PERCEIVED DIFFERENCES IN CULTURE, ENVIRONMENTAL HOSTILITY AND FIRM PERFORMANCE: A STUDY OF INDIAN ORGANIZATIONS USING COMPETING VALUE FRAMEWORK

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Perceived differences in culture, environmental hostility and firm performance: A study of Indian organizations using competing value framework.

ABSTRACT: This paper explores a relationship between corporate culture and the performance of the firm within the context of varying environmental hostility. We[1] collected data from 70 firms and tried to identify the impact of perceived differences between actual and desired culture on the indicators mentioned above. The results indicate that there is a moderating impact of environmental hostility on perceived cultural differences and sales growth with respect to both open systems and human resources model. Similar results however could not be established for growth in employee strength and the other two models of competing value framework.

KEY WORDS: Organizational Culture, Financial performance, Environmental Hostility, Competing Value Framework

Although various meanings and connotations are associated with organizational culture (Ostroff, Kinicki, & Tamkins, 2003); researchers conceptualize organization culture as being shared among members (Glisson & James, 2002), existing at multiple levels (e.g., group and organizational levels; (Detert, Schroeder, & Mauriel, 2000), influencing employees' attitudes and behaviors (Smircich, 1983), and consisting of collective values, beliefs, and assumptions (Schein E. H., 2004). Organization culture is generally defined as the collective behavior of the people of the organization. It is one of those unique binding factors that distinguishes an organization from other comparable organizations. Culture includes a host of items like values, symbols, norms, vision, systems, working language, beliefs and habits. In this sense, culture has permeating effects on a company because a company's culture not only defines its relevant employees,

[1] We would like to acknowledge the help provided by Mr. Shesadari Biswas and Mr. Dibya Jyoti Das as colleagues of a large study wherein this study was a component.

customers, suppliers, and competitors, but also describes that how a company will interact with these key stakeholders and actors (Louis, 1983).Culture had been defined as a pattern of shared basic assumptions that were discovered, or developed by a given group (it may be an organization, a department or a division) as it learnt to deal on its own with its problems of external adaptation and internal integration that have been into existence for a considerable period of time in order to be considered sound enough and therefore, should be taught to all the incoming members as the correct way to perceive, think and feel in relation to those problems (Schein E. H., 1992). Ravasi & Schultz (2006) view culture in terms of mental assumptions that are shared and guide the interpretation of complex actions in organizations, as they define and elaborate appropriate behavior as per given situation. For the purpose of this study culture is viewed as a "shared," collective construct and, in a broad sense, it is a property of the work unit. (Glisson & James, 2002)

Components of Culture

Early literature on culture gave little attention to an empirical investigation to find relationship that may exist between organizational culture and effectiveness of an organization. Most researchers tried to establish a theoretical framework, definition of culture and what all it encompasses. As a result, most of them concentrated on studying a single firm and those studies were typically longitudinal in nature. One prominent perspective that emerged from conceptual development of organizational culture is the research on culture types. This stream of research sheds light on the substance or the content of a culture and evaluates a culture's association with various kinds of measures of organizational effectiveness. (Denison & Mishra, 1995) (Hofstede, Neuijen, Ohayv, & Sanders, 1990).

Organizational culture has been said to compose of myriad of things. (Glisson & James, 2002). Different researchers have defined it differently over a period of time. Smircich, (1983) has cited five classes of such definitions in her review of the literature on organizational cultures. Hofstede G.(1980) used five components to define culture. He surveyed over 100,000 employees of IBM and came to conclusion that power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, and long term vs. short term orientation were the main factors that determine culture and business behavior. O'Reilly, Chatman, & Caldwell, (1994) developed a model based on the belief that cultures can be distinguished by values that are reinforced within organizations. Their Organizational Profile Model (OCP) is a self-reporting tool which makes distinctions on seven categories - Innovation, Stability, Respect for People, Outcome Orientation, Attention to detail, Team Orientation, and Aggressiveness. Denison (1990) asserted that organizational culture can be described by four general dimensions – Mission, Adaptability, Involvement and Consistency. Each of these general dimensions are further described by their sub-dimensions. First dimension, the mission, is represented by sub dimensions such as Strategic Direction and Intent, Goals and Objectives and Vision while Adaptability as a dimension includes Creating Change, Customer Focus and Organizational Learning as subcomponents. Involvement as a dimension is represented by Empowerment, Team Orientation and Capability Development, while the last dimension of Consistency has Core Values, Agreement, Co-ordination/Integration as components.

The OCP model is not intended to measure how organizational culture affects organizational performance, rather it is used for finding out associations between the personality of individuals in the organization and the organization's culture. Denison’s model also describes culture focus as either external or internal and can also comment on the stability aspect of the culture. The OCP model has been used to diagnose cultural problems in organizations. One of the most common models used to measure culture is the competing values framework which is described in the following section.

