

Organizational Culture and Performance: An Empirical Study of SMEs in Pakistan

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Abstract

This study aims to identify the prevailing type of culture and its relationship with performance in SMEs operating in Pakistan. Using competing value framework, the cultural profile and dominant characteristics of SMEs are identified and investigated to ascertain their implied relationship with organizational performance on the basis of certain self-assessment variables. For this purpose, primary data was collected from SME employees through a self-administered survey questionnaire. The results revealed that 'hierarchy' culture is the prevailing type of culture and a statistically significant relationship exists between organizational culture and performance among the sampled SMEs. The study concludes with certain important insinuations for theory and practice especially concerned with SMEs.

Keywords: competing value framework, dominant culture type, organizational culture, organizational performance, relationship, SMEs.

1. Introduction

Nothing portrays the realism of the Pakistani industrial and economic environment better than the nature of its SME sector. There are about 3.2 million registered business enterprises nation-wide and SMEs constitute over 98 percent of them and employ nearly 78% of the non-agriculture labor force. They contribute over 40% to GDP, Rs. 140 billion to exports, and account 25% of exports of manufactured goods besides sharing 35% in manufacturing value added (Government of Pakistan, 2017). Thus, their ability to create economic value and sustain competitive advantage is vital for growth and development.

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SME sector in Pakistan is not formally organized. There are hardly any corporate entities in the SME sector, implying that SMEs in an idyllic situation supposed to serve as the procreation ground for future corporate sector does not really appear to be happening in Pakistan. The majority of the small and medium enterprises are in a low growth trap, employing traditional business management practices and are unable to climb up the economic ladder (SMEDA, 2010). At the same time, the use of obsolete technology, energy crisis and lack of skills and professional competencies have also posted tremendous challenges for SMEs to remain competitive in the modern globalized economy. In this scenario, local SMEs are struggling to work out new and innovative means of improving performance with minimal cost implications.

But this process of improvement cannot be ushered in at once. It requires a great deal of understanding of internal systems and identification of key factors affecting performance in an enterprise. SMEs need to determine their source of competitive advantage. The success stories of reputed organizations reveal that sustained competitive advantage lies in continued internal innovation through a set of beliefs, values and shared norms in the organization. These beliefs, values and principles symbolize the culture of an organization (Morgan, 1997) and function as a source of management practices for the organization. It heavily influences decision making, policy formulation, leadership style and overall working environment within an organization (Hofstede & Hofstede, 2005). Strong cultural values promote innovation, internal flexibility, better utilization of human capital (Robbins, Judge, & Sanghi, 1994) and enduring strategic goals in an enterprise.

Large enterprises have rightly recognized the value and importance of cultural aspects, their 'fit' with organizational success and as sources of competitive advantage. Smaller enterprises may not have such realization because SMEs face the lack of competence to correlate benefits as compared to corporate or large enterprises. Instead, SMEs do have flexible leaner structures and display more entrepreneurial instincts, which provide them more liberty to execute and implement good business practices. Although the general understanding of organizational culture is predominantly associated with the performance of corporate enterprises or large organizations (Apsalone & Flores, 2018).

This study argues that SMEs might significantly benefit, if they could identify ways to devise their framework of success, on the basis of continued internal innovation through a set of internal beliefs and shared norms. Therefore, a better understanding of the association of these cultural aspects with performance could lead SMEs to better management practices and internal stability.

This paper explores the association of organizational culture and performance in the context of SMEs. Although, the relationship of cultural values with organizational performance is well researched but it is largely concerned with corporate or large enterprises and thus lacks generalizability, particularly in SMEs' perspective (Curran, 2000; McAdam, 2002; Poole, 2009). In view of the comparative scarcity of research in this area, the major contribution of this paper is to fill this theoretical gap by ascertaining the prevailing profile of organizational culture and its correlation with performance among SMEs in Pakistan. Additionally, the paper is likely to enhance the theoretical and practical understanding of this concept among the employees of SMEs and focus especially on how SMEs can optimize their capabilities by improving their internal value system that leads to sustained growth and performance. The findings of this study will likely help academic researchers, local SMEs, and development institutions to make use of the efficacy of the relationship between culture and performance. The identification of the prevailing organizational culture will also facilitate the managers to rationalize their decision making.

