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IMPACT OF ORGANIZATIONAL CULTURE ON ORGANIZATIONAL EFFECTIVENESS - EMPIRICAL STUDY WITH REFERENCE TO SAIL, SALEM

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Abstract

An attempt has been made to investigate the impact of Organizational Culture on Organizational Effectiveness at Salem Steel Plant. For this purpose, respondents were selected by proportionate random sampling method. In view of the complexity of data, the responses were processed and analyzed by using Structural Equation Modeling. After methodical analysis, it was proved that exogenous and endogenous factors fit into the good fit model. It is concluded that all the six variables of Organizational Culture influenced the Organizational Effectiveness. Strengthening the organizational culture could be done through addressing the various components of organizational culture like knowledge about the organizational policy, values and belief, work involvement and interpersonal relationship.

Key words: Organisational Culture, Organisational Effectiveness, Culture Realignment, Interpersonal Relationship, Work Environment.

1. INTRODUCTION

In the era of globalization, organizations of market economies face strong pressure to be both efficient and able to produce value added outputs. The goal of efficiency and competitiveness can be attained if organizations possess the right people with the right attitudes and skills. That is why organizations, across the business landscape, are being seen battling out for workforce share in a way they battle for market share. Organizations have realized that their survival largely depends upon their ability to attract, motivate and retain the key talent needed to meet aggressive business goals and gain competitive edge. While factors like capital,

equipment and other resources are important for organizational success, the human factor appears to be the most important one since it is the people who have to use all other resources. Without the productive efforts and full-hearted engagement of workers, the material and other resources of the organization would be of no use. Not even the latest technologies would be able to produce the targeted results for the organization without the right people with the right attitudes to utilize them. (Tilaye Kassahun 2005).

In the process of enhancing the organization effectiveness, organizations have become technology-savvy. Global network of

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computers, laptops, cell phones, television, internet, intranet, world wide web(www), artificial intelligence, video conferencing and a host of other electronic media have made it easy and cost effective to get accessed to billions and trillions of pieces of information on all conceivable topics, stay connected with any one at any time, communicate simultaneously with a large number of people located at dispersed places anywhere in the world, work without being physically present at the work place and so on. Thus IT has totally revolutionized the way organizations and individuals within them can work and relate with each other. The technology has completely changed the way in which the organizations functioned yester years. They are indeed becoming borderless, market driven and strategically oriented entities. Instead of being totally embedded in a particular culture and obliged to serve a single nation, they reflect many culture shades and tend to satisfy many stakeholders, and respond to a highly complex and turbulent international market. They aggressively search at the global level for business opportunities, invest in places where the return on their capital is maximum, acquire, merge and form alliances to realize the business synergy, outsource designs, spares and processes globally to remain cost effective and market their products and services wherever there is a demand for them (Jai B. P. Sinha 2008). All these happen provided there is a team of people who could conceive, plan and execute the entire activities. This is governed by a positive and strong work culture.

Culture is such a crucial factor in the long-term effectiveness of organizations and has impact on the working environment as well as the individuals working in it. It is imperative that those charged with managing culture, be able to identify the dimensions of culture and to develop a strategy for changing it. The dependence of organizational improvement on culture is due to the fact that when the values, orientations, definition and goals stay constant

– even when procedures and strategies are altered – organizations return quickly to *status quo*. Without an alteration of the fundamental goals, values and expectations of organizations, change remains superficial and short-term in duration (Kavita Singh, 2001).

2. SIGNIFICANCE OF THE STUDY

As we are in the third generation of economic reforms, a lot of reforms are on the cards. The projected massive economic growth cannot be achieved without industrial reforms through industrialization. More Indian companies are becoming multinational and transnational companies which bring a lot of change into the work place. Today's industries witness employees drawn from different places and different countries. As a result, organizations need an appropriate organizational culture which could address the radical changes taking place within and outside the organization. Therefore, studying the organizational culture is a must as it helps the organization to adapt to appropriate organizational culture to achieve the overall objective of organization.