Competing Values Framework

For the purpose of this research design the competing values framework has been used as it is one of the most widely used framework and most researchers are familiar with it. (Ostroff, Kinicki, & Tamkins, 2003). According to a research conducted by Cameron et al., the measures of this framework have been implemented by over 10,000 firms worldwide. (Cameron, Quinn, DeGraff, & Thakor, 2006).

This framework originates from the empirical research done by (Quinn & Rohrbaugh,

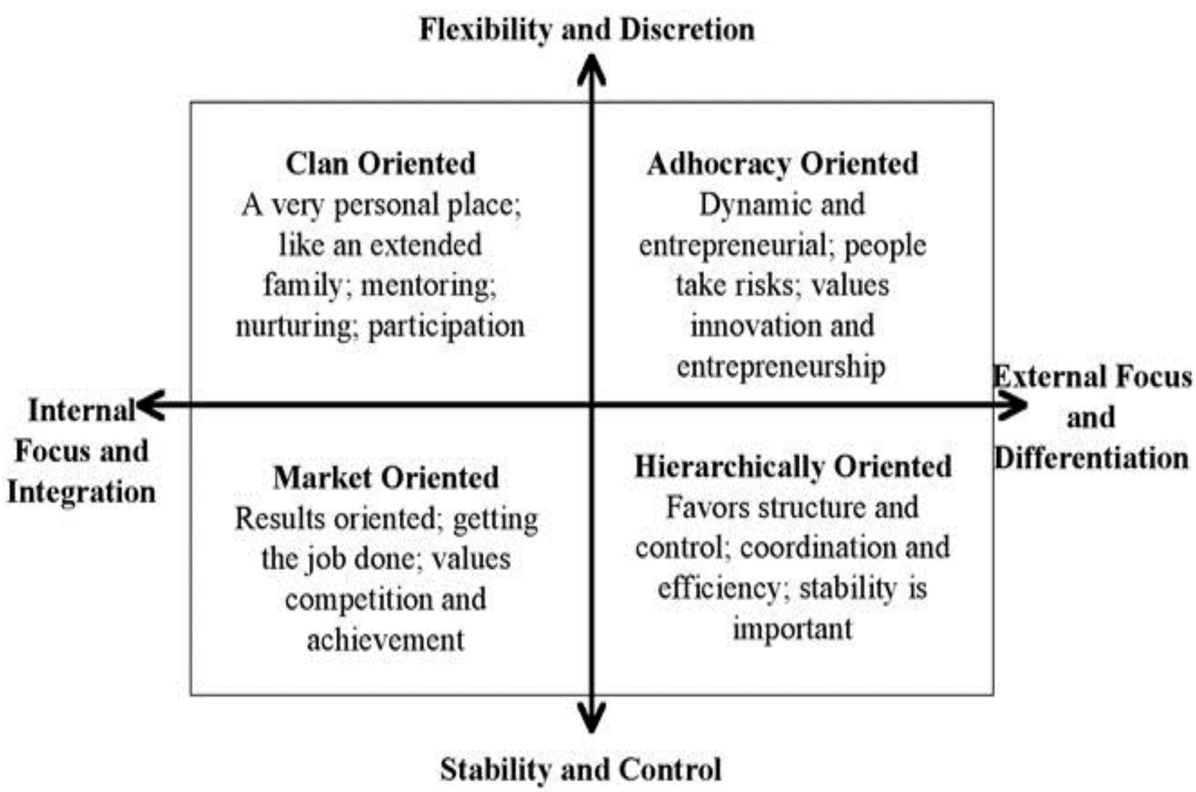

Figure 1: The Competing Value Framework. (Cameron & Quinn, 1999)

1983), when they tried to answer the question-“what makes an organization effective?” The basic framework consists of two dimensions resulting in a two-by-two matrix with four quadrants. These underlying dimensions, i.e. focus, structure, and means–ends, are proposed to correspond to competing core values that “represent what people value about an organization’s performance” (Cameron & Quinn, 1999). One dimension of the framework distinguishes an orientation towards stability, order, and control from an orientation towards flexibility, discretion, and dynamism. The second dimension on the other hand distinguishes an orientation towards an external focus and opportunities, and differentiation and rivalry regarding outsiders from an orientation towards an internal focus and capability and the integration and unity of process. CVF theory states that various culture types, as suggested by it, are strongly associated with a set of effectiveness criterion that is specific to that particular quadrant. These four quadrants represent opposite or competing assumptions. Each continuum brings forth the key performance criteria and value creation that imbibe the elements on the opposite continuum-flexibility versus stability and internal focus versus external focus. The dimensions, therefore, form the performance criteria on one hand and value creation on the other end of the continuum--i.e., produce quadrants that are also contradictory or competing on the diagonal. The lower right quadrant (compete), also known as Rational Goal model, identifies value creation and performance criteria that emphasize external focus and control whereas the upper left quadrant (collaborate), also known as Human Relations model, identifies value creation and performance criteria that emphasize an internal, flexible focus. Similarly, the upper right quadrant (create) also known as Open Systems model, identifies value creation and performance criteria that emphasize external, organic focus; whereas the lower left quadrant (control) also known as Internal Process model, emphasizes on internal, control value creation and performance criteria.