The paper starts by briefly discussing the literature related to the way culture evolves and persists in an enterprise and the manner it impacts organizational performance. It then provides the theoretical background for the operationalization of organizational culture and performance construct and the derived hypotheses. The study adopts a positivist research framework. Correspondingly, a survey approach using quantitative data with cross-sectional design has been used for this research. The primary data was collected through personally administered survey questionnaire from a sample of 185 executive level employees of SMEs.

The findings reveal that sampled SMEs strongly value internal stability and control system through bureaucratic management. The paper concludes that a statistically significant relationship persists between organizational culture and performance of sampled SMEs. Hence,

organizational culture is an effective instrument through which executives can manipulate employees to improve performance in any organization, either an SME or a large corporation.

2. Literature Review – Organizational Culture, Performance and SMEs

The notion of organizational culture attained genuine consideration among management scholars and practitioners in late 1980's, while exploring the rationale of Japanese enterprises' success over their American counterparts (Hirota, Kubo, & Miyajima, 2007). However, the contemporary engagement with the concept of organizational culture in management literature mainly reckons to the works of Hofstede, Hofstede, and Minkov (1991); Ouchi (1981); Peters and Waterman (1982); Deal and Kennedy (1983) and Schein (1996).

At the outset, Hofstede et al. (1991); Hofstede and Hofstede, (2005) defined organizational culture as "*the collective programming of the mind that distinguishes the members of one organization from another*". It embraces common beliefs, values and traditions that differentiate an enterprise from another. Deshpandé, Farley, and Webster (1993) linked the organizational culture to the epitome of shared ethics and opinions that assist people to comprehend organizational working and therefore endow them with behavioral norms in the organization.

Denison (1990) illustrated organizational culture in the perspective of fundamental beliefs, values and principles that function as the source of management practices for an organization. On the other hand, Stacey (1996) and Morgan (1997) considered organizational culture as a correspondent of human personality, which is reflected through a set of beliefs, customs, practices and thinking patterns human beings carve up with each other while working together.

Alternatively, Tung and Thomas (2003) took a more operational stance and compared the culture of an organization to an embryonic set of common beliefs, thoughts and coherent procedures which offer cognitive maps for groups of people to recognize, think, retort and intermingle in different situations. These cognitive maps refer to the organizational way of life that holds its members together and influences how they are likely to behave (both socially and professionally) in the organization (Wagner & Hansen, 2005). On a similar procession, Daft (2009) proclaimed that organizational culture is the sequential progression of widespread basic

values, customs, beliefs and understandings shared by workers as the thinking mode and passed on to new employees.

Even with all these explanations, the identification and application of a harmonized paradigm to describe the cultural framework of an organization is still a concern for academic researchers and practitioners (Van & Meijen, 2008). Ogbonna and Harris (2000) assert that these explanations are basically manifestations of the creator's view about the cultural perspective and embedded in its own definition of organizational culture. For instance, where culture is defined by an author in terms of shared values, the conceptual model focuses on quantifying values; accordingly, where the definition of culture is based on objects, conceptualization leads to gauge organizational conception and sustainability. However, the fundamental concern with the adequateness of stated conceptualizations is related to the hypothesis that either the notion of organizational culture is a tangible pretense or a metaphor.

Arguably, this unspecified use of the concept might lead to ignite vague interpretations. As interpreted by Morgan (1997), the character of organizational culture is often too deep; it goes beyond the level of symbols, slogans, rituals or routines and it becomes very tough to visibly recognize precisely the way reality is being formed in a particular environment or at workplaces. Moreover, organizations are generally divided into separate functional divisions or departments, with each of them having its own set of values, procedures and operational mechanisms (Wiener, Gattringer, & Strehl, 2018). In some organizations these divisions work as homogenous entities; while in others as heterogeneous entities depending on the nature and scope of work.

Hence, it needs to be clarified that either the analysis of organizational culture depends on a corresponding set of variables as an umbrella for the whole organization or on incongruous variables creating multiple cultures within the organization (Gray & Balmer, 1998).

Another concern heaved by the critics is the need to make a clear distinction between what could be termed "*the formal culture*" and "*the informal culture*" (Choueke & Armstrong, 2000, p. 229). The formal culture is normally being recognized and advocated by the superior management; alternatively, the informal culture is an outcome of social and official dealings both within work groups and departments. Schein (1996) articulates that the absence of this peculiarity creates problems that can be

judged in communication among different functional groups within an organization.

