the absence of controls and there are several instances where actions resulting from ambiguities had a negative impact on effectiveness. On four occasions, the programme managers showed the researcher examples where codes were not reviewed and as a result the programmes developed bugs and on two occasions these were noticed after customers had raised the issue of 'bugs'.

The researcher also observed non-technical examples of instances where the lax attitude found its expression and it was perceived to be impacting on effectiveness negatively. For example, on one occasion, there was a huge display of advertisements in Technostar and it was stated that Technostar was present in every 6th cell phone in the world. Some of the displays were on the floor and people were walking over them. Many employees were quite angry about the way the posters had been displayed and the poor quality of the displays which some described as lacking 'class'. They were particularly annoyed that the displays were placed on the floor. Many of them blamed this on a lack of accountability, which some argue has come to be recognised as part of Technostar's culture. This is akin to the goal perspective of effectiveness in which it is argued that the fragmentation of organisational values has a direct negative impact on one of the key managerial goal – quality.

The analysis of the data from the fragmentation perspective suggests that some managers and employees in supervisory positions in the service business tend to believe that the extent of

confusion and ambiguity characterising organisational life in Technostar has a negative influence in the case of knowledge management. The interviews and observations suggest that in view of the challenges in software development, sharing information, knowledge and project learnings are vital for improving productivity and quality. Some employees argue that similar organisations in the software sector have established formal systems of knowledge management, in which there are regular formal meetings, intranet-based learning, and information exchange. They believe that such systems are in their infancy in Technostar and they hold that although people might eventually obtain help from one another when they are faced with a problem, this is not well done and such processes are unclear and fluid and they fear that such vagueness reduces the effectiveness of knowledge sharing. Furthermore, it is feared that these islands of ambiguity and confusion result in a waste of time and resources and in 'reinventing the wheel'. Moreover, many employees laterally recruited from other organisations, expressed their irritation at the Technostar policy of approaching anyone and everyone for information. Some managers and supervisory employees were seen to be particularly irritated at people frequenting their offices without prior appointments and they told the researcher that this often disrupted the flow of their work. In the words of one of them:

> *"If you need information, people will barge into you and might get it, but as we grow big this kind of informality places us at a tremendous disadvantage. Many times, we need to literally plead with people for information that is vitally needed in project management. With the high rate of attrition, I am sure that we are loosing out on a lot of valuable insights acquired from the execution of projects. If you look at other organisations, they have put in place systems bearing this in mind. You might be able to finally get what you want here but there is always a time lag and if we do not close this loop, we are certainly loosing out. "* (Project Leader aged 29, with Technostar for 2 years)

This is akin to the system perspective of effectiveness in that it highlights the perceived negative impact culture has on knowledge management, a process critical for effectiveness in the software industry.

The in-depth interviews suggests the perception by some employees that as Technostar grows, the fluidity and lack of clarity would become a major problem. The researcher was given many instances in relation to this. A rather shocking example in this regard is a serious problem pointed out by a top manager on the assurance of full confidentiality. He claimed

that the organisation wanted to offer redundancies to many more people than the 30 who were asked to leave in 2001. The reason cited for such redundancy was poor performance. He argues that the systems for monitoring performance were so loose that there were only a limited number of people in the low performing bracket and the performance appraisals of a number of employees were not recorded and hence not available. Consequently, only 30 people were included in the scheme. He termed such instances the 'height of irresponsibility' and further argued that cultural positions thus had an unintended and unhappy consequence on the organisation. The observations of the researcher lent credence to this view. For example, the researcher attended a meeting of the HR Primes (HR Prime is the person in charge of HR in a business unit) where they discussed the non-closure (closure in the Technostar's parlance is used to indicate completion) of appraisal ratings. It was revealed that about one third of the appraisals were not closed even after the expiry of one month after the due date. Not only that, some of the appraisals in the preceding quarter were also still to be closed. The researcher was shocked to learn that if the appraisal ratings were not received, the concerned employees are given the average of their previous ratings. This was further complicated by the fact that the variable pay, which was approximately 50 per cent of the compensation was based on such approximated ratings and many employees saw this as highly distressing. One of the seniors argued at the meeting that the apprehension dates back to the termination of employees on performance grounds when Technostar saw a downturn in the business in 2001.

Furthermore, the analysis of the interviews highlights the fear of some employees that the ambiguities of organisational life in Technostar come in the way of effective execution of projects. Many managerial employees argue that 'execution' is an important skill in the service business as managers have to accommodate the concerns of the customer and finish projects as per the conditions agreed upon and in the agreed time frame. Many managerial employees argue that 'people first' and the flexibilities which are argued to be characteristic of organisational life in Technostar prevents it from moving decisively and fast to ramp up projects in time. One of the senior managers confided to the researcher that it was the ambiguities in the work life and the relatively loose nature of project execution which led to a major problem with a multinational mobile company and Technostar had to pay a hefty fine of £3million for the delay in delivery. Others pointed out that the loose nature of execution prevented many strategic choices and a senior manager argued that it was the absence of such

decisiveness in decision making that prevented Technostar from accessing the public for an issue of shares in late 1990s when there was a financial boom in India. He further revealed that this adversely affected resource augmentation and the company had to wait for about 7 years for the IPO.

Inconsistency in symbols and actions are fundamental to the fragmentation of culture at Technostar. Indeed, one software engineer who had recently joined the company recounted the difficulty he had in reconciling many aspects of the company culture. He described the culture as pieces of a jigsaw which do not always fit together and which do not always support each other. Another experienced employee narrated the potential cost of such fragmented culture to the organisation:

> *"At the top, we always like to believe that we have everything carefully planned but let's be honest; things can get rather chaotic down here. There are times when I feel that right and left hands are not working together .....I'm sure that we can make 2-3% more profit if we are able to get everyone to sing from the same hymn book."*
> (Technical leader, aged 31 years, with Technostar for 7 years)

The 'jig saw' analogy is perhaps best illustrated by the anxiety expressed by informants in relation to the fluidities and turbulence of the external business environment. Many employees argue that effectiveness is enacted by externalities and they believe that although Technostar is a profitable organisation, many employees see the external business environment as very uncertain and expressed their anxieties over their future. Such anxiety and fear prompted employees to believe that the present boom in information and communication technology in India is transient and that they should amass as much wealth as possible for fear that the boom will be over soon. This probably explains the very high rate of attrition in the company and the industry (the archival records suggests that attrition is over 20 per cent in Technostar), in that employees readily accept jobs that are perceived to offer more financial benefits. Thus, the fear of the industry collapsing has had a major impact on the nature of commitment in the organisation. In the words of one manager:

> *"........In 2001, people have seen huge lay-offs, people have seen salary cuts, Technostar had a base cut of 20 % and the variable part went anyway. I personally took a 40 to 45 % cut here. The senior levels had much higher cuts, because the variable part completely vanished, which are business target driven. Software in itself does not sell. Software is nothing but a tool for a core industry like telecom, aviation*

or anything like that. So your cycles depend entirely on their cycles. In 2001, we suffered because it was a telecomm crash. Dotcom crash happened in 2000. The 2001 telecom crash was much bigger than the dotcom crash. More than 2 00 0000 people in US alone lost their jobs. Lucent was 135000 employees (contract people are separate) before that crash; today it is 35000. Nortel had 105,000 today it is 30 000 (contract people are separate). Contract employees would easily be 50 to 70 % of the organisation; they not even talked about. 2001 is not very far back; people are deeply worried of what they did last time. Companies had to do huge cuts. When you fire people in the UK and USA, you have to pay huge amount of money to them, depending on how long they worked but instead they now come and offload work to Indian companies, who take the risk of hiring these people and firing them tomorrow......The risk gets spread out for [XYZ] and [ABC] because they work across multiple product areas and domains. When one domain sees a low, the other will see a high; then you can manage it out and average it out. However, our sole domain is telecom and if it is hit, we will be crippled......People have this in mind at all times and these fundamental aspects of the industry affect commitment and attrition. People are very scared. This is why there is high attrition. We lose close to a quarter of our strength yearly." (Programme Manager aged 36 years, with Technostar for 5 years).

