

# Organizational Culture and its Effectiveness - A Study on Small Business in West Bengal

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**ABSTRACT:** *Organizational culture is the rules, norms and values which are shared by maximum number of employees in an organization that distinguishes it from other organizations. This research study has two objectives. The first objective is to conduct an in depth investigation on the organizational culture of small scale industries in West Bengal. The second objective is to determine the effectiveness of organizational culture in small scale industries in the state. Out of 177 small scale industries registered under Udyog Aadhaar Memorandum in Hooghly district, West Bengal, 50 units were selected randomly for the study. These 50 units were surveyed. The sample size is 28 per cent of the population. For survey, a questionnaire was developed. The questionnaire is in five point Likert Scale. The finding of this research is that small firms in West Bengal have rich human resource development centric organizational culture which is effective to improve firm performance.*

**Key Words:** *Organizational culture, Small Business, Human Resource Management, Management Effectiveness.*

Organizational culture is the rules, norms and values which are shared by maximum number of employees in an organization that distinguishes it from others. The organizational culture can be measured with the help of seven characteristics (Robbins, 2009). These are innovation and risk taking, attention to details, outcome orientation, people orientation, team orientation, aggression, stability. Each characteristic is measured in a single continuum from high to low. The organizational culture is measured in terms of perception of employees in an organization about the common values of the organization. The organizational culture helps in uniformity of behavior among employees who have different personal background and working in different levels in an organization. In a large organization, there is a dominant culture which expresses the core value of an organization. Besides, the dominant culture, there are many sub cultures which are developed due to departmental design and geographical separation. In the absence of dominant culture, sub cultures prevail.

On the basis of impact on employee behavior, the organizational culture can be classified into strong culture and weak culture. The strong culture is intensely and widely shared by majority of employees. The result of strong culture is cohesiveness, loyalty, organizational commitment and fewer turnovers.

The culture has many roles in organization. First it distinguishes one organization from another. Second, it creates a sense of identity in the organization. Third, culture increases the commitment among the members of the organization. Fourth, it produces natural control which helps to develop positive attitude and behavior of employees.

The organizational culture has many adverse impacts on the organization too. First, it resists organizational change. Second, it creates barriers to diversity. Third, a strong culture creates problems in merger and acquisition.

The organizational culture is learned by employees in many ways. The stories about organization's founders, relation of employees and reaction to past mistakes help to acquire culture among employees. Through rituals, employees adopt culture. Rituals are expressed in repetitive and sequential actions which help to acquire key value of the organization. Third, each organization uses a particular symbolic language. This language helps to acquire culture. The organizational culture can be classified into various types. These are mechanistic organizational culture, organic organizational culture, authoritarian organizational culture, participative organizational culture, management systems culture, entrepreneurial organizational culture, paternalistic organizational culture, altruistic organizational culture (Tripathy, 2010).

**Literature Review:** Barney (1986) has done a study on organizational culture and its impact on firm performance. The finding of this research is that culture with requisite attributes provides sustained superior performance. Caker and Erturk (2010) have done research on small and medium business's

organizational culture. The finding of the research is that the participative managerial organizational culture is directly related to innovative capabilities of firms. Chandler, Keller and Lyon (2000), have tried to identify constructs of innovative culture in small and medium sized enterprises. The finding of the research is that supervisory support and reward system have direct relationship with innovative culture. In dynamic work environment, innovative culture leads to firm earnings. Chan, Shaffer and Snape (2007), have developed a model of competitive advantage. The finding of the research is that organizational culture is a valuable source of competitive advantage. Berson, Oreg and Dvir (2007) have explored the relationship between CEO values and organization culture. The findings of the research is that there is positive relationship between CEO self-directive values and organizational culture. It is also found that sales growth, organizational effectiveness and employee satisfaction varies according to organizational culture. Chirico and Nordqvist (2010) have found that family inertia creates obstacle in the creation of dynamic capabilities. Family inertia is created out of family business culture. Chatman and Jehn (2017) have investigated that specific culture is responsible for the level of industry technology and growth. They have the conclusion that organizational culture as a source of competitive advantage is more constrained than the findings of researchers. The conclusion of the literature review is that organizational culture with requisite attributes encourages innovation, improves financial performance and firm performance and works as a source of competitive advantage

**The Objective of the research:** This research study has two objectives. The first objective is to conduct an in- depth investigation on the organizational culture of small scale industries in West Bengal. The second objective is to determine the effectiveness of organizational culture in small scale industries.