Regardless of the strapping criticism concerned with the invasive disparity in the characterization of organizational culture and the lack of an integrated theoretical framework, the connotation of organizational culture as a tool to enhance a firm's performance has been accentuated by both management researchers and practitioners, for instance, Deal and Kennedy (1983); Denison (1990; 1996); Kotter and Heskett (1992); Cameron and Quinn (2005); Craig, Dibrell, and Garrett, (2014). They argue that the performance of an organization is heavily reliant on the extent to which cultural values are extensively shared and accepted among the members of an organization.

But in view of Barney (1986), organizational performance is a broad term that has multiple senses and so implores a conceptual clarity about the way performance is being adjudged in the pretext of cultural values.

In fact, researchers have distinct concepts of performance. Such as, according to Javier (as cited by Abu-Jarad, Yusof, & Nikbin, 2010), organizational performance is tantamount to economy, efficiency and effectiveness (acclaimed as 3Es) of a specific plan or activity. While, Denison (1990) instituted performance as "*a function of values and beliefs assumed by the members of the organization*". Alternatively, Daft (2009) associated performance with the ability of an organization to accomplish its goals by effective and efficient utilization of accessible resources.

Pursuant to that the performance of an organization could principally be determined by means of two main research streams, (i) accentuating the significance of external market facets, that is, business profitability, and; (ii) based on the behavioral and anthropological paradigms, emphasizing the importance of internal elements and their 'fit' with the atmosphere as determinant of success. The former links performance with financial indicators whereas the later relates performance to non-financial indicators. Abu-Jarad et al. (2010) further clarified that the behavioral model of performance embarks on organizational facets involving organizational policies, leadership styles, human resources development, working environment etc. As already asserted, these factors are principally embedded in the culture of an organization. Therefore, the

impact of organizational culture on performance seems to be an imperative concept in literature.

Hofstede and Hofstede (2005) narrated that strong values of organizational culture play the decisive role for its success in the market and have a tremendous influence on the overall performance of the organization. Furthermore, Robbins et al. (1994) put forward that employee's confidence and motivation is directly linked with the firm's ability to inspire and retain employees that ultimately contribute in better utilization of human capital. Following a rather broader perspective, Baker (2002) deduced four propositions (consistency, mission, participation and flexibility) of strong culture which lead to performance and productivity enhancement in an organization.

Although the concept of organizational culture and its relationship with performance is very well researched in academic literature; however, the universality of this relationship has been widely questioned (Honig, 2004; Stoica, Liao, and Welsch, 2003) primarily because the majority of prior works are limited to analyzing the association between corporate culture and performance. The empirical results of these studies are more inclined towards corporate or large enterprises and thus lack generalizability, particularly in the context of SMEs. In this regard, one segment of researchers accept that there is a primitive conjecture in literature that the characterization of culture of large organizations or corporations is comparable and applicable to a similar extent in SMEs as well (Choueke & Armstrong, 2000).

Contrary to it, several other researchers hold a disagreeing stance that it is improper to consider SMEs as a microcosm of corporate or large organizations (Poole, 2009). The distinctive features of SMEs, such as, organizational size, low functional delineation and the dominant role of owner, high uncertainty, flexibility and resource scarcity remain embryonic in comparison to large and corporate organizations. Curran (2000) signifies that corporate organizations are more focused towards quality management practices as compared to SMEs and so their management policies might not be transposed adequately into the environment of SMEs. Similarly, the conclusions drawn by involving corporate culture cannot be useful to SMEs because of elemental disparity among large and small firms (Poole, 2009; Andreas, Vishal, & Malte, 2015).

3. Theoretical Framework

3.1 Dimensions of Culture

This study adopts the “Competing Value Framework (CVF)” derived from the primeval work of Cameron and Quinn (2005; 2006) and is recognized as one of the most reliable theoretical models for the assessment of organizational culture. It guides the organization to locate its center of success and effectiveness with in its internal value system (Laitinen, 2002).

This framework identifies that either an organization has a dominant internal focus or an external focus and either it struggles for flexibility and individuality or stability and control (Stoica et al., 2003). CVF model classifies four distinct types of organizational cultures namely clan, adhocracy, market, and hierarchy (Cameron & Quinn, 2005).