Viewed from the above perspective, effectiveness is acted upon and influenced by external environment with the organisation having little control over it.

Furthermore, there were many instances where the ambiguity surrounding the concept of 'people first' led to 'action paralysis'. One such interesting instance observed by the researcher was the case of an employee posted in China who requested a flight fare to return for the first death anniversary 'pooja' of his father. The request went from one manager to another without any decision being taken until it reached the programme manager, who rejected it on the grounds that it was not an unexpected occurrence calling for such action. Once he had taken the decision, everyone in the management stood by him. He told the researcher that this went on for long until he decided on it and when it was conveyed to the employee, he said that he was just checking to see whether it was permissible. The programme manager claimed that managers find it difficult to say 'no' in Technostar and he was blaming the Technostar culture for this. Clearly, this highlights the impact of the ambiguities of organisational life on the internal processes and hence this comes within the systems perspective of effectiveness.

It was also interesting that a number of informants argued that effectiveness in the case of Technostar was not a function of the organisational culture. They maintain that Technostar predominantly employs software engineers and that a vast majority of the employees were

young people in their late twenties. They note that such employees equate career success to undertaking challenging projects with leading MNCs and such employees argue that the opportunity to work on complex projects and learn from these was more important than seeking an ideal work environment. This shows that the intrinsic motivation of these employees is very high and this motivation often prompts them to take up challenging work and exhibit extra role behaviours. Furthermore, as the researcher spent time in the organisation and developed friendship with many of them, they confided to the researcher that they have the ambition of working with the leading MNCs abroad with an objective of earning foreign currencies and Technostar gave them an opportunity to work in the high-end of technology work. Furthermore, many of them indicated during the informal discussions and in the 'coffee meetings' in the terrace, that in their work at Technostar, they interact with what they described as their 'prospective employers' and this accounts for their long hours of work and readiness to undertake challenging tasks. Viewed from this perspective, effectiveness is not a function of the work environment but rather an expression of the individual drive to excel. The researcher stayed overnight in the building on three occasions and noticed that a number of people had voluntarily extended their working hours to the next day in their efforts to complete various projects. Furthermore, some employees tend to believe that the extra role behaviours exhibited by employees are attributable to the compensation system which is linked to the performance of the employees. In the words of senior manager, "it is greed chasing greed."

The researcher observed many instances where there was confusion and a breakdown of communication especially regarding the internal processes. On three occasions, the researcher met batches of new software engineers who had come to the auditorium for their induction on their day of joining only to find no one there. Another time, the researcher met a newly appointed manager who came to a similar event to find that nothing was there and he was furious about it. The observations and in-depth interviews throw further light on such confusion, with employees blaming each other for such confusion which some argued are part of organisational life. One senior manager gave a sketch of such an incident. It was about an employee who requested a cab at night. Instead of following the correct process of booking the cab through the intranet (which would have got him the cab in 15 minutes), he called up reception where there was only the security staff and they took about 2 hours to get him a cab. The concerned employee became very upset and sent a 'stinking' mail to the

Head, Facilities, with a copy to the CEO. The Head, Facilities showed the researcher the mail and claimed that these kinds of communication breakdowns were frequent in Technostar. This is akin to the systems perspective of effectiveness, wherein effectiveness is examined in terms of the strength of the internal processes and it is argued that the fragmentation of culture has an adverse influence on internal processes.

Interestingly, along with the anxieties and apprehensions of the negative impact of the fragmented nature of organisational culture on effectiveness, there is also an insightful view that the tentativeness, the informality and flexibility which are argued to be characteristic of organisational life in Technostar is proof of its strength and this contributes to increased creativity and innovation thus having a strong positive impact on effectiveness. Moreover, many employees who joined the service business came from tightly controlled organisations and were unable to appreciate the positive side of Technostar culture. Some employees argued that many Indian software organisations were 'sweat shops' and the effectiveness of Technostar culture was amply reflected in the creativity of its employees and the number of patents it secured. They further argued that it was not possible for a tightly controlled organisation to unleash such creativity.

> *"There is a positive side. True that there are many pockets of mess here, but it has a rosy side too. People don't feel bound by the system or the rules, and it helps creativity. There is no 'micro-management'; there is no one looking down one's neck. So one can play around with things quite a bit. Such playfulness is a reservoir of fresh ideas and initiatives. A lot of criticism of the culture is raised by people coming from rigid organisations which have tight controls and they expect the same here. On the other hand for people who want to experiment and excel, this place is quite encouraging. Look at the number of patents we generated. This organisation is really innovative."* (Technical Leader, aged 28, with Technostar for 3 years)

This is akin to the goal-centred perspectives of effectiveness in that it highlights the role of culture in organisational innovation, a key goal of a software product company. Interestingly, it is argued that the tentative nature of culture has a positive impact on innovation and creativity.

9.5 CONCLUSION

Thus, viewed from a fragmentation perspective, the culture of Technostar is characterised by ambiguities (action, symbolic and ideological), contradictions, ironies, and multiple interpretations of critical issues and events. Similarly, the understanding of effectiveness also exhibits high levels of fragmentation in that it is characterised by complexity and clashes between long-term and short-term aspects of effectiveness. The analysis of the data from the fragmentation perspective suggests that the ambiguity and contradictions of organisational life negatively impacts on a range of effectiveness outcomes such as quality, productivity, profitability, knowledge management and the commitment and satisfaction of employees. However, interestingly, there is also a view that the ambiguity of organisational life encourages innovation and creativity and these are crucial for effectiveness.

CHAPTER 10

ANALYSIS AND CONCLUSIONS

10.1 INTRODUCTION

The aim of this study was to explore and analyse the relationship between organisational culture and effectiveness and specifically to illustrate this relationship from the three perspective framework. The literature chapters examined the constructs of organisational culture and organisational effectiveness in detail, reviewed the extant literature which analyse the linkages between culture and effectiveness and highlighted the gaps in this literature. The empirical evidence was gathered from an Indian software organisation over a five month period following an ethnographic approach. Specifically this work includes the following:

1. The presentation and discussion of the three perspective framework for analysing organisational culture which is rich in detail and which documents aspects of harmony and consistency (integration), while at the same time capturing inconsistencies, conflicts (differentiation), ambiguities, fluidities, ironies and contradictions (fragmentation).

2. The documentation of a multiple perspective approach to effectiveness, in which effectiveness is examined from a range of conceptual frameworks (goal-centred, systems, multiple constituency, competing values and evolutionary perspectives as well as integration, differentiation, and fragmentation perspectives) and context specific measures, while at the same time delineating the issues, inconsistencies and ambiguities of such tools of measurement.

3. The exploration and analysis of organisational culture and effectiveness which specifically examined the relationship from the three perspective framework, with the entire range of manifestations of culture and effectiveness examined and analysed for their relationships.

4. The exploration of whether culture influences financial performance through non-financial aspects of effectiveness.

5. The presentation of data which highlights insights into the dynamics of organisational culture and effectiveness from each of the perspectives mentioned above.

This concluding chapter provides a review of the key issues addressed in the study in order to identify the key implications of this study as well as the contributions to extant theory and practice.

The key contention of this study is that existing conceptualisations have failed to present a comprehensive picture of the processes through which the dynamics of culture effectiveness-relationship, if any, evolve, develop and sustain. This is partially because the managerialist studies which dominate this area of research fail to capture certain contentious aspects of culture and effectiveness. Similarly, the dominant research approach in culture-effectiveness studies has tended to illuminate only certain aspects of the relationship while ignoring potentially challenging and critical aspects. Consequently, the key research imperative in this study is to uncover the dynamics and complexities of the links between organisational culture and effectiveness in a sector that is seemingly characterised by an efficient high performance culture.