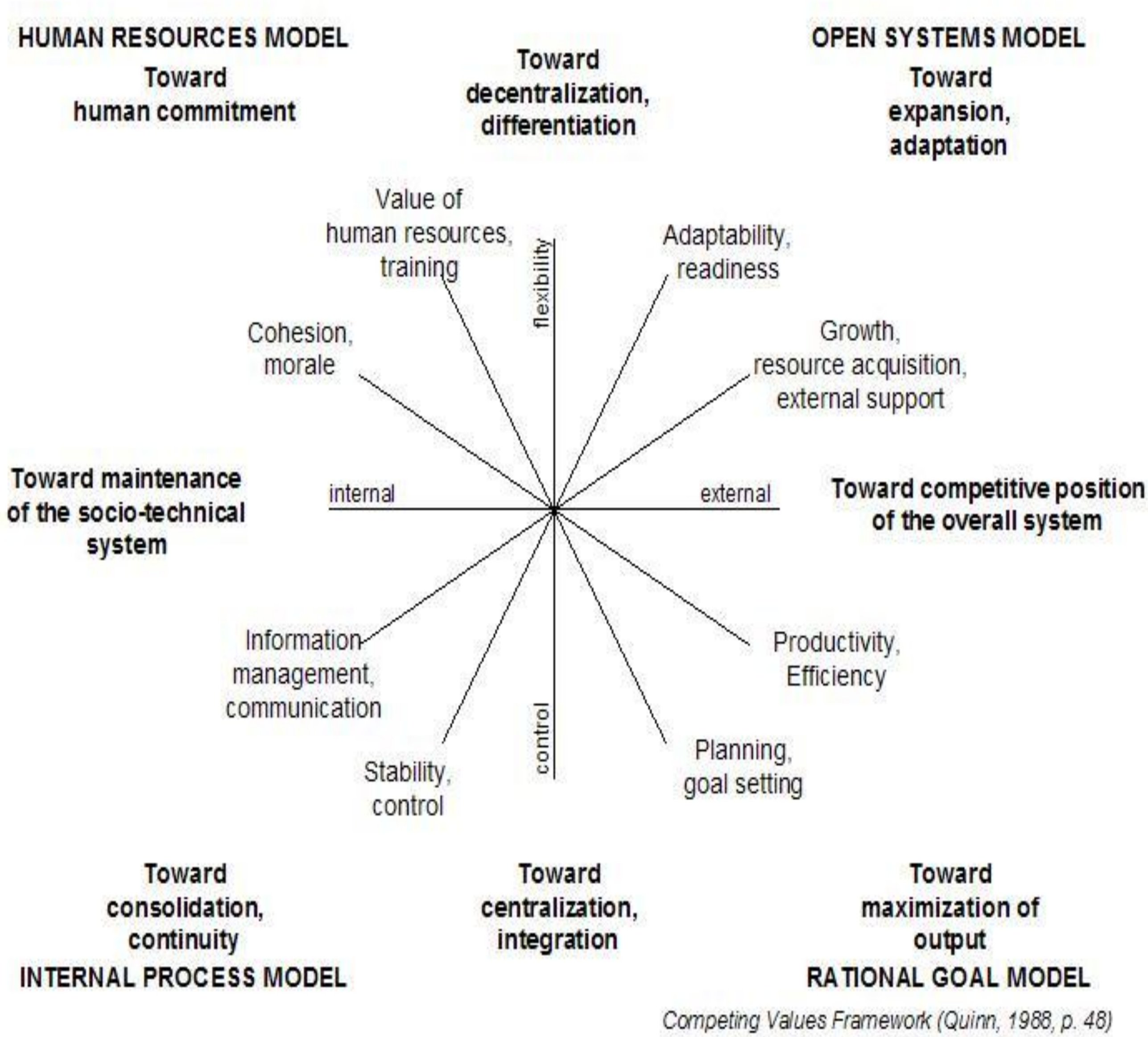

Figure 2: Four quadrants of Competing Values Framework

These competing or opposite elements in each quadrant give rise to one of the most important features of the CVF- the presence and necessity of paradox.