India is emerging now as an economically strong power. Other countries are looking towards India as an industrially developed country. In future, there is a possibility that Indian work culture would serve as a model for the rest of the world. Therefore, changes in industrial psychology require examination in order to find out how this changing work culture impact the organizational effectiveness.

3. STATEMENT OF THE PROBLEM

Organizational Culture plays an important role in determining the effectiveness of the organization. Various strategies are adopted by Human Resources Management to improve the effectiveness of the organization. But it does not always bring about the expected effectiveness in the organization. Therefore, continuous investigation is essential to find out the strength and weakness of the organization

culture. Even the successful organization is suffering from organizational culture-related problems. The SAIL has won 'Maharatna Award' for its overall performance. Though it has won the Maharatna award, it is not free from problems. SAIL is encountering strike and productivity- related problems and hence it is fit to have a probe into this problem.

4. REVIEW OF LITERATURE

Daniel R. Denison and Aneil K. Mishra, (1995), in their work on "Toward a Theory of Organizational Culture and Effectiveness", developed a model of organizational culture and effectiveness based on four traits of organizational cultures; involvement, consistency, adaptability and mission. These traits were examined through two linked studies. In the first, qualitative case studies of five firms were used to identify the traits and the nature of their linkage to effectiveness and in the second, a quantitative study provided an exploratory analysis of CEO perceptions of these four traits and their relation to subjective and objective measures of effectiveness in a sample of 764 organizations. The results show support for the predictive value of the traits and illustrate the complementarities of qualitative and quantitative methods for studying organizational cultures. Two of the traits, involvement and adaptability, are indicators of flexibility while openness and responsiveness are strong predictors of growth. The other two traits, consistency and mission, are indicators of integration while direction and vision are better predictors of profitability. Each of the four traits was also significant predictors of other effectiveness criteria such as quality, employee satisfaction and overall performance. The results also showed that the four traits were strong predictors of subjectively-rated effectiveness criteria for the total sample of firms but were strong predictors of objective criteria such as return-on-assets and sales growth only for larger firms. This research also suggests that culture can be studied as an integral part of the adaptation process of organizations and that specific culture traits may be useful predictors of performance and effectiveness. The paper also illustrates how qualitative case studies and inductive theory building can be combined with quantitative comparisons and theory-testing to make progress on specific aspects of organizational culture research.

Rajendran, K. V. (2001), in his study "Developing a Culture of High Performance", attempted to bring to the surface some key aspects that, in the experience of the author, seem to facilitate creation of high performance culture at micro level, i.e. at the level of an individual or a leader of a small team within a large enterprise. These are based on the paradigm that the destiny of an organization is dependent on the individuals in it, both for the outcome and the culture that is created and maintained to nurture the performance. Identifying the key drivers in high performing individuals/teams, the paper outlines approaches to build and sustain such teams in the organization. The author also opines that successful companies will be the ones that put quality of life first and the quality of product, productivity of workers, profits for all, will follow.

Carl F. Fey and Daniel R. Denison, (2003), have done research on "Organizational Culture and Effectiveness: Can American Theory Be Applied in Russia?". This research paper examines the link between organizational effectiveness and culture for foreign-owned firms operating in Russia. Beginning with a model of organizational culture in the United States, the paper presents a multi method analysis of culture and effectiveness in a transition economy. The research paper argues that effectiveness in Russia was based more on adaptability and flexibility than it did in the United States. Furthermore, the legacy of the Communist Era forced firms in Russia to deal with a workforce with a unique time perspective and a unique set of subcultures that often determined attempts at coordination and integration. The authors explored these ideas using survey data on 179 foreign-owned firms, using survey method in Russia and compared the results with those obtained for firms in the United States.