This chapter is organised around the four research objectives of this study: organisational culture, organisational effectiveness, organisational culture and effectiveness and culture and financial performance.

10.2 ORGANISATIONAL CULTURE:

The review of literature on organisational culture reveals that there are numerous and often conflicting views on organisational culture and that this has contributed to particular difficulty in the categorisation and theorisation of culture. However, such differences are broadly subsumed in the conception of culture as an organisational variable (amenable for manipulation and change) and as a root metaphor (see Smircich 1983). A key implication of this is that those who favour the organisational variable approach frequently adopt a functionalist orientation, relating culture to a range of organisational level outcomes such as effectiveness, performance, control and change, whereas those who prefer the root metaphor approach commonly adopt interpretive perspectives which highlight the multiplicity of meanings, beliefs and values in an organisation (see Martin 2002). Interestingly, the literature review reveals that the treatment of culture in the existing culture and effectiveness studies has commonly been functionalist in orientation to the neglect of alternative conceptualisations (Siehl and Martin 1990). Drawing

from such limitations, this study adopts the three perspective framework in studying organisational culture and effectiveness. It captures a wider range of perspectives than have been adopted in previous research, contemporaneously encompassing harmony, conflict, ambiguities, and ironies at the same time, thus incorporating the concerns of the major theoretical approaches in contemporary culture research.

The data for the study were collected from Technostar, an Indian software organisation, and the data illuminates the various facets of organisational life without ignoring or suppressing dissent, ambiguities, or contradictions, while at the same time documenting the aspects of harmony and cohesion. The depiction of the lived life of organisational members provides evidence for shared beliefs and values, areas of harmony and consensus and demonstrates their attempt to avoid ambiguity and to provide a clear explanation of organisational life. However, there is also rich evidence for opposition to such high claims, with employees highlighting conflicts, inconsistencies, and the absence of authenticity. Furthermore, the portrayal of organisational life is also characterised by examples of widespread ambiguities, ironies, contradictions, and dichotomies. Thus the data provides evidence for multiple or alternative interpretations of organisational life from the perspectives of organisational members. These findings lead to a range of contributions in relation to organisational culture research.

10.2.1 THE THREE PERSPECTIVE FRAMEWORK OF ORGANISATIONAL CULTURE

A key contribution of the study is linked to the adoption of the three perspective framework in the study of organisational culture in a single organisation. Although researchers have called for scholars to adopt a wider range of perspectives in analysing the culture of organisations, and specifically to incorporate the three perspective framework in exploring the culture of a single organisation (see Martin 1992, 2002; Kilduff and Corley 2000; Harris and Ogbonna, 1998; Daymon 1997; Stevenson and Bartunek 1996; Aurelio 1995; Baburoglu and Gocer 1994; Enomoto 1993), few scholars have taken this suggestion forward. The logic of this approach to organisational analysis is derived from the consideration that organisational members are embedded in practices which are constituted in social norms and which are characterised by numerous, sometimes incompatible meanings (Alvesson 2002; Casey 1999). The analysis of

the data in this study therefore presents such multiplicity of meanings. For example, from the integration perspective, a hegemonic and a rather less complex interpretation of organisational life is presented. Such an interpretation is characterised by action, symbolic, and ideological consistencies and is also marked by harmony, organisation-wide consensus, and clarity. The critical themes of such interpretation include 'people first', high technical orientation, low levels of fear, and an environment of tolerance of genuine mistakes, adherence to values, a spirit of enquiry, a relaxed and flexible work environment and empowerment or professional freedom. Furthermore, organisational life is characterised by selective recruitment and liberal benefits for the employees.

At the same time, the views of cultural hegemony and egalitarianism presented in the integration perspective are questioned when the data is analysed from a differentiation perspective. These differing views are akin to a 'counterculture' (Martin 1992) and such views typically emerged from the employees in the managerial and supervisory positions in the service business and amongst the contract employees. The conflicts between the 'old guard' and the new service managers manifested itself in the exercise of powers in numerous ways. The in-depth analysis of the arguments of the service managers suggest their feeling that the structuring of organisation life in Technostar is divorced from business realities; they question 'people first' and the other people oriented aspects of organisational life. Furthermore, they point out the inconsistencies between the espoused values and actual practices with respect to the different aspects of organisational life such as 'people first' (for example, the inadequate provision for work in the client sites despite repeated employee requests) and the relaxed and flexible work environment (despite high work pressures). They present differing interpretations to the euphemistic stories of the integration perspective (interpreting, for example, the voluntary reduction of employee salaries across the organisation in 2001 to avoid lay-offs as 'a compulsory cut' in salaries). Thus, the differentiation perspective is characterised by subcultural consensus, inconsistency, and ambiguity avoidance (Martin 2002).

From the fragmentation viewpoint, the complex nature of organisational life is revealed, with a range of manifestations of ambiguity, transient affiliations, and contradictions. The analysis of the data from this perspective suggests that the inadequate and incomplete realisation of the espoused aspects of organisational life and the anxieties about the turbulent external environment often create such high levels of ambiguities and complexities that organisational

members find it difficult to develop a rational, coherent, and stable picture of organisational life. For example, the very high level of flexibility is argued to create chaos and confusion (with people reporting for work at different times, for example). There is a widespread fear that with the proposed conversion of Technostar into a public limited company, many of the unique aspects of organisational life (for instance, the free sharing of information and flexibility) might undergo a change for the worse. The incomplete understanding of the notion of flexibility often results in a de-emphasis of organisational systems (such as appraisals are not 'closed' for many quarters) leading to inexplicable managerial problems. The very high rate of employee turnover and the fact that employees start their work in client sites are perceived to give rise to additional fears that the transmission of cultural values would also be endangered. It is further felt that many other aspects of organisational life such as the 'single status' policy might become extremely difficult to practise (either due to paucity of resources or because of practical difficulties) when the organisation grows bigger, and employees view many of the developments as setting the tone for this (for example, the absence of numerous facilities in the new office buildings of the organisation such as a gymnasium, which exist in the old office buildings). The unintended dimensions the 'people first' policy assumed created ironic situations in this organisation (for example employees asking for financial rewards to work in client offices which did not practise 'single status'). Moreover, the pervasive contradiction of values has made it difficult or almost impossible for employees to reconcile the realities of organisational life on many occasions. Thus, 'organisational life' in this organisation is characterised by pervasive ambiguity, complexity, and contradiction.

From the above discussion, it can be concluded that aspects of harmony, opposition, and ambiguity exist together in this organisation and such a multiplicity of meanings suggests that different 'orders' can exist simultaneously both within and across subcultures; a situation which can be captured adequately only through multiple interpretive analytical lenses. The findings of this study suggest that by adopting the three perspective approach, it is possible to identify the multiplicity of meanings that characterise values in a single organisation, and to document the existence of shared values, while at the same time uncovering differences and the incomplete realisation of values, as well as the contradictions and ambiguities that may characterise cultural values in the same organisation. The findings therefore also suggests that if such differing interpretations are not captured, the depiction of organisational life will be characteristically simplistic. It is perhaps such an inadequacy that prompted (Wilderom *et al*. 2000) to argue that

the depiction of culture in extant (quantitative) culture effectiveness studies can hardly be qualified as studies of culture. In this regard, this study supports the growing call for research into organisational culture to adopt multiple perspectives and frameworks (Alvesson 2002; Martin 1992, 2002; Harris and Ogbonna 1998), in analysing the culture of a single organisation. Furthermore, the findings of this study suggest that this call should be extended to include studies of organisational culture and effectiveness, further providing overall support for the extension of the three perspective approach to organisational analysis. The study suggests particularly interesting implications with respect to the differentiation and fragmentation perspectives.