The CVF's third value dimension, means–ends, is the theoretical base which explains why each culture type is associated with a specific strategic thrust and a unique set of effectiveness criteria. The third dimension in a nut shell elucidates the behavior that emanates from values and beliefs. Such behavior acts as the mechanisms (means) through which culture types are related to desired effectiveness criteria (ends). (Hartnell Chad A. & Kinicki, 2011)

Desired and Actual Culture

An organization can claim to have a particular culture but the actual culture that exists, sometimes differs from the claims. This may be due to discrepancies in the organization vision, mission and communication. The top leadership may strive to build a particular culture but the actual policies and practices might be starkly different from those articulated by the vision and mission statement. This can lead to creation of two kinds of culture. The first one is the desired state or the one which the management or the organization believes it should actually possess considering the environment, its strategy, goals, philosophy and the mission and vision it creates. The other is the actual culture that is prominent in the day to day working of the organization and which the employees feel, exist. This kind of double existence can create a confusion of sorts. It can arise due to miscommunication or lack of understanding between those who frame the policies and those who actually implement it. (Kotter & Heskett, 1992)

Financial Performance

Financial performance of a company is still considered to be the most important aspect in its performance. The importance is even more for publically listed companies as their information is available in public domain and even a slight dip in any of the financial numbers can harm the company's reputation and alter their stock price. Even though there is little consensus on cultural aspects, the academic faculty is generally in agreement on what constitutes a good financial performance. Different researchers have focused on different financial parameters. While it is true that no single parameter can on its own detail out the entire performance, a set of few numbers, however, can give a good idea on the standings of the company and how it fares in the market. Some researchers also recommend comparison of the performance of a firm with the performance of the sector it operates in as this gives an idea as to how the company performs vis-à-vis its competition and other top players of that sector. Superior financial performance can either be temporary or sustained. Temporary superior performance is a result of competitive dynamics widely described in microeconomics. Suppose a particular company, for any of a variety of reasons, is able to obtain superior financial performance; Observing this, other firms, typically will seek to obtain this same level of performance by duplicating whatever makes a successful company successful (Hirshleifer, 1980) Certain firms may enjoy competitive advantages that are not subject to imitation, and thus these can be the source of sustained superior performance. In these settings, firms may enjoy superior financial performance even after imitative attempts by other firms cease (Lippman & Rumelt, 1982). This is due to various other sources of sustained competitive advantage which cannot be easily imitated by others.

Environmental Hostility

Environmental conditions that a company experiences often fall along a continuum ranging from benign to hostile. Benign environments provide a safe and relatively calm setting for business operations in which competition and competitor reactions are relatively predictable or can be guessed with a reasonable degree of accuracy, and are usually ordered and systematic. Hostile environments, on the other hand, are characterized by precarious industry settings, intense competition and harsh business climate (McGee & Rubach, 1997).

Environmental hostility is defined as the scarcity of external resources and opportunities in a specific environment (Dess, 1984) (Zahra S. A., 1993). A hostile business environment indicates a risky, stressful, and dominating environment with precarious industry settings and intense competition (Khandwalla, 1976/1977). Environmental hostility can influence a company's strategy as they would not only have to consider what would happen in the outside world but also how their competitors would respond to it. The effect of hostility in entrepreneurial context has been well studied in the past and researchers have applied these concepts to rationale how hostility affects performance in general. (Covin & Covin, 1990) (Zahra S. A., 1993) (Tang & Hull, 2012)

Culture and financial performance

Financial performance has been at the core of all benchmarks created to judge the success of an organization. In today's dynamic world, the importance of financial performance can't be undermined. With ever increasing demands from the shareholders to generate value and enhance returns on investments, managers are pushing all limits to present a better bottom line. HR in this aspect has proven to be strategic business partner by enhancing the employee productivity and efficiency, all of which has a positive impact on financial health of the company.

Author(s)	**Independent Variables**	**Intermediary /contextual**	**Dependent variables**	**Description**
Sheridan (1992)	Seven dimensions from organizational culture profile	gender, marital status, salary, grade point average, university location, performance, voluntary termination	Employee retention	Compared 6 identical organizations (accounting companies, period 6 years), also makes argument for comparing identical organizations (1039). Concluded culture effect to be stronger than person-job-fit effect (1051) and a significant effect of interaction job performance ‘culture.
Hansen and Wernerfelt (1989)	Economic variables and organizational variables, emphasis on HR and on goal accomplishment		5-year average RoA	Organizational factors explain twice as much variance in company’s profit rates as economic factors
Barney (1986),	Culture (holistic, theoretical)		Competitive advantage (theoretical)	A company's culture can be a source of sustainable competitive advantage if that culture is valuable, rare, and imperfectly imitable
Denison (1984),	Organization-of-work index, decision making practices index and cultural strength		Financial performance: income/ investment ratio (effective utilization of resources over time);	Companies with a culture that encourages the development of adaptable work methods, linking individuals to the goals of an organization, have a clear competitive advantage. Strong culture: 'high consistency is associated with high current performance and short-term performance, but is

			income/sales ratio (indicator of operating efficiency). And both variables standardized	associated with low long-term performance”
Denison (1990)	Indices used (organization of work, emphasis on human resources, decision-making practices, inter-unit coordination, cultural strength) for the above four dimensions.		Financial performance, income/sales, income/investment, year 0 to year +5	Cultural strength (variance within organization) positively related to immediate performance, and negatively related to performance after year three
Gordon and DiTomaso (1992)	Survey of ‘management climate’ through dimensions: adaptability and stability, ‘cultural strength': adaptability and stability		Calculated assets and premium growth for 1982 to 1987.	Study in the life-insurance industry. Two aspects of culture measured: H1: strength related to performance in the near future. Supported H2: companies in dynamic industries perform best when their culture fosters adaptability rather than stability. Supported