**Research Methodology:** The researcher has approached the District Industrial Centre (DIC), Hooghly for collection of data. A list consisting of 177 small scale industries (SSIs) was collected. The SSIs are registered under Udyog Aadhaar Memorandum. Out of 177 small scale industries, 50 units were selected randomly. These 50 units were surveyed. The sample size is 28 per cent of the population. For survey, a questionnaire was developed. The human resource manager of the firm was surveyed. Thus fifty human resource managers were selected for the study. The questionnaire is in five point Likert Scale. To measure work culture, questions are asked about openness, trust worthiness, proaction, democratic leadership, team work, tradition or habit, loyalty and employee involvement in decision making. To measure firm performance, the data are collected on employee retention, absenteeism, creativity, employee motivation, job satisfaction, employee morale. One hypothesis is developed for the study.

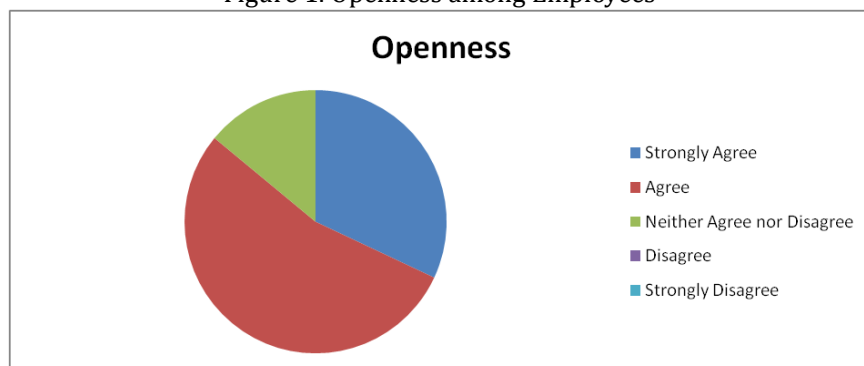
Hypothesis:

H0 : There is no relationship between organizational culture and firm performance.

H1 : There is significant relationship between organizational culture and firm performance

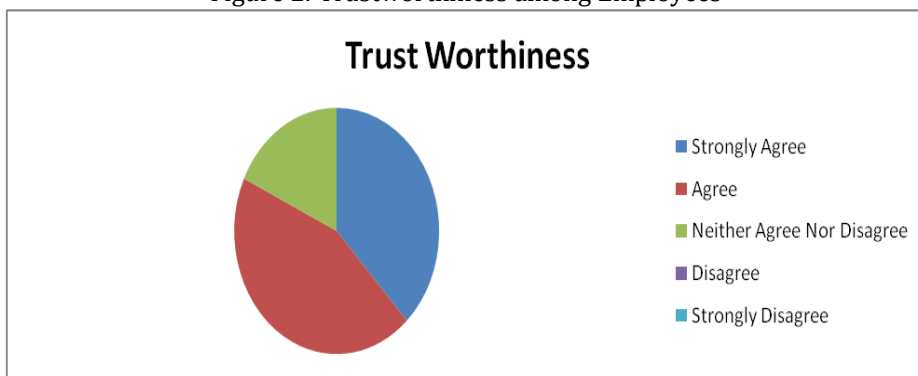
**Data Analysis:** The data is collected in five point Likert scale where strongly disagree indicates a score of one and strongly agree indicates a score of five. The first question measuring organizational culture is regarding openness among employees. Sixteen respondents have strongly agreed that firms support openness among employees. Twenty seven respondents agree that firms encourage openness. Seven respondents have opinion of 'neither agree nor disagree' about openness. This is presented graphically:

Figure 1: Openness among Employees



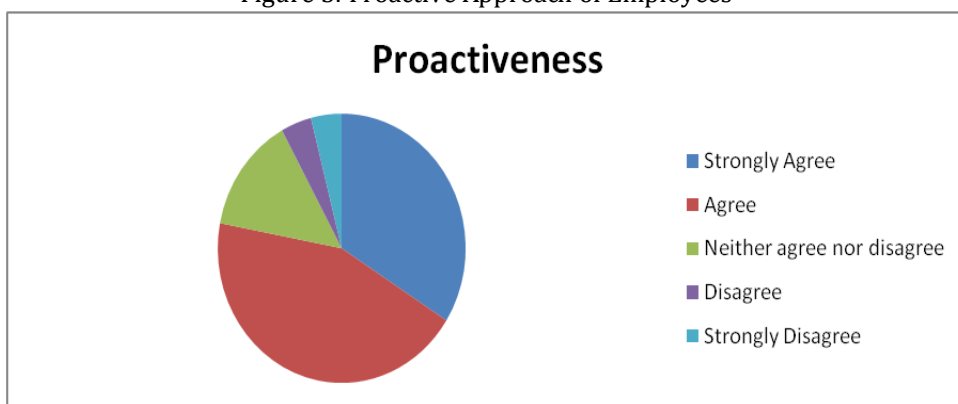
The second question is about trustworthiness among employees. Nineteen respondents have strongly agreed about trustworthiness, whereas twenty two respondents have agreed about trust worthiness. Nine respondents have 'neither agree nor disagree' opinion.. This is presented graphically:

Figure 2: Trustworthiness among Employees



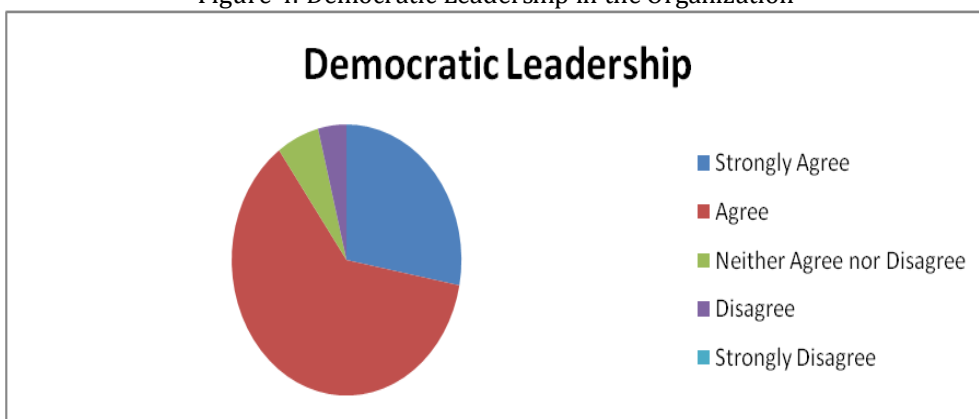
The next question is measuring proactive approach of employees. Seventeen and twenty two respondents have strongly agreed and agreed opinions respectively that employees are proactive in their approach. Seven have the opinion of neither agree nor disagree. Two respondents have disagreed and another two respondents strongly disagreed with the statement. This is presented graphically:

Figure 3: Proactive Approach of Employees



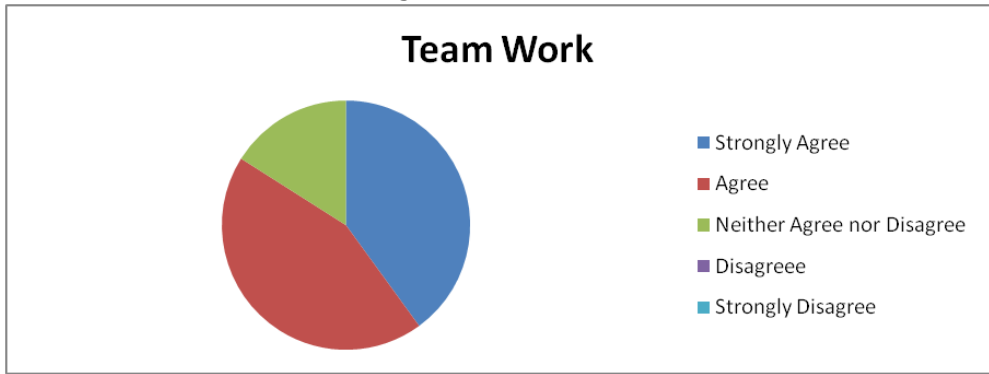
The next question is measuring democratic leadership in the organization. Fourteen and thirty one respondents have strongly agreed and agreed that firms encourage democratic leadership. Three have the opinion of neither agree nor disagree. Two respondents have disagreed about the fact that firm encourages democratic leadership.