10.2.2 THE NATURE OF FRAGMENTATION

While this study provides support for Martin's (1992, 2002) three perspective approach, it also indicates some areas where Martin's (1992, 2002) work could be strengthened. For example, the findings of the study go further than the nature of fragmentation as theorised by Martin (2002) and are akin to postmodern perspectives (see, Alvesson 2002) in that the disorder and multiplicity of irreconcilable interpretations tend to exceed the boundaries of the 'manageable' ambiguities and randomness that can be captured in the fragmentation perspective. This occurs partly due to the enormity of the ambiguity and indeterminacy that characterises knowledge work (Alvesson 2002; Newell *et al.* 2002) and the high levels of volatility and fear experienced by software engineers, where they see themselves as satisfying the transient and extremely volatile 'greed' of the MNCs. Such views are likely to prevail in many organisations in the developing world which thrive on outsourcing and extant literature suggests that a large number of people are employed in such organisations and that such organisations face complex issues such as extremely high rate of attrition (see Budhwar *et al.* 2006[a]; Budhwar *et al* 2006[b]; Khanna and Palepu 2004). Such challenges are likely to intensify in the future with more organisations taking up outsourced work and people working from highly distant geographic areas where employees lack a first-hand understanding of the clients or future directions of business. Against this background, ambiguities, confusion, and fluidities will be very pervasive. This is more acute in the case of knowledge-intensive organisations such as software which employ highly skilled professionals who are aware of these issues. Such complex issues limit the ability of the management to influence organisational effectiveness outcomes. For example, the

attempts by the management of Technostar to ensure employee retention through manipulating cultural variables (in this case, the policy of 'people first' or the high level of flexibility of work, for example) will be limited in view of the high degree of fragmentation (labour turnover is over 20%).

The analysis of the data from the fragmentation perspective demonstrates that the bitter experiences of the past have created deep anxieties about the future: many believe that the outsourced work which Technostar undertakes is transient in nature and this affects their attitude towards the organisation and work. Alvesson (2004) poignantly argues that rather than providing 'esoteric' technical expertise, many IT consultancy firms only add quantitative labour capacity to their clients. Against the background of such deep-seated fears and anxieties, the software engineers would like to make the maximum financial gain out of the present boom. Seen in this light, the search for financial incentives and benefits are considered more important than the niceties of the work environment. Many such employees take a cynical view of the organisational life and see this from a totally radical perspective. For example, the policy of not making people redundant is interpreted as the result of the absence of systems (it is argued that such a move was driven by the inadequacy of data required for such a decision, such as the appraisal ratings) rather than as a benevolent act of management. Such views about organisational life are likely to prevail in several postmodern organisations which are hotbeds of multiplicity of cynical interpretations, pervasive ambiguities, diversities, fluidities, transient affiliations and contradictions. The strategies of organisations to achieve greater economies of labour and scale by moving production and service facilities to locations of economic advantage globally have arguably created distinct economic advantages. Nonetheless, such advantages are accompanied by deep-seated tensions and anxieties in employees and have profound implications for management in general and human resource management in particular. This study shows that such voices far exceed the reconcilable ambiguities and tensions envisaged by Martin (1992; 2002) and Martin *et al.* (2006) and are akin to the irreconcilable tensions, discontinuities, all-encompassing ambiguities and glimpses of fleeting realities reminiscent of organisations of the twenty-first century. Thus, this study contributes to a strengthening of the structure of the three perspectives with a greater clarification of fragmentation than that originally envisaged by Martin (1992) and Martin *et al.* (2006).

10.2.3 THE NATURE OF INTEGRATION

The study reflects a number of issues and contributions with respect to the integration perspective. In particular, the findings suggest that the business model followed by an organisation and the context particularities of that organisation pose serious challenges to the permeation of high level of integration in organisational culture. In the current case, a large number of employees work in customer projects and many of them work at the client sites and even start their work in the client locations. With the extremely high rate of employee turnover therefore, the transmission of cultural values to the new employees is challenged as contextual particularities pose tremendous challenges for high levels of integration of organisational values. Consequently, the employee perceptions of the artefacts of organisational life do not always correspond to the values and assumptions they are designed to represent (see Schein 1985). For example, many software engineers view 'single status' and the flexible working hours as a privilege rather than as a unique aspect of organisational life accompanied by correspondent accountabilities. Viewed in such a light, this aspect of the founder's vision is lost on a large number of employees. For example, the analysis of the data shows that the original vision of the founders of Technostar for 'making India great' does not operate as a superordinate goal anywhere in the organisation. In this regard, the business model followed by many Indian software and other IT service organisations which rely on outsourced work raises complex issues and poses profound challenges to the integrated perspective of organisational culture, and such complexities are bound to intensify as the size of the organisation increases.

10.3 ORGANISATIONAL EFFECTIVENESS

The review of literature reveals that there are three perspectives (integration, differentiation and fragmentation) and five major theoretical approaches to organisational effectiveness (described in detail in chapter two): the goal-centred view (Campbell 1977), the systems perspective (Pennings and Goodman 1977), the evolutionary perspective (Zammuto 1982), the competing values framework (Quinn and Rohrbaugh 1983), and the multiple constituency perspective (Friedlander and Pickle 1968). The review of the existing literature suggests that most studies adopt the goal-centred view of effectiveness with the result that they equate effectiveness with profitability and thereby ignore many equally significant aspects of effectiveness (see Wilderom et al. 2000). Furthermore, although effectiveness has been conceived from the integration, differentiation, and fragmentation perspectives, the analysis of extant studies suggests that most

studies in this vein focus on an integration perspective of effectiveness thereby ignoring the contested (differentiated) and problematic (fragmented) nature of the measures of effectiveness (Martin 2002). Indeed, while some studies have explored the differentiated or fragmented nature of effectiveness, no study has adopted all the three perspective contemporaneously in the analysis of effectiveness.

The data generated from Technostar provide evidence for the multidimensionality of effectiveness, as illustrated by the different aspects of effectiveness, which were identified following the different theoretical approaches. Thus, the study suggests that the adoption of all three perspectives contemporaneously will offer a wider range of insights into the complex construct of organisational effectiveness and future studies of organisational effectiveness might benefit from a three perspective analysis of effectiveness (similar to the three perspective analysis of culture). It is noteworthy in this regard that although Martin (2002) advanced the three perspectives of effectiveness, she did not explicitly advocate the contemporaneous application of the multiple perspectives to analyse the effectiveness of a single organisation.

10.3.1 ORGANISATIONAL EFFECTIVENESS FROM A THREE PERSPECTIVE FRAMEWORK

The study makes a number of contributions in relation to the conceptualisation of effectiveness. As noted above, although leading researchers have suggested that differing perspectives of effectiveness which reflect the multidimensionality of effectiveness should be adopted in studies, few scholars have taken this suggestion forward. Consequently, many studies present a non-comprehensive and rather simplistic nature of effectiveness (see, Siehl and Martin 1990). More importantly, many studies ignore the more context-specific measures of effectiveness. This research fills the gaps in the existing literature on the conceptualisation of effectiveness in that, rather than restricting effectiveness to financial measures, the study explores a wide range of context-specific measures of effectiveness.

From the integration perspective, the study identified and analysed a range of context-specific measure of effectiveness based on the various theoretical approaches. Hence, profit, growth, quality and innovation or product development were considered from the goal approach of effectiveness (see Etzioni 1960); productivity (lines of code written) and knowledge management were examined from the system perspective of effectiveness (Yutchman and

Seashore 1967); commitment and the satisfaction of the employees were viewed from the multiple constituency perspective of effectiveness (see Connolly *et al.* 1980); the balance between means and ends and the balance between control and flexibility were studied according to the competing values framework (Quinn and Rohrbaugh 1983); and justice and repeat business were considered from the evolutionary perspective of effectiveness (Zammuto 1982).