Table 1: A List of Studies on Organizational Culture and Financial Performance

Organizations today are paying greater attention towards developing a uniform organizational culture that truly reflects their ideology and communicates their vision and mission to the internal and external stakeholders. A great deal of study and research has been directed towards organization culture and its impact on the overall well-being of an organization. (See Table 1 for a list of research studies conducted in this domain so far). Qualitative reviews, for example, suggest a lack of theoretical development and empirical support to lend credence to the proposition that organizational culture is in some way associated with organizational effectiveness. (Ostroff, Kinicki, & Tamkins, 2003). Researchers that have attempted to explain the sustained superior financial performance of organizations like IBM, Apple, P&G, and Mc-Donald's, have focused on the managerial values and beliefs embodied in their organizational cultures (Deal & Kennedy, 1982).

These explanations point to a fact that a strong set of core managerial values, that enunciates the way these organizations conduct business, typically characterizes organizations with sustained superior financial performance. It is these core values (about how to treat employees, customers, suppliers, and others) that develops and advances innovativeness and flexibility in firms; when they are linked with management control, they are believed to lead to sustained superior financial performance. Another study revealed that organizations that were considered superior financial performers over a period of two decades had an excellent reputation for management (Peters & Waterman, 1978). The conditions under which a company's culture can be a source of sustained competitive advantage, and thus by implication, a source of sustained superior financial performance, are examined by Hirshleifer (1980). It is concluded that under a relatively narrow set of conditions, a company's culture can be the source of such sustained advantages. However arguments suggest that the normative implications of studies on organizational cultures are significantly limited. In order to provide sustained competitive advantages, and thus, by implication, be a source of sustained superior financial performance, company's culture must meet three conditions. First, the culture must be valuable; it must enable a company to do things and behave in ways that lead to high sales, low costs, high margins, or in other ways that add financial value to the company. Culture must have positive economic impact because superior financial performance is an economic concept. Secondly, the culture must be rare; it must have attributes and characteristics that are difficult to find and are not common to the culture of a large number of organizations. Finally, it should also be made sure that the culture is imperfectly imitable; organizations without this culture cannot engage in activities that will change their culture to include the required characteristics, and if they try to imitate the culture, they will be at some disadvantage (reputational, experience, history etc.) compared to the company they are trying to imitate. These three characteristics result from the definition of sustained superior financial performance and research on competition (Porter, 1980)

For example organizations with a market-oriented culture have their goals as organizational profitability and growth. They try to attain these by competing intensely and pursue acquisition of new customers by aggressively attacking competitors' market share. (Cameron & Quinn, 1999). They increase their customer base and market share by undertaking customer engagement activities (e.g., seeking customer feedback and monitoring customer satisfaction) and staying connected with and anticipating customers' needs. (Daft, Sormunen, & Parks, 1988). The intense competition and customer feedback forces organizations with market oriented cultures to formulate plans and goals which can ensure that they are able to maintain a leading financial position in the marketplace. Goals of market culture, refine attention of organizational members, towards activities that deliver lucrative financial results to shareholders (Cameron, Quinn, DeGraff, & Thakor, 2006). Consistent with CVF theory, goals provide purpose and meaning as well as define appropriate behavior within the organization (Denison & Mishra, 1995).

But there is a catch- the desired goals are achieved only if the rational goals model is followed, as outlined in the marketing example. If the existing culture does not fit the bill of needs of the organization and if there is a variance due to miscommunication or other such factors then the goals may not be achieved. Thus, a fit between the goals of the company and its culture is required to support those goals. (Kotter & Heskett, 1992)

One of the widely known longitudinal studies linking financial performance to adaptive culture is the classic work by Kotter and Heskett (1992). They show that companies with adaptive culture performed significantly better than those with non-adaptive, or what is referred to as defensive-culture, over an 11-year period along various financial indicators. (Kotter & Heskett, 1992)

Hypothesis

Goodman and Svyantek hypothesized that the fit between employees' desired organizational culture and their actual organizational culture would predict contextual performance. (Goodman & Svyantek, 1999). They found that perceptions of the organizational culture and the discrepancy between employees' ideal organizational culture and their perceptions of the actual organizational culture were important in predicting both contextual performance and task performance. This finding gives importance to the fit between the organizational culture and the strategy it pursues. Kotter also talked about the strategic fit between the culture and financial performance. This fit emerges from the fact that both culture and performance are related to each other if the culture is supported by the strategy and fits the current context of the organization. However if there exists a difference between the two then performance of the company suffers. (Kotter & Heskett, 1992).