Figure 4: Democratic Leadership in the Organization



The next question is about team work. Twenty respondents have strongly agreed that team work is encouraged by firm. Twenty two respondents have agreed about team work. Eight respondents have the opinion of 'neither agree nor disagree'. This is presented graphically:

Figure 5: Team Work



There are another three questions measuring tradition or habit, loyalty and employee involvement in decision making. In each question, maximum respondents have strongly agreed and agreed in favour of tradition or habit, loyalty and employee involvement in decision making. The second objective is to measure the effectiveness of organizational culture in small scale industries. To measure the effectiveness, the relationship between organizational culture and firm performance is established. A hypothesis is developed:

**Reliability Test:**

**Table 1: Reliability Statistics of Organizational Culture**

Cronbach's Alpha	Part 1	Value	.797
		N of Items	3 <sup>a</sup>
	Part 2	Value	.768
		N of Items	2 <sup>b</sup>
	Total N of Items		5
Correlation Between Forms			.891
Spearman-Brown Coefficient	Equal Length		.943
	Unequal Length		.945
Guttman Split-Half Coefficient			.888

- a. The items are: organization Culture1, organization Culture2, organization Culture3.
- b. The items are: organization Culture3, organization Culture4, organization Culture5.

In split half of reliability, the reliability value of part 1 is .0797 and that of part 2 is 0.768. The correlation between forms is 0.891 which is more than 0.4. The Spearman-Brown coefficient is 0.943 which is more than 0.8. So the scale measuring organizational culture is reliable.

**Table 2: Reliability Statistics of Firm Performance**

Cronbach's Alpha	Part 1	Value	.762
		N of Items	3 <sup>a</sup>
	Part 2	Value	.834
		N of Items	3 <sup>b</sup>
	Total N of Items		6
Correlation Between Forms			.665
Spearman-Brown Coefficient	Equal Length		.799
	Unequal Length		.799
Guttman Split-Half Coefficient			.797

- a. The items are: Retention, Creativity, Absenteeism.
- b. The items are: Motivation, Satisfaction, Morale.

In split half of reliability of firm performance, the reliability value of part 1 is .762 and that of part 2 is 0.834. The correlation between forms is 0.665 which is more than 0.4. So the scale measuring firm performance is reliable.

### Hypothesis:

H0 : There is no relationship between organizational culture and firm performance.

H1 : There is significant relationship between organizational culture and firm performance

**Table 3: Correlations**

	organizational Culture	Firm Performance
Organizational Culture	1	.662**
Pearson Correlation		
Sig. (2-tailed)		.000
N	50	50
Firm Performance	.662**	1
Pearson Correlation		
Sig. (2-tailed)	.000	
N	50	50

\*\* . Correlation is significant at the 0.01 level (2-tailed).

To establish the relationship between organizational culture and firm performance, the Pearson product movement correlation is drawn. The correlation coefficient is 0.662. It is statistically significant as p value is less than 0.01 (P = .000). So there is significant relationship between organizational culture and firm performance as the null hypothesis is rejected.

**Findings and Conclusion:** Maximum numbers of firms under study encourage openness and trustworthiness. In maximum firms, employees are proactive in their approach. Maximum firms also encourage democratic leadership. Team work is encouraged by majority of firms too. Maximum firms follow some types of traditions. Employees are loyal in majority of firms. Employees are allowed to participate in decision making. There is significant relationship between organizational culture and firm performance. The findings are as per of existing literature. The organizational culture has significant impact on firm performance. So small firms in West Bengal have rich human resource development focused organizational culture which is effective enough to improve firm performance.

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