Nevertheless, the differentiation perspective presents the conflict many employees have with the integration-based view of effectiveness. The application of the integration perspective in the case of Technostar led to the key managerial goals of resource augmentation and profit maximisation; to achieve these goals, the organisation expanded its operation from the product business to service business. The differentiation perspective also indicates opposition as the employees generally argued that effectiveness meant developing more products through rigorous research and development and then marketing them, thus ensuring long-term profitability by catering to a niche segment of the market, rather than taking up the less value adding work such as services (see Martin 1992). Hence, by moving into the service business, the business strategy of resource augmentation was contested, even though this strategy raised the profitability and growth of the organisation. According to this view, Technostar should have confined its operations to product business, and effectiveness should be consistent with catering to a niche market and product development. The business strategy of resource augmentation in the integration perspective is criticised for deflecting energies from the product focus and the opposition of the product managers to the profit maximisation strategy of the top management needs to be seen in this light.

Furthermore, the data from Technostar shows that the goal approach (see Campbell 1977) is in direct conflict with the system perspective of effectiveness. For example, the reduction of the time line and lower quotes given by the sales team for securing more business (goal approach) is perceived by the engineering section as adversely affecting the rigour of research and quality (system perspective). This also documents the conflicts inherent in the conception of effectiveness and reveals the inherent complexity (see Martin 1992). Furthermore, even while arguing that productivity and quality follow a linear progression, profitability is argued to present an erratic picture, thus highlighting the role of extraneous factors in effectiveness, especially the profitability dimension of effectiveness.

The fragmentation-based analysis reveals the pervasive ambiguities, inaccuracies, and confusions surrounding the understanding of organisational effectiveness in this organisation. There are multiple and numerous interpretations of effectiveness in this organisation, with different stakeholders equating organisational effectiveness with the effectiveness of their own particular function (for example, some equate effectiveness with high quality in products whereas others equate it with profit before tax) and it is difficult to agree on what constitutes organisational effectiveness. Furthermore, the existing tools of measurements of productivity such as the lines of codes written are considered problematic for their inaccuracies on comparison and measurement, due to the changing nature and complexity associated with the projects. More importantly, evaluating the effectiveness of knowledge-intensive work is difficult and the traditional forms of standards are ineffective in such assessment due to the indeterminacy of outcomes or 'opacity' (unclear nature) of client behaviour (see Sharma 1997). For example, the invention of a new software product is a definite indicator of effectiveness; however, it is difficult to evaluate the effectiveness of the different stages of this development (see Alvesson 2004). Profit itself is portrayed as a very complex tool of measurement and is conceived to be shaped by factors often beyond the control of the management and the organisation. Profitability is portrayed as showing an erratic, fluid and unpredictable pattern often shaped by what some called 'luck' or 'forces beyond human control.' Furthermore, some even argued that the prevalence of certain aspects of culture was itself indicative of effectiveness in that it was so envisioned by the founders and management. Finally, it is argued by some senior managers that the different criteria for effectiveness need not move in the same direction in all cases. For example, it is believed that productivity contributes to profitability in the 'fixed price' model but is unable to influence profitability in the 'time and material model' (described in detail in chapter five). Employee satisfaction is argued to contribute to productivity in some cases, whereas it is perceived adversely to affect productivity in other cases. In this regard, it is interesting to note that although the ambiguity surrounding effectiveness is well recognised in literature, very few empirical studies have incorporated these issues (see Alvesson 2002; Martin 2002; Jackall 1988) and this study provides one of the few empirically driven evaluations of the complexities of effectiveness in a relatively unexplored area, namely a knowledge-intensive organisation.

In the light this discussion, it can be concluded that effectiveness is a complex construct that has multiple and often conflicting dimensions and this calls for context-specific and industry

relevant matrices for its measurement and evaluation. The fragmentation perspective lays bare the uncertainties in such evaluations and illuminates the role of environmental forces and the difficulties involved in measuring effectiveness. The above findings highlight the limitations of some of the major studies in this stream (for example, Denison and Mishra 1995; Fey and Denison 2003) which used single item and single respondent quantitative perceptual measures for evaluating effectiveness. The complex and problematic nature of the effectiveness construct within the same organisation is ample proof of the difficulty involved in the intra-company comparison of effectiveness, an area inadequately addressed in extant literature. The multidimensionality of the effectiveness construct uncovered in the study shows that the different aspects of effectiveness could move in different directions and this indicates the limitations of singular approaches in examining effectiveness. Again, this is further indicative of the finding of this study that future studies should adopt a multi perspective framework to present a more comprehensive understanding of effectiveness.

10.4 CULTURE-EFFECTIVENESS RELATIONSHIP

The review of literature on organisational culture and effectiveness reveals that similar existing studies generally adopt a functionalist and integrated perspective, in that the various aspects of organisational culture are shown to be related to various effectiveness criteria with most of the studies examining only financial aspects of effectiveness (Kotter and Heskett 1992; Calori and Sarnin 1991; Gordon and DiTomaso 1992). Such studies are criticised on a number of grounds including methodological issues (for example sampling problems), inconclusiveness in their findings, neglect of the non-financial aspects of effectiveness and adoption of a restrictive and incomplete approach to organisational culture (Siehl and Martin 1990). The logic of the argument is that the incomplete conceptualisation of the constructs of organisational culture and effectiveness precludes a detailed and insightful understanding of how these complex constructs are played out in an organisational setting. A related issue which arises from the above is that existing studies do not provide insights into the processes which make culture effectiveness linkages possible (or impossible) due to the neglect of the multiple particularities of the context and the adoption of non-contextual theoretical variables. This issue is amplified by the neglect of geographical contexts such as India, and sectors such as software.

Data from Technostar provide evidence of the multidimensionality of both organisational culture and effectiveness. There is detailed evidence for the processes such multiple dimensions of culture generate (for example, repeat business or the attraction and retention of talented technical professionals) and how these processes affect the multidimensionality of effectiveness (people oriented outcomes such as commitment or satisfaction of employees or organisational level outcomes such as productivity or quality) in sometimes direct, sometimes complex, unpredictable, and often context-specific or neutral ways. The integration perspective provides a direct explanation and portrays a less complicated evaluation of this, whereas both differentiation and fragmentation perspectives provide insights into the highly complex, contested and context-specific nature of this relationship. The data also delineates how the particularities of the Indian software context influence the effectiveness outcomes. These findings result in a number of contributions as regards organisational culture and effectiveness.

10.4.1 ORGANISATIONAL CULTURE AND EFFECTIVENESS FROM THE THREE PERSPECTIVE FRAMEWORK

A major contribution of this study is that although researchers have emphasised the adoption of a wider range of perspectives in exploring organisational culture and effectiveness, few studies have taken up this suggestion (Wilderom *et al.* 2000). The suggestion for the adoption of wider perspectives is based on the realisation that both effectiveness and culture are complex constructs and have numerous interpretations and the whole range of their manifestation need to be explored in order to present a comprehensive picture of the dynamics of the two constructs. This study takes this suggestion forward by adopting the three perspective framework in studying culture and effectiveness. The integration perspective, with its emphasis on organisation-wide harmony and consensus shows a strong association between organisational culture and effectiveness; the differentiation perspective either negates such an influence or presents the adverse influence of organisational culture on the different aspects of effectiveness; and the fragmentation perspective provides a complicated and a neutral picture of the relationship. The study presents the delineation of the alternate conceptualisation of culture-effectiveness linkages in chapters seven, eight, and nine. Thus, the highly complicated and problematic nature of the linkages between organisational culture and effectiveness is

uncovered without ignoring or suppressing the contradictions, ironies, and fluidities. A brief analysis of the arguments is presented below.