Table 1

Types of organizational cultures

<p>Clan Culture An organization that ponders on internal persistence amid flexibility through cohesiveness, team spirit and concern for people.</p>	<p>Adhocracy Culture Symbolizes the vibrant and entrepreneurial face of the organization. Focuses on external positioning with a high degree of flexibility and individuality.</p>
<p>Hierarchy Culture Focuses on internal maintenance with a need for stability and control. It stresses order and regulation through bureaucratic management structures.</p>	<p>Market Culture An outcome oriented organization which weighs on external perpetuation. Employee’s competitiveness, success orientation and organizational repute are essential characteristics.</p>

3.2 Parameters of Organizational Performance

The theoretical model used to measure organizational performance in this study is developed by coalescing six (06) self-assessment variables including profitability, number of employees, customer satisfaction, market share, business growth rate and new product development. These scaffolds have been derived from Integrated Performance Management System

(IPMS) and evaluate the performance of an organization in comparison with its rivals and competitors in that particular industry.

Table 2

Self-assessment Variables to Measure Organizational Performance

Profitability	Perception of employees that their organization is more profitable than competitors. Key determinants could be timely salaries, disbursement of regular bonus or increments with a higher ratio and improvements in office decors etc.
Number of Employees	Increasing or decreasing number of employees is an established measure to gauge the performance of an organization, especially SMEs. World over, SMEs are generally defined by the number of employees in many countries.
Customer Satisfaction	The customer complaint ratio and the general perception of customers and suppliers are easy sources of identification the level of customer satisfaction as either increasing or decreasing in an organization.
New Product Development	Small organizations are generally recognized as individual entrepreneurial ventures. The success of these enterprises is mainly dependent on innovations and new product or service offerings in the market on a regular basis.
Market Share	The market share / standings of an organization is an easily recognizable indicator for SMEs to measure their performance as compared to their competitors.
Business Growth Rate	The continuous increase, decrease or stability of market demand or production orders is an indication of the business growth rate of an organization.

3.3 Connotation of CVF and Performance Parameters

According to Racelis (2010), CVF model is primarily established on the perspective of organizational cognition and is akin to cognitive behavioral research paradigm. It aspires for dominant characteristics, leadership style, binding force, management of employees, strategic emphasis and criteria for success of an organization as subsystems of the stated types of organizational culture.

Dominant Characteristics It is concerned with what the overall organization looks like. The image of organization enhances customer satisfaction and employee loyalty that will eventually enhance market share, profitability and business growth.

Leadership Style Views leaders' role as mentors, facilitators, entrepreneurs, forceful and result oriented. The success of an organization is largely dependent on the leader's aspiration.

Organizational Binding Force Loyalty and tradition, commitment to innovation, goal orientation and formal rules. Well-defined procedures, policies and goals help organizations to achieve profitability, innovation, customer satisfaction and employee commitments.

Strategic Emphases Concerned with the definition of the areas of emphasis that drive an organization's strategy for acquiring superior performance.

Criteria of Success Growth of human resources, concern for people, and teamwork. Innovation, efforts to outperform market competition, efficient scheduling and cost optimization.

Management of Employee Employees are given freedom and confidence to take risk and exclusivity. Demand for competitiveness, stability and achievement.

An appropriate application of these cultural aspirations in an organization plays a pivotal role in achieving superior organization performance on aforementioned parameters. For instance, competing values of market culture helps an enterprise to closely associate with customers and market challenges vis-a-vis strategic alignment of long term organizational goals. The adhocracy culture encourages the entrepreneurial aspirations, freedom of employees and innovation that helps an organization to trust its employees and invest in the development of new product and services as per the changing needs of customers. Whereas the greatest strength of hierarchy culture oriented organization lies in internal stability

and control; success is implied to visibly defined market share and business rate.

Similarly, clan culture enforces teamwork, employees' trust and high conviction; thus influences the organization to retain employees and focus on customer satisfaction for enhancing profitability as well as business growth. Hence, it is implied that organizational performance is dependent on elements of the cultural subsystem.

However, the relationship of dependent (organizational performance) and independent (organizational culture) variables is deeply prejudiced by certain vital moderating variables. But focus on these moderating variables is beyond the scope of this study as we are trying to explore the relationship of cultural constructs with organizational performance. The scope of this research is primarily limited to depict the cultural facets and their impact on organizational performance in SMEs.