Felix Mayondo and Mark Farrell (2003), in their study on "Cultural Orientation: its relationship with market orientation, innovation and organizational performance", attempt to link concepts across disciplines and draws on the various discipline-specific models to develop an integrated model of the determinants of effective marketing implementation, product innovation and financial performance. The integrated model performs well and fits the data. The research findings suggest that the sources of effective marketing implementation may lie outside the traditional marketing domain. There are real difficulties in articulating, measuring and interpreting the most important components of organizational culture. This result is a doubleedged sword: on the hand, this is desirable in creating causal ambiguity but it also means changing organizational culture is difficult. Further, the research also points out that there are few occasions when it would appear easiest to change culture. The findings suggest that managers with outward oriented cultures, cultures that encourage risk taking, are responsive to marketing innovation and have superior financial performance.

Levin, Ira, Gottlieb, Jonathan Z (2009), in their study on "Realigning Organization Culture for Optimal Performance: Six Principles & Eight Practices", discuss six principles and eight practices for realigning organization culture to support and facilitate the achievement of strategic change goals. The principles address common errors made and the practices offer an integrated, comprehensive roadmap to culture change. The principles and practices are discussed in the context of the

relevant literature and several examples from the consulting work of the authors are provided to illustrate application and approaches. Organization culture can be a strong enabler or an insurmountable obstacle to implementing change in organizations. Most organization change efforts require some degree of culture shift. Yet changing an organization's culture continues to be a highly challenging and often elusive endeavor. After all, culture by definition provides stability, continuity, and predictability to organizational life. They state that these six principles provide overarching guidelines for framing the conduct of future realignment efforts. Following are the six principles discussed in the study: (1) Understand the Required Scope of Change, (2) Model, Teach, and Embed, (3) Use Multiple Levers . (4) Create Board Involvement of key organization constituencies, (5) Manage with Rigor and Discipline, (6) Integrate into Daily Work Life. A key premise of this article is that some degree of culture realignment is required for most organization change and performance improvement to occur- whether that change is internally driven or externally demanded. It has become a cliché that change is a fact of life in business and organizational life today. Organizations must be able to change and do so proactively to survive and prosper. The capability to realign organization culture effectively in support of strategic goals may be a source of competitive advantage. The principles and practices discussed here offer a clear, systematic approach for doing so. These, in combination with leadership's perseverance and tenacity, are the ingredients for successful culture realignment in support of organization change initiatives and achieving optimal organization performance.

Murugan and M Sakthivel (2009), in their paper, in their study on, "A Study on Organizational Culture and Its Impact on the Performance of IT Employees in Chennai", explain the organizational culture elements and strategies followed by Information Technology

(IT) companies which are designed to attract and retain the professionals and are formulated to meet the current market conditions. Study on culture system becomes imperative as the competitors are willing to pay more and poach the skilled workforce, intensifying the demand for talent in the market. The study was conducted by using both analytical and descriptive type of methodology. The survey was conducted in IT companies located in Chennai. It is inferred that organizational culture, influencing performance among the employees in the IT industry, depends on major factors such as organizational culture, work environment, safety and negotiation. It is concluded that employees acknowledged a conducive organizational culture influencing organizational performance in the IT industry.

Anil Kumar Singh (2010) has researched on "Impact of the HRM practices and organization culture on managerial effectiveness in public sector organizations in India". This research is in the light of the liberal global Indian Economy that has led to a competitive environment. In a changing scenario of the global business environment with a highly competitive market economy, the HRM practices and organisation culture will provide an edge to an organization. This research is an attempt to understand the effect of the HRM practices and organization culture on managerial effectiveness in public sector organization in India. This study revealed that the HRM practices and organizational culture are strong predictors of the managerial effectiveness of the public sector organizations surveyed. This study clearly indicates that the HRM practices, along with organizational culture, play a significant role and affect the managerial effectiveness of the organization. The study points out that training and development, selfrealization, career management and socioeconomic support were strong prerequisites for managerial effectiveness in the public sector organizations.