Kotter and Heskett in their study found that when there was a significant fit between the culture and strategy of the organization it performed well financially, but the same was not true for the organizations which did not exhibit this relationship. Pliskin et al. did a case study on an attempt to implement an information system. They found that failure to implement it, in this particular case, was due to the clash between the original culture and the desired culture (Pliskin, Romm, & Lee, 1993).

Chow and Harrison in their study concluded that a difference in the actual culture and the preferred culture impacts the motivation levels of employees, organizational commitment, job satisfaction and propensity to remain with the organization. All these factors have been known to impact the financial performance and dip in these can cause significant loss to the organizations. (Chow, Harrison, Mckinnon, & Wu, 2002)

Thus, we can establish that a significant difference between the actual and desired culture can create confusion in the company and also create a false impression of what goals the organization wants to pursue. This definitely impacts the morale, commitment and financial performance of the organization. To ensure a sustained competitive advantage and superior financial performance a company must strive for minimal difference between the desired and actual culture. Zahra proved that environmental hostility had an adverse impact on company’s financial performance and it moderated the impact of culture of entrepreneurship. (Zahra & Garvis, 2000)

The literature on the financial performance and dimensions of corporate entrepreneurship has given ample evidence that lend support to the fact that corporate entrepreneurship dimensions such as pro-activeness, risk-taking, innovations and competitive aggressiveness, etc. significantly and positively influence the financial performance of the companies being investigated. (Zahra S. A., 1993). Covin suggests that high-performing companies often exhibit an aggressive competitive orientation when faced with environmental hostility, while low-performing firms tend to be more passive when operating in hostile environment. (Covin & Covin, 1990). Calantole et al. explored the relationship amongst new product success rates, proficiency in the execution of NPD activities, and the perceived level of hostility in the competitive environment. They concluded that a hostile competitive environment increases the impact of NPD proficiency, i.e. by improving performance of key NPD activities under hostile environmental conditions a company can greatly increase the likelihood of success for a new industrial product (Calantone, Schmidt, & Di, 1997). One of the important features of culture is the structure of the organization. In fact a structural change can cause a change in culture of the company. Covin and Slevin found that performance among small companies in hostile environment was positively related to an organic structure, competitive profile and entrepreneurial strategic posture, and was typically characterized by high product prices, long-term orientation and a concern for predicting industry trends. In benign environment, on the other hand, performance was positively related to a mechanistic structure, a conservative strategic posture, and a competitive profile characterized by conservative and a short-term financial orientation. In this case there was an emphasis on product refinement, and a willingness to rely heavily on single customer. (Covin & Slevin, 1989). Tang and Hull recreated this study in Chinese context and found that the response of Chinese firms was completely different to environmental hostility. In highly hostile environment organizations went passive. This research highlighted the cultural differences that existed in western and emerging economies. They concluded that while hostility brings out the best in companies in western context, it does the opposite in emerging economies. (Tang & Hull, 2012). It is assumed in the study that the difference in such results can also be attributed to the difference in actual and desired culture that exist in different firms. To identify the relative impact of such differences on multiple quadrants of competing value framework, on sales growth and increase in number of employees we hypothesized that:

H1) Environment hostility faced by an organization will moderate the relationship of perceived difference between actual and desired culture and sales growth; such that during higher environment hostility, differences between desired and actual culture amongst different quadrants of competing value framework (H1a: open systems model, H1b: human resources model, H1c: internal process model and H1d: rational goal model) will result in reduced sales growth.

H2) Environment hostility faced by an organization will moderate the relationship between perceived difference between actual and desired culture and sales growth, such that during higher environment hostility differences between desired and actual culture different quadrants of competing value framework (H2a: open systems model, H2b: human resources model, H2c: internal process model and H2d: rational goal model) will result in reduced growth in number of employees.

The model used in this research is shown in the following figure.