3.4 Development of Hypothesis

Types of organizational culture construed in the above section are assertive ones instead of reciprocally unique ones. But these four types of organizational cultures are decipherable in both large and small enterprises in a similar way. From the works of Cameron and Quinn (2005), it has been established that the majority of organizations, irrespective of their size, can and do have rudiments of diverse culture types. However, after a while, one form of culture appears to be the leading one. This dominant type of culture is quite easily identifiable by employees even in SMEs.

The impact of organizational culture as a contrivance to boost business performance has been accentuated by numerous research works, encompassing both small and large units across the world, as conferred in previous sections. To enquire about the positive relationship between culture and performance in the context of SMEs, it is hypothesized that

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

The relationship of independent performance parameters with organizational culture is investigated to draw comprehensive conclusions. In this regard, the following hypotheses are derived.

H₀ A.1: There is no significant relationship between organizational culture and enterprises' profitability.

H₀ A.2: There is no significant relationship between organizational culture and the number of employees in an organization.

H₀A.3: There is no significant relationship between organizational culture and customer satisfaction.

H₀A.4: There is no significant relationship between organizational culture and market share.

H₀A.5: There is no significant relationship between organizational culture and business growth rate.

H₀A.6: There is no significant relationship between organizational culture and new product development.

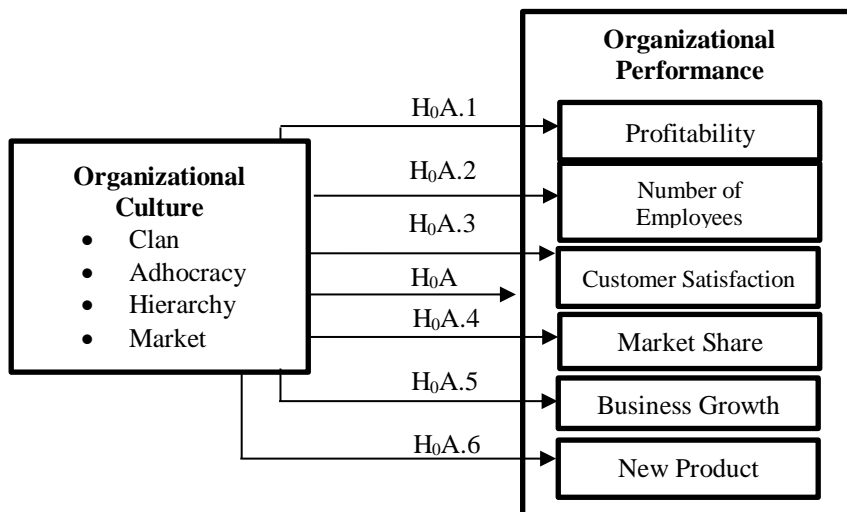


Figure 1. Schematic Diagram of Organizational Culture and Performance

4. Research Methodology

The proposed study adopts a positivist research paradigm which allows the researcher to generate knowledge in objective settings through logical reasoning and scientific investigation of information. Corresponding to this research framework, a survey approach based on quantitative data with a cross-sectional design was used to investigate the perception of respondents about their organizational culture and its influence on performance. Thus, this study falls in descriptive research category.

4.1 Research Population

The population of the study comprises the executive level employees currently working in SMEs in Pakistan. National SME Policy (SMEDA, 2007) defines SMEs as a business with a workforce of up to 250, paid up

capital PKR 25 million and an annual turnover of PKR 250 million. The proposed study tags along the same definition and considers all full-time executive level employees currently employed at SMEs in Pakistan as the population for this research. The sample was drawn through non-probability convenience sampling methodology.

4.2 Data Collection

A total number of 350 survey questionnaires were distributed among the sampled population but only 203 participants actually responded. Out of these 203 received responses, 185 questionnaires were correctly completed while the remaining 18 questionnaires were either incorrect or incomplete and hence were rejected for further proceedings. So, the overall response rate was 58% with the usable response rate of 53%. The response rate of 53% (that is N=185) is sufficient enough to draw meaningful statistical results and acceptable interpretations (Bryman & Bell, 2007) and is therefore deemed adequate for this study.