5. SCOPE OF THE STUDY

The present study will generate interest among the academicians and practitioners who are interested in the subject matter. The study throws light on various variables of organizational culture and its inter relationship in increasing the effectiveness of the organization. This study may also open up new frontiers of knowledge. With this object, the study would enable management practitioners to gain an insight and design ways of improving the effectiveness of their organization through redefining the organizational culture.

6. OBJECTIVE OF THE STUDY

To examine the impact of Organizational Culture on the Organizational Effectiveness.

7. RESEARCH MODEL AND HYPOTHESIS FORMULATION

The research hypothesis was defined on the basis of the problems identified in the present research pertaining to Organizational Effectiveness (Causal Variables, Intervening Variables and Output Variables) and Organizational Culture adopted by the SAIL. The following figure is a graphic presentation of the developed hypothetical model.

b. Hypotheses of the Study:

- ➤ There is no positive relationship between Organizational Effectiveness (Causal Variables) and the latent variable (Organizational Culture).
- There is no positive relationship between Organizational Effectiveness (Intervening Variables) and the latent variable (Organizational Culture).
- ➤ There is no positive relationship between Organizational Effectiveness (Output Variables) and the latent variable (Organizational Culture).

8. METHODOLOGY

The study was made using both primary and secondary data. Secondary data were taken

from various sources like books and journals. In this research, Organizational Culture is considered as a independent variable and Organizational Effectiveness (Causal Variables, Intervening Variables and Output Variables) as dependent variable. The study was conducted in The Steel Authority of India Limited (Salem), as it is one of the Maharatnas of Indian public sector undertakings and the organization has obtained best industrial practices award from various countries.

9. SAMPLING SELECTION

The study was conducted in The Steel Authority of India Limited (Salem). The period of study was six months from October 2012 to March 2013. It is one of the Maharatnas of Indian public sector undertakings and the organization has obtained the best industrial practices award from various countries. There are thirty five departments and the total number of workers is 1,348. For the purpose of study, the respondents were selected by following the stratified random sampling method. The Researcher contacted 40% of the total employees, which was deemed sufficient to reflect the views of the organization. The total respondents were 539. The questionnaire was personally administered by the Researcher during the working hours of the organization. The subject matter of the study and the structure of the questionnaire were also explained in brief to the respondents before the issue of the questionnaire. Apart from collecting the data through the questionnaire, opinions and issues on the topic were collected through informal discussion with a number of respondents (executives and non executives) of the organization. Some of their views and opinions were also used for the study.

10. STATISTICAL TOOLS

Structural Equation Modeling technique was used to analyze the responses collected from the respondents.

11. ANALYSIS AND DISCUSSIONS

Structural Equation Modeling, or SEM, is a very general, chiefly linear, chiefly crosssectional statistical modeling technique. Structural Equation Model implies a structure of the covariance matrix of the measures (hence an alternative name for this field, "analysis of covariance structures"). To obtain unstandardized and standardized regression weights, a variance estimate for the residual errors and the squared multiple correlation of the dependent variable 'Organizational Effectiveness (Casual)' were analyzed. Once the model's parameters were estimated, the resulting model-implied covariance matrix was then compared to an empirical or databased covariance matrix. If the two matrices are consistent with one another, then the Structural Equation Model is to be considered a plausible explanation for relations between the measures. The real strength of SEM is to estimate more complicated path models, with intervening variables, between the independent and dependent variables and the latent factor as well.

Table-1 shows the 'fit' summary of models. It is indicated from the above Table that **ALL THE MODELS (1-3),** are having a good fit, with reasonable errors of approximation in the population.

Table-2 shows the regression coefficient of the exogenous variables. It is noted that the critical ratio of all the six factors (Knowledge about the organization policy, Values and beliefs, Attitude towards the work, Work involvement and Interpersonal relationship) were above the Table value of 2.576 and it is significant at 1 percent level. It is also evident from the above analysis that these variables influenced factors opined by the employees towards Causal Variables, Intervening Variables and Output Variables of organizational effectiveness. Work Environment was also above the Table value of 2.576 and so it significantly influenced both Causal Variables and Intervening Variables of Organizational

Effectiveness. One out of six cultural variables (values and beliefs) did not significantly impact the Intervening Variables. The cultural variables viz., work environment, values, beliefs and attitude towards the work were below the Table value 2.576 and did not significantly influence Organizational Culture.