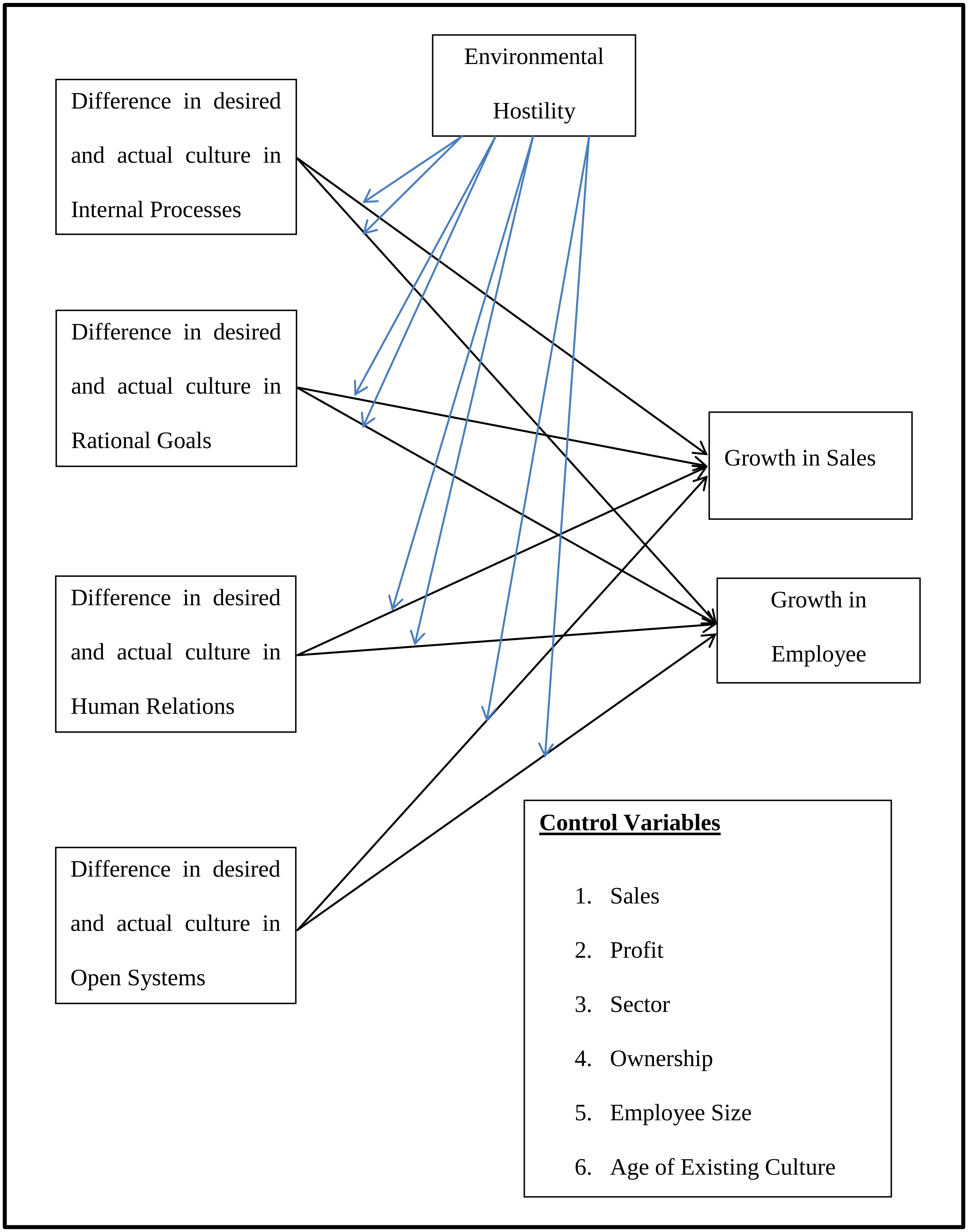

Figure 3: The proposed model of impact of culture on financial performance

Methodology

For the purpose of this study, data was collected from 70 firms. HR managers, individuals and supervisors were approached for data collection through an instrument. The instrument used was a modified version of the one used by Zammuto et al. (Zammuto, 1991). In this instrument respondents were asked to rate the characteristic of the actual culture and the one they desired should exist in the company on a 7 point Likert scale. This is a departure from the original method where Zammuto and his colleagues asked the respondents to distribute 100 points in these characteristics. We feel that in this way, the respondents can rate the items individually and without constraints. Moreover, the reliability tests for the modified instrument were found to be reliable.

We gathered information from 70 organizations through working executives doing part time program. Each one of them distributed different sets of questionnaires to senior HR professional of their firm, and five employees and superior of those employees as well. Senior HR managers of their firms provided information about financial performance parameters viz. the sales and profit figures as well as the average growth in these over a period of three years. Additionally they were asked about the number of employees and the growth in number of employees over a period of three years. We have tabulated average growth on sales and profit based on the data gathered from them. Since the environment faced by different employees may vary depending upon the function, customer and various other parameters, data on environment hostility was gathered from supervisors through a scale used by Khandwalla and Covin (Khandwalla, 1976/1977) and also reported by Covin & Slevin, (1989). Data from five employees was gathered to measure the perceived difference between actual and desired culture. Since the growth in sales and number of employees in a company would also depend on how old the present culture is, which sector it operates in, its size in terms of sales and number of employees and its profit margins, we used relevant data as control variables. The sales and profit figures were converted into logarithmic scale, while the absolute difference among the various items of culture (IP, HR, OS, RG) was standardized.