The researcher works in Small and Medium Enterprises Development Authority (SMEDA); a premier institute of Government of Pakistan working for the development of SME sector in Pakistan. From the platform of SMEDA, the researcher has been able to develop close ties with numerous individual SMEs as well as with representatives of various SME Trade Bodies. These relations helped the researcher in collecting data through personally administered survey questionnaire. Additionally, SMEDA has its Regional Business Centers (RBCs) in major industrial cities of Pakistan located in the offices of Chamber of Commerce and Industries (CCIs). The presence of RBCs in the hub of SMEs facilitated the researcher to collect data from respondents based on actual facts. With the intention of approaching the maximum number of respondents in a limited period of time; the self-administered questionnaire was routed via personal visits, courier, physical presence at RBCs and emails. The data was collected in a time span of 3 – 4 months beginning from October 2017.

4.3 Measuring Instrument

The instrument for measuring organizational culture and performance in this study was a structured survey questionnaire comprising three parts, that is, 'Organizational Culture', 'Performance' and 'Demographics'.

Organizational Culture Assessment Instrument (OCAI) derived from CVF and developed by Cameron and Quinn (2005) was employed as the

measuring instrument for organizational culture of sampled SMEs. However, minor adjustments were made in it by the researcher to simplify the language of questions in order to improve the understanding of local respondents.

OCAI comprises twenty-four statements arranged in six sections that seek responses regarding six dimensions (Dominant Characteristics of Organization, Leadership, Management, Organization Glue, Strategic Emphases and Criteria for Success). Each one of the six dimensions comprises four questions (every question is basically a representation of a particular type of organizational culture) in which appellants have to articulate their views about the existing organizational culture. Responses were collected by using the constant sum scale; thereof, the respondents were advised to spend 100 points among four alternatives to confer subjective response to each of the above mentioned six dimensions. Their scores for each dimension were summed up and averages were calculated for varying alternatives indicative of the particular type of culture of their organization (that is, an SME).

Organizational performance of SMEs was computed by mingling six self-assessment variables of profitability, organization size, customer satisfaction, market share, business growth rate and new product development. The measuring variables were mainly derived from IPMS developed by Aulakh and Kotabe (1997) and later modified by Laitinen (2002). The respondents were asked to rate the performance of their organization against these variables on a three-point scale (increasing, stable or decreasing) as compared with those of their major opponents in that particular industry. Based on respondents' ratings, firms were segregated as more competitive, equally competitive and less competitive.

5. Results and Discussion

According to the demographics, the majority of respondents have an experience of more than 6 years. Similarly, around 70% respondents of this study belong to the middle to top management cadres of SMEs. Hence, their responses about the prevailing culture of their organization and its relative association with organizational performance are proved to be more accurate.

5.1 Prevailing Culture of SMEs in Pakistan

Through the analysis of the prevailing organizational culture along the aforementioned cultural dimensions of CVF, it is manifested that Pakistani SMEs are more internally oriented with their focus on stability and control, while they lack external positing with low levels of flexibility and individuality (Fig. 2).

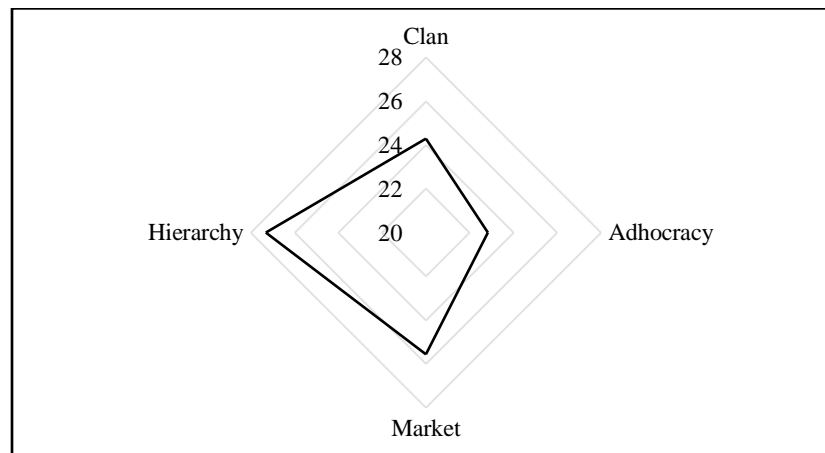


Figure 2. Prevailing Organizational Culture in Sample SMEs

As per findings, the majority of SMEs in Pakistan have a hierarchy culture followed by market, clan and adhocracy cultures, respectively. Organizations attuned to hierarchy culture are generally exemplified by a very formal and structured administrative system in place; and where leaders practice bureaucratic management. The greatest strength of hierarchy culture oriented organizations lies in internal stability and control. Contrarily, the major drawback of this type of culture is slow decision making process because of the fulfilment of cordial formalities and procedural requirements.