From the path diagram, all the measured variables recorded positive relationship with latent variable, 'Organizational Culture' and all the variables of organizational culture were significant at 1 percent level. After SEM and methodical analysis, it is proved that exogenous and endogenous factors fit into GOOD FIT model. It is noted from the Table-3 that Work Environment and Attitude towards work recorded a positive relationship between (Causal Variables) Organizational Effectiveness and Organizational Culture. But other cultural variables viz., knowledge about the organizational policy, values and belief, work involvement and interpersonal relationship, exhibited a negative relationship between the (Causal Variables) Organizational Effectiveness and Organizational Culture.

12. FINDINGS AND SUGGESTION

The study found that the organizational culture did have an influencing capacity on organizational effectiveness. But it was negatively related to some aspects like values and beliefs and work environment. It is suggested that paying adequate attention to improving the work environment, values and beliefs of the workers and knowledge about the organization will bring more production, which in turn would increase the effectiveness of the organization.

13. CONCLUSION

Organizational Culture plays a crucial role in determining the effectiveness of the organization. Strengthening the organizational culture through addressing the various components of organizational culture like knowledge about the organizational policy, values

and belief, work involvement and interpersonal relationship, is important. Here an attempt has been made to study the relationship of all these components with the effectiveness through framing hypothesis and Structural Equation Model. It was found to be good fit model and hence it is concluded that all the six variables of Organizational Culture enjoyed influencing cap0acity over the Organizational Effectiveness.

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Table-1 – Model Fit Summary

Cronbach's	Model 1	Model 2	Model 3
Alpha	0.8669	0.8959	0.8648

Test Factor	Causal Variables Value	Intervening Variables Value	Output Variables Value	Range	Result
Chi-Square	67.759	53.841	73.75	p>0.05	Sig. at 1% level
Chi-Square/df (15)	4.51	3.589	4.916	2.0 - 5.0	Good Fit
GFI	0.962	0.961	0.959	>0.95	Good Fit
AGFI	0.910	0.958	0.954	>0.95	Good Fit
CFI	0.971	0.982	0.951	>0.95	Good Fit
TLI	0.960	0.954	0.950	>0.95	Good Fit
RMSEA	0.061	0.047	0.041	< 0.07	Good Fit

Source : Primary Data

Table-2-Regression Weights

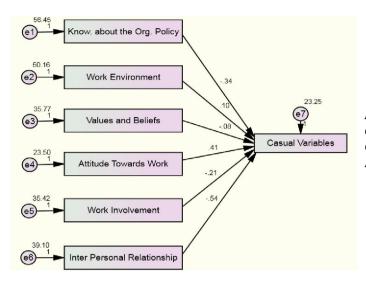
Measured Variable		Latent Variable	Estimate	S.E.	C.R.	Result
Knowledge about the organizational policy	<	Causal Variable	-0.345	0.028	-12.459	1%
Work Environment	<	Causal Variable	0.099	0.029	3.364	1%
Values and Beliefs	<	Causal Variable	-0.079	0.035	-2.269	5%
Attitude towards Work	<	Causal Variable	0.415	0.043	9.666	1%
Work Involvement	<	Causal Variable	-0.213	0.035	-6.086	1%
Interpersonal Relationship	<	Causal Variable	-0.538	0.033	-16.181	1%
Knowledge about the organizational policy	<	Intervening Variable	-0.183	0.026	-6.934	1%
Work Environment	<	Intervening Variable	-0.159	0.028	-5.694	1%
Values and Beliefs	<	Intervening Variable	0.038	0.033	1.145	NS
Attitude towards Work	<	Intervening Variable	0.473	0.041	11.571	1%
Work Involvement	<	Intervening Variable	-0.123	0.033	-3.695	1%
Interpersonal Relationship	<	Intervening Variable	-0.619	0.032	-19.526	1%
Knowledge about the organizational policy	<	Output Variable	-0.277	0.028	-9.732	1%
Work Environment	<	Output Variable	-0.017	0.03	-0.561	NS
Values and Beliefs	<	Output Variable	-0.026	0.036	-0.72	NS
Attitude towards Work	<	Output Variable	0.33	0.044	7.477	1%
Work Involvement	<	Output Variable	-0.094	0.036	-2.612	1%
Interpersonal Relationship	<	Output Variable	-0.444	0.034	-12.992	1%