The analysis from the integration perspective presents a rather less complicated nature of the linkages between organisational culture and effectiveness. In this regard, it is significant to note that the study explored a range of aspects of organisational life and effectiveness measures. The relaxed and flexible work environment, high levels of empowerment or professional freedom and the spirit of enquiry and questioning are argued to be highly facilitative of innovative thinking and are perceived to result in product development, which is vital for profitability in a product organisation such as Technostar. The high technical orientation and strong emphasis on integrity are widely perceived to instil customer confidence and generate repeat business from the existing clients. In this way, they directly contribute to profitability and growth in a market in which there is a huge physical distance between the organisation and the customers. It is further argued that the staunch adherence to values helps customer retention and this results in increased profits. There is a shared perception that the people-oriented aspects of organisational life such as the 'people first' policy, low levels of fear, the flexible working environment, and empowerment or professional freedom generate a range of individual behavioural outcomes which includes high levels of employee ownership, commitment, and satisfaction. The integration-based analysis further shows the shared belief that the heightened ownership, commitment, and the satisfaction of employees lead to a range of citizenship behaviours resulting in enhanced productivity and quality, all of which often give rise to reduced costs and increased profitability. With people being the only major asset in knowledge-intensive organisations such as Technostar (Alvesson 2004), integration analysis shows that the work environment exerts a vital and crucial influence in attaining high levels of effectiveness.

However, such hegemonic views are challenged in the differentiation perspective. A key argument in this perspective is that the external environment, rather than organisational culture, determines effectiveness and profitability. In this regard, profitability is attributed to the present wave of outsourcing followed by MNCs. Poignantly, the gradual and incremental changes in organisational life are contrasted with the drastic changes in the profitability, accounted for mainly by the changes in the business strategy (for example the decision to move into service from the product business helped to raise profitability quite substantially). It is further believed that the people-oriented aspects of organisational life led to the organisation

taking a softer approach on many key organisational choices and such perceived softness is divorced from the hard and highly demanding and challenging realities of the business environment (for example the policy of non-refusal of leave to employees irrespective of the business exigencies). The logic of this argument is that although organisational life leads to happy and satisfied employees, the satisfaction of the employees (the constituent's preferences) does not always transfer to work output, productivity, profitability, business growth and quality improvements (see literature on job satisfaction and work performance, for example, Anderson *et al.* 1997). Rather, it is argued that organisational culture has a detrimental influence on such outcome measures, by restraining business forces from shaping organisational choices. In this regard, the exponential growth of many other service organisations contrasts with the relatively slow growth of Technostar in terms of its size and profitability. Furthermore, there is a perception that the workplace values (for example, unrestricted flexible timing) sometimes go against the principle of fairness or justice to customers in that the inefficiency in the work methods of employees are charged to customers. Thus culture is shown to be either unrelated to effectiveness or to be counterproductive.

The fragmentation perspective presents a complex and problematic view of the linkages between organisational culture and effectiveness. The fragmentation perspective suggests that the conception of effectiveness itself is characterised by problems with some even attributing effectiveness to luck or unknown forces beyond human control, some depicting cultural aspects as indicative of effectiveness and some arguing that effectiveness is shaped by the individual drive to excellence and greed rather than organisational culture. The high levels of ambiguity and confusion pervading the organisation are said to result in 'action paralysis', thus leading to a situation in which tough and swift business decisions are sometimes not taken in time (for example the failure to tap the capital market during the boom years of the late 1990s). Sometimes issues are inadequately addressed because of the fear that they either conflict with the basic tenets of organisational life (poor performers are accommodated in the organisation by giving them several chances) or there are taken-for-granted assumptions of organisational life which prevent even the consideration of many business opportunities (for example, the ambiguous manifestations of the people oriented aspects are argued to result in inaction about the skills which are no longer required in the organisation and thus effectively preventing the management of redundancies). Moreover, the ambiguous manifestations of empowerment are argued to result in erratic and whimsical changes, thus adversely affecting consistency and

effectiveness. Interestingly, there is also a perception that the tentative nature of organisational culture and its informalities facilitate innovative thinking, leading to product development and, viewed in this light, organisational culture leads to higher level of effectiveness. Finally, there is the perception that organisational culture cannot be thought of as a singular variable affecting effectiveness in a unidirectional manner; rather culture has different facets, which have different effects on the various aspects of effectiveness. Thus, the problematic and complex nature of effectiveness is depicted from the fragmentation perspective of effectiveness.

With the three analytical perspectives presenting differing interpretations of the same phenomenon, it can be concluded that the arguments of a positive relationship between particular aspects of culture and effectiveness is the outcome of adopting a particular analytical approach (generally integration perspective). The integration perspective portrays an unproblematic linkage between organisational culture and effectiveness; the differentiation perspective contradicts such high claims and the fragmentation perspective presents either a neutral, complex or a transient nature of the relationship. This explains the conflicting conclusions and indeterminacies in the findings of the extant studies which followed singular perspectives in exploring organisational culture and effectiveness (see Siehl and Martin 1990; Wilderom *et al.* 2000). Furthermore, this also highlights the severe limitations of the single respondent studies in eliciting a culture-effectiveness relationship (for example, Fey and Denison 2003). The indeterminacies in the existing studies are so high that many researchers suggest that a solution to the indeterminacies is a large scale survey, drawing respondents from a large number of organisations (for example, Wilderom *et al.* 2000). However, this study highlights the limitation of such an approach. Interestingly, the data from Technostar shows that informants sometimes switch perspectives during the course of an interaction (for example, interviews) and such contradictions have been observed in earlier studies (such as Ogbonna and Wilkinson 2003) as well and this further explains the limitations and inadequacies of the extant positivistic enquiries in capturing a realistic picture of organisational life and the ways in which it is related to aspects of effectiveness.

Furthermore, culture as a reflection or portrayal of organisational life encompassing the attendant values, ethos, beliefs, assumptions, celebrations, mourning, conflicts, ironies, contradictions and conflicts as they happen, is essentially multidimensional and multifaceted. The same is true of organisational effectiveness: it is essentially multidimensional, some aspects

of it are clear, some unclear, some aspects are clear at a particular point in time and unclear at some other point in time. Certain aspects of both constructs appear to be related, other are unrelated, and some negatively related. Furthermore, there are some aspects of both constructs which are related at a certain time, whereas they move in the opposite direction on other occasions and they make unrelated moves if captured at a different point in time. Some aspects of both can be captured clearly, whereas others are elusive, and some are contradictory. Therefore, the argument that they are related is the outcome of which part of the relationship the researcher is capturing; how much of the canvass the researcher is capable of capturing; what the timeframe is, and whether the researcher is honest in admitting the elusiveness of what is being captured (see Martin 2002; Martin *et al.* 2006). This brings out the relevance of the different schools of thought on culture and effectiveness (discussed in detail in chapters one and two), as they adopt different analytical lenses and capture different aspects of the culture phenomenon.

A related finding, which partly arises out of the nature of organisational culture in Technostar, is linked to the commonly cited argument that strong cultures lead to increased levels of effectiveness or financial performance (see Ouchi 1981; Deal and Kennedy 1982; Kotter and Heskett 1992). The prevalence of a high degree of differentiation and fragmentation, and the difficulties in achieving a high degree of integration challenges the formation of strong cultures. Consequently, the possibility of organisational culture as a unidirectional and strong set of values and sanctions (see Schein 1985) which will drive individual and group behaviour as well as organisational effectiveness is substantially reduced in this organisation. This challenges the existing theorisation of culture effectiveness linkages. It needs to be explored further whether such multiple particularities pose the same challenges to the other similar organisations, and these might provide new directions to culture research in the future.