Analysis

We have used stepwise multiple regression analysis to test the hypothesis. First control variables were entered, followed by relevant independent variables to test hypothesis pertaining to each quadrant of competing value framework, together with measure for environment hostility. Standardized ratings were used on environment hostility and difference between desired and actual culture scores for each quadrant. Finally the interaction variable is introduced in the model during the third step and the same was calculated by multiplying standardized scores of relevant cultural difference and environmental hostility. Reliability tests were done before regression and it was found that all measures have acceptable levels of reliability as indicated in table below:

Sr. No.	Item	Cronbach’s Alpha	Items
1.	Desired IP	.849	4
2.	Desired OS	.836	4
3.	Desired HR	.944	4
4.	Desired RG	.727	4
5.	Actual IP	.830	4
6.	Actual OS	.893	4
7.	Actual HR	.943	4
8.	Actual RG	.835	4
9.	Environmental Hostility	.794	6

Table 2: Reliability Analysis

Now we shift our focus to regression results. Table two given below reports two regression models with significant interaction effects while none of the other regressions were significant, either for main effect or for interaction effect.

Dependent Variable: Growth in Sales

	Open Systems Model			Human Resources Model		
	Control	ME	Moderation	Control	ME	Moderation
Constant	4.135***	4.17***	4.266***	4.135***	4.043***	3.868***
Net Profit (log)	-0.33	-0.32	-0.043	-0.033	-0.029	-0.035^{+}
Age	-0.001	-0.002	-0.004	-0.001	-0.001	-0.004
Employees (log)	5.6E-08	1.01E-07	-2.54E-07	5.67E-08	-3.27E-07	-4.69E-07
Sector	-0.43	-0.29**	-0.355	-0.431	-0.148	-0.175**
Ownership	-0.35	-0.074	-0.296	-0.357	-0.092	-0.093**
Net Sales (log)	-0.028	-0.031	-0.016	-0.028	-0.027	-0.002
Z Score EH		-0.028	0.176		-0.002	-0.043
Z Score (Cul_Diff)		-0.037	-0.144		-0.089	0.008^{+}
EH*Cul_Diff			-0.417**			-0.358***

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, $^{+}$ $p < 0.10$

Table 3: Results of regression on Sales Growth

The results displayed in table 3 state that the culture difference by itself does not have any significant effect on growth of sales. However when the moderating variable environmental hostility is present, the difference in Human Relations model and Open Systems model is inversely related to growth in sales as the nature of relationship is significant in this case (As highlighted in table 3) and is inverse, as expected. This shows that in human relations model and open systems model, the smaller the difference in the actual and desired culture, more is the growth in sales.

implications

The results of the regression analysis are a bit staggering. Only the open systems and human resources model affect growth in sales whereas no significant evidence could be found for the impact of other models on growth in sales. None of the models have an impact on growth in number of employees. This can be explained by the fact that both human relations model and open system model lie on flexibility side. The importance of flexibility has been stressed in previous research. The organizations that are flexible and adaptable have been shown to reap better financial rewards (Kotter & Heskett, 1992). The adaptive nature of the company helps it to change according to the environmental conditions and thus create an impact on its financial performance. This is required more in case of organizations which face hostile conditions, as in benign environment the focus is more on stability rather than flexibility. If the firms claim that they have a flexible work environment and organizational culture and in actual practice it is also the same, then the financial performance would be high as the culture is in sync with the strategy and is according to the one called for by the environment. However if the conditions are such that what organization wants to achieve is a flexible culture but in actual practice it is not so, then difference between the actual and desired culture would be large and this would show negatively in the sales growth as the culture of the organization is not in sync with the environment or the strategy of the firm. Another case can be that the organization already has flexible culture but it desires to move into another state. In this case also the sales growth would dip as the organization is trying to move away from the optimal conditions and is going for a change when such a change is not required at all. In this case also, the difference between the actual and desired culture would be large and financial performance would suffer. Another possible case can be that the desired culture and organizational culture are not different but not in sync with the environment or the strategy at all. In this case also the sales growth would decrease. This is a peculiar case and a possible explanation for this case can be that the company is aware of the culture that exists and as such there is no confusion prevalent as to what culture should exist and thus, company can leverage upon the existing culture to get the most out of it. More research in this area is required.

Limitations

The current research could not validate whether growth in employees has any relation with the cultural differences and more comprehensive research in this area is required to validate.

The study was not a longitudinal one as the norm had been for studies in this field. It was more like a current-period study and aimed to judge the impact of culture on performance in the truest sense. The study should be longitudinal and cover a large sample, none of which was not possible given the limitations of time and resources available. The sample size selected was also just adequate enough to conduct such a study and future research in this direction should focus on engaging a larger sample size through multiple means.

Data on a company’s culture should be collected from managers who have been there for a larger period of time. Data should be collected from other sources as well (like case studies and competitor view points). This validates the data and gives fresh perspective of a company and its culture.

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