Source – Primary Data

Table-3: Testing of Hypotheses

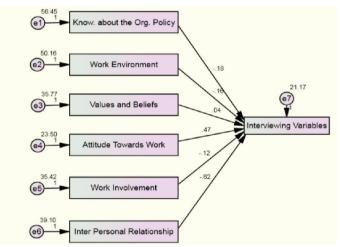
Hypotheses	Hypothetical Relationship	Result	
H1: There is a positive impact of Knowledge about the organization policy and Causal Variable of organizational Effectiveness.	Negative	Not Confirmed	
H2: There is a positive impact of Work environment and Causal Variable of organizational Effectiveness.	Positive	Confirmed	
H3: There is a positive impact of Values and Belief and Causal Variable of organizational Effectiveness.	Negative	Not Confirmed	
H4: There is a positive impact of Attitude towards work and Causal Variable of organizational Effectiveness.	Positive	Confirmed	
H5: There is a positive impact of Work Involvement and Causal Variable of organizational Effectiveness.	Negative	Not Confirmed	
H6: There is a positive impact of Inter personal relationship and Causal Variable of organizational Effectiveness.	Negative	Not Confirmed	
H7: There is a positive impact of and Knowledge about the organization policy and Intervening Variables of organizational effectiveness.	Negative	Not Confirmed	
H8: There is a positive impact of Work environment and Intervening Variables of organizational effectiveness.	Negative	Not Confirmed	
H9: There is a positive impact of Values and Belief and Intervening Variables of organizational effectiveness.	Positive	Confirmed	
H10: There is a positive impact of Attitude towards work and Intervening Variables of organizational effectiveness.	Positive	Confirmed	
H11: There is a positive impact of Work Involvement and Intervening Variables of organizational effectiveness.	Negative	Not Confirmed	
H12: There is a positive impact of Inter personal relationship and Intervening Variables of organizational effectiveness.	Negative	Not Confirmed	
H13: There is a positive impact of Knowledge about the organization policy and Output Variables of organizational Effectiveness.	Negative	Not Confirmed	
H14: There is a positive impact of Work environment and Output Variables of organizational Effectiveness.	Negative	Not Confirmed	
H15: There is a positive impact of Values and Belief and Output Variables of organizational Effectiveness.	Negative	Not Confirmed	
H16: There is a positive impact of Attitude towards work and Output Variables of organizational Effectiveness.	Positive	Confirmed	
H17: There is a positive impact of Work Involvement and Output Variables of organizational Effectiveness.	Negative	Not Confirmed	
H18: There is a positive impact of Inter personal relationship and Output Variables of organizational Effectiveness.	Negative	Not Confirmed	

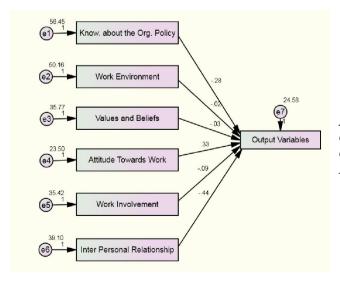
Source: Primary Data



Model 1- Relationship between Organizational Culture and Causal Variables (Organizational Effectiveness)

Model 2– Relationship between Organizational Culture and Intervening Variables (Organizational Effectiveness)





Model 3-Relationship between Organizational Culture and Output Variables (Organizational Effectiveness)