10.5 ORGANISATIONAL CULTURE AND FINANCIAL PERFORMANCE: AN ANALYSIS

An important contribution of this study is in relation to the argument of Siehl and Martin (1990) that the non-financial aspects of aspects of effectiveness such as productivity and commitment mediate the relationship between culture and financial performance. As discussed in the literature review, the logic of this line of reasoning is that, unlike financial performance, some

aspects of effectiveness are conceptually related to culture. Thus, Siehl and Martin (1990) suggest that culture might influence financial performance indirectly through such conceptually related processes such as commitment and productivity. A similar argument has found persuasive support from studies in related areas, for example, studies which explore HRM-effectiveness linkages have mapped the 'black box' that mediate the relationship between HRM and effectiveness (see Guest 2001). However, unlike HRM-effectiveness studies, this proposition has not been examined empirically and comprehensively in the case of the culture-effectiveness studies. The analysis of the data generated from Technostar suggests that three important processes were perceived as important and as potentially related to organisational culture, which in turn were believed to influence effectiveness: employee commitment, productivity, and knowledge sharing.

Viewed from an integration perspective, the findings in this area support the extant conceptualisations of a direct and positive association between culture and commitment (Lok and Crawford 2004, 1999), productivity (Goncalo and Staw 2006; Mathew 2007), and knowledge sharing (Alvesson 2004) in that culture is presented as having the potential to provide a sense of cohesion and unity, thereby having a strong influence on commitment (especially affective commitment), productivity, and knowledge sharing. Furthermore, the integration-based analysis highlights the belief that these processes lead to enhanced financial performance. In the current case, it can be argued that the company attempted to achieve this by pursuing cultural policies of organisational hegemony including selective recruitment, empowerment, 'people first', and high levels of flexibility. Specifically, informality, flexibility, and low levels of fear are perceived to lead to higher levels of knowledge sharing. The analysis shows that this was indeed the case that such aspects were perceived to contribute to higher commitment, productivity, and knowledge sharing by enabling citizenship and extra role behaviours (see Ciavarella 2003; Fenton-O'Creevy 1998).

However, alternative analytical perspectives (differentiation or fragmentation perspectives) of culture suggests that the argument that organisational culture influences commitment, knowledge sharing, and productivity and these processes, in turn, affect effectiveness or financial performance is at best problematic, contested and context specific and there are several reasons for this.

Firstly, the assumption of the above proposition that culture is singular and unidirectional, is simplistic, as discussed earlier in this chapter, and this is believed to result in an inconclusive influence on commitment, productivity, and knowledge sharing (see Mathew and Ogbonna (in press)). For example, a differentiation analysis suggests that aspects of organisational life such as flexibility, the 'people first' policy and 'single status' may in fact lead to lower levels of commitment, productivity and knowledge sharing. Similarly, from a fragmentation perspective, it could be argued that rather than the focus on organisational culture, it is the intellectual competence of the employees which results in higher productivity, thus presenting a neutral picture of the role of culture in enhancing productivity. Furthermore, fragmentation-based analysis shows that it is difficult to develop a clear and uncomplicated linkage between organisational culture and the non-financial aspects of effectiveness. To this extent, rather than present simple and unproblematic associations between culture, commitment, and productivity, this study suggests that the links between non-financial aspects of effectiveness and culture are contested, typically unpredictable, transient, and context-specific. Furthermore, this study documents the limitations of the informal approach in knowledge sharing. Thus, the nature of culture limits its operation as a strong and unidirectional phenomenon influencing commitment, productivity, and knowledge sharing positively.

Secondly, the multifaceted nature of effectiveness, especially the influence of environmental and other extraneous factors might enhance, limit, or neutralize the positive influence commitment, productivity, and knowledge sharing might have on financial performance. The differentiation perspective suggests that business strategies and business models limit the influence of commitment and productivity on effectiveness. For example, in the time and material model (for details see chapter five), the fruits of productivity or quality improvements are not passed on to the organisation directly in the form of increased profitability. In this context, it is worthy of mention that this finding might be applicable to many organisations in the developing world which follow the time and material model (see, Ethiraj *et al.* 2005; Strategic Review 2005, 2007). This study suggests that while acknowledging that commitment, productivity, and knowledge sharing can have a crucial influence on profitability, the multiple particularities of the context could significantly limit this influence (see Hitt 1996; Anderson *et al.* 1997). In other words, despite having high levels of commitment, productivity, and knowledge sharing, profitability could be still low or negative. For example, the downturn in the telecom market in 2001 reduced profits significantly despite (arguably) sustaining high

levels of commitment, productivity, and knowledge sharing. Thus, by evaluating the contribution of Siehl and Martin (1990) on the potential role of cultural processes in mediating the links between organisational culture and effectiveness, this study demonstrates that such a theory can hold only if culture is viewed from an integration perspective but is inadequate when subjected to more critical evaluation from differentiation and fragmentation lenses.

However, the analysis of the data suggests that even while there are divergent views on the direct impact of culture on productivity, commitment and knowledge sharing; as well as the impact of productivity, commitment and knowledge sharing on profitability; culture is perceived to be significant in a knowledge-intensive organisation such as Technostar, which exclusively relies on people for its competitive edge (see Alvesson 2004). In a more fundamental analysis, it can be seen that organisational culture is a necessary but not a sufficient condition for effectiveness in the context of Technostar. This suggests that the appropriate culture should be viewed as a *hygiene factor* (see Herzberg, 1966) whose absence is likely to lead to ineffectiveness but whose presence need not necessarily lead to effectiveness.

Although not central to the aims of this study, this thesis contributes to the understanding of knowledge management. While acknowledging the difficulties associated with knowledge management, extant literature emphasises self-organisation and suggests that a facilitative and co-operative mode (a reference to culture) is best suited to knowledge sharing (see Von Krogh 1998; McDermott 1999). Alvesson (2004) captures the existing theorization in this regard and succinctly argues that most management writing in this area refers to 'culture building' in order to facilitate knowledge management. In the current study, the experiments which emphasised informal, spontaneous, and cooperative knowledge sharing (as symbolised by the extended tea sessions on the terrace or team lunches) were in fact in tune with the extant conceptualisation in this regard. However, the analyses of the findings from the differentiation and fragmentation perspectives document the shortcomings of the extremely informal approach in that the informal ways failed to capture and deploy knowledge adequately. The case of Technostar further shows that while the informality and the people orientations of organisational life can make a 'facilitative mode' (Alvesson 2004), the latter has serious limitations in ensuring knowledge and information sharing. Furthermore, the analysis of the data shows that informal practices have their limitations as an organisation expands. The fragmentation perspective in particular documents the limitations of the informal approach (for example, the irritation

experienced by some employees about the informal nature of knowledge sharing practices). While the study acknowledges the strength of the 'cooperative mode' in knowledge sharing, it also highlights the inadequacies of this and contributes to the debate in this important area.

10.6 METHODOLOGICAL AND PRACTICAL CONTRIBUTIONS

This study also makes a methodological contribution. The methodology adopted in the existing culture-effectiveness studies has been largely quantitative (see Denison and Mishra 1995; Calori and Sarnin 1991; Kotter and Heskett 1992) with little understanding of the ways in which cultural processes are fully played out in organisational settings. By adopting an ethnographic qualitative approach, this study captures the complexities involved in culture-effectiveness linkages which are largely neglected in extant studies.

The study also highlights a practical implication in relation to subcultural conflict which may arise when an organisation introduces a new business operation. Managers should note that it may not be desirable or even possible to suppress such conflict. Instead, they should seek to recognise the differences in the orientation of each subculture, to understand that effectiveness may be derived from and directed to multiple sources and to develop the appropriate support systems in order to ensure a business focused solution. Such an approach requires an acknowledgement of the co-existence of multiple cultures and multiple aspects of effectiveness in organisations. This necessitates high level of critical reflexivity on the part of the managers to not only understand but to appreciate and nurture the diverse cultural values which are likely to prevail in present-day organisations. It needs to be mentioned in this regard that managers' preoccupation with action often prompts them to adopt functionalism as a default mode in thinking and strategising. However, the changing business and organisational realities place a demand on managers to move beyond the postulates of functionalism and embrace the complexities of organisational life and this requires the manager to be a 'reflexive practitioner' (see Barge and Oliver 2002; Alvesson and Deertz 2000). Therefore, this work contributes to the growing call for managers, especially HR managers, to be reflexive practitioners and to be sensitive to the simultaneous multiplicities of order, conflict, ambiguity and complexity. Furthermore, conflicts, dissent, and flux should be seen by managers as opportunities for better understanding, strategising and celebration in organisations rather than aberrations calling for remedial action. Thus, rather than seek to encourage a single vision of effectiveness and

cultural hegemony, managers should aim to identify ways of harnessing specific subcultural characteristics that may be conducive to particular types of effectiveness as is consistent with individual business units.

A further contribution of this study is that it provides one of the few research-driven examinations of the human resource management issues in India in a setting characterised by dynamism and paucity of studies, i.e., the software industry. The findings of this study therefore suggest some implications for human resource management in India in general and for the Indian software sector in particular. Firstly, the study contributes to calls for more studies of human resource management in India (see Budhwar and Debrah 2001; Budhwar, 2001[b]) by providing an empirical evaluation of key issues within human resource management (organisational culture and effectiveness). Secondly, the study provides one of the few research-driven examinations of the software industry in India. In this regard, the study gives insights into the complexities in the perception of organisational culture, thereby presenting particular opportunities and difficulties for human resource managers. Thirdly, the study demonstrates the problematic nature of culture-effectiveness linkages and in doing so, highlights the significance of unpredictability and context-specificity in such linkages. This is particularly relevant in the light of the high levels of employee turnover and in the context in which workers in developing economies increasingly place emphasis on extrinsic rewards (see for example, Arthreye, 2005). All these factors pose significant challenges to human resource managers in India and elsewhere wishing to improve organisational effectiveness through manipulating organisational culture.

10.7 METHODOLOGICAL CHALLENGES AND LIMITATIONS

While the choice of ethnographic research design and methods in this study generated considerable insights, it is important to note the limitations of this approach to the study. Given the complexity that characterises the key constructs in this study - organisational culture and effectiveness – it is clear that additional time and resources would have led to potentially more insightful findings. In this regard, it is arguable that a longitudinal design might have provided richer insights into the dynamics of their relationship. However, unfortunately pressures of time and the limited resources available and the difficulty in persuading the case organisation to allow additional intrusion that may be required made this difficult.

Furthermore, although the software sector in India is relatively supportive of academic research, in comparison to the other sectors of the economy, the software engineers who can happily engage with numbers sometimes appeared to be uncomfortable with the nature of the qualitative enquiry in this study. For example, some of them failed to engage with an unstructured interview approach and in-depth interview led a few of them to suggest that qualitative research has limited practical application, an attitude which the researcher found frustrating on a number of occasions.

Another limitation is related to the adoption of the three perspective framework. The collection and analysis of the data from the three perspective framework was both engaging and challenging. In fact, the three perspectives often represent three extreme conceptual positions on organisational life and effectiveness which are often contradictory. This was an advantage in that this forced the researcher to be reflexive throughout the process of research. However, this task was equally challenging and complex. The researcher had to change the analytical lenses continuously between integration, differentiation and fragmentation. The fact that people changed perspectives during the period of research and worse still during the course of a long unstructured interview (a clear example of fragmentation) imposed high demands on the researcher's analytical skills especially in interpreting the results of the early phases of the study. In this regard, it required a great deal of analytical enquiry to capture the voices of inconsistency and ambiguity in a seemingly happy workplace, particularly since the voices of dissent were often expressed subtly especially in the initial days of the field work when the researcher was new to the organisation. The task of coding was also demanding with the need to categorise the data into organisational culture, effectiveness and the relationship between culture and effectiveness in all the three perspectives. The demarcation between differentiation and fragmentation posed difficulty on certain occasions particularly because one of the differences between them is that fragmentation is the exploration of differentiation in-depth. Above all, the strong and contradictory positions on organisational values brought out by the differing perspectives was so high that it engaged the emotional energies of the researcher and it sometimes took time to fully comprehend the existence of opposing value positions in the organisation and individuals and to verify the factual accuracies that support such strong positions.

Finally, and arising from the above, the issue of the influence of the researcher on the research process needs a mention. As stated earlier in this work, the researcher made conscious efforts to maintain the highest possible levels of reflexivity and detachment while immersing himself in the research context and while analysing the data. Nonetheless, it needs to be stated that the researcher's awareness of the organisation in press media as an organisation of unique HR practice might have unconsciously influenced the researcher's attitude. It is also possible that due to the researcher's familiarity with the Indian national cultural milieu, he might have failed to observe some aspects which somebody who was not familiar with the context would have noticed. Most importantly, it needs to be admitted that the iterative process of qualitative research is the result of the researcher's interpretation of the social and organisational realities. The question of whether it is fair representation of the social or organisational realities or whether this is merely the result of the interpretation of the researcher is debatable and remains a perennial point of contention in qualitative research.

10.8 CONCLUDING REMARKS

The in-depth study of Technostar highlights a number of implications for theory and practice as described in the preceding pages. Such implications pertain to organisational culture, organisational effectiveness, the relationship between organisational culture and effectiveness, and culture effectiveness processes. The case study presents a 'native view' perspective of the organisational life which is rich in detail without suppressing dissents, ironies, and incompatibilities. The study is the first of its kind which explores organisational culture from a three perspective framework in a knowledge-intensive organisation in a developing economy. The case shows overall support for the three perspective framework of organisational culture; however, it also highlights the case for the strengthening of the framework. Notably, the high levels of fragmentation which emerged from the case gives insights into the issues and challenges faced by a knowledge-intensive organisation operating in a developing economy without a local market for software products and which develops software products almost exclusively for geographically distant MNCs in industrialised countries. The case also shows the challenges to the integration of cultural values in an organisation characterised by high employee turnover and where employees work in highly distant geographic areas. The culture-effectiveness analysis, instead of making high claims of functionalism, portrays a comprehensive and context driven examination of the association between two complex

constructs in organisational analysis. In this process, the study exposes the limitations of culture as a source of effectiveness while at the same time acknowledging the persuasive impact culture can have on effectiveness. By portraying a three perspective analysis of culture effectiveness relationship for the first time, the study provides insights into the indeterminacies of the culture-effectiveness studies.

Organisational effectiveness is also examined comprehensively from the different theoretical approaches (discussed earlier) and this leads to a range of aspects of effectiveness that highlight the integrated, differentiated, and fragmented nature of effectiveness. Indeed, this is one of the few studies which documents the contested and problematic nature of effectiveness. Finally, Siehl and Martin's (1990) argument in relation to the mediation of non-financial aspects of effectiveness on culture-effectiveness relationship is examined and this study highlights the limitations of Siehl and Martin's (1990) theorisation in this regard. Whilst acknowledging the mediating role of commitment, productivity, and knowledge sharing on effectiveness, this study highlights that there are other factors which limit the influence of these processes on effectiveness. Furthermore, the study documents the problems arising from the fragmented nature of effectiveness in examining the culture-effectiveness relationship. While the study gives insights into the limitations of organisational culture in predicting effectiveness, it also highlights the significance of organisational culture for a knowledge-intensive organisation. Most importantly, the study shows that the appropriate culture may be a hygiene factor which is a necessary but not a sufficient condition for effectiveness.

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