These findings also portray that the success of a large proportion of SMEs in Pakistan is largely dependent on visibly defined goals and the imposition of strong control systems to achieve them. The results about the prevailing culture type of sampled SMEs in Pakistan are in line with the results of the studies by Ali and Manqoosh (2011); Muhammad (2008); Nadeem, Munawar, and Sallam (2016) conducted in Pakistan on the same topic. The findings are also quite interesting in comparison with the Hofstede et al. (1991) assessment of Pakistani culture presented in

“Hofstede culture dimensions study of different nations”. According to it, Uncertainty Avoidance Index (UAI) and Power Distance Index (PDI) heavily influence Pakistan’s national culture. It states that

“The combination of high scores in UAI and PDI create societies that are highly rule-oriented with laws, rules, regulations, and controls in order to reduce the amount of uncertainty” (as cited by Ali & Rehman, 2011, p. 282).

Since the attributes of hierarchy culture bear a close resemblance to the national cultural profile of Pakistan illustrated by Hofstede, it supports the notion that organizational culture is predominantly a manifestation of the values of national culture. On the other hand, these results are quite different from the findings of studies based on SMEs in Japan, Romania and Australia conducted by Deshpandé et al. (1993), Stoica, Florea, and Lukacs (2011) and Gray, Densten, and Sarros (2003), respectively; where the dominant culture type in SMEs happens to be the market culture. It again reinforces our stance that organizational culture is influenced heavily by the values of national culture.

5.2 Association of Organizational Culture and Performance

The overall performance of the representative SMEs revealed that 30.3% are more competitive, 61.6% are equally competitive and 8.1% are less competitive. Pearson Chi-square test was performed to determine the relationship between the types of organizational culture and the overall performance of SMEs as well as the related individual performance parameters provided in Table 3.

The findings of the test reveal that there is a statistically significant relationship between organizational culture and performance (Chi-Square Value = 23.66, df = 8, p = 0.003). A significantly higher proportion of employees working in sampled SMEs in Pakistan perceive that organizational culture influences the performance of their organization. These results are quite similar to the findings of several other researchers including Hofstede, Neuijen, Ohayv, and Sanders (1990); Kotter and Heskett (1992); Ogbonna and Harris (2000); Michael Stoica et al. (2011); Ojo (2010) etc. who also regard organizational culture as the leading aspect in influencing organizational performance.

The profiling of results also reveal that the majority of more competitive responses (52%) belong to hierarchy culture, followed by

market culture with 29% responses, adhocracy culture with 13% responses and clan culture with only 4% responses. Likewise, the majority of equally competitive responses also belong to hierarchy culture (33%), followed by clan culture (24%), market culture (20%) and adhocracy culture (17%), respectively. Thus, it is identified that SMEs' performance is ranked highest with hierarchy oriented culture followed by market, clan and adhocracy cultures, respectively.

Table 3
Organizational Culture and Organizational Performance

Description	Value	df	Asymp. Sig. (2-sided)	Decision
Organizational Culture and Performance				
Pearson Chi-Square	23.658(a)	8	.003	<i>H₀A</i> Rejected, significant relationship between org culture and performance
Likelihood Ratio	25.338	8	.001	
Linear-by-Linear Association	.954	1	.329	
Culture and Profitability				
Pearson Chi-Square	13.689 (a)	8	.090	<i>H₀A.1</i> Not rejected, relationship not significant
Likelihood Ratio	13.859	8	.086	
Linear-by-Linear Association	.000	1	.991	
Culture and Number of Employee				
Pearson Chi-Square	15.898(a)	8	.044	<i>H₀A.2</i> Rejected, statistically significant relationship
Likelihood Ratio	17.527	8	.025	
Linear-by-Linear Association	.109	1	.742	

Culture and Customer Satisfaction				
Pearson Chi-Square	8.474(a)	8	.389	<i>H₀A.3</i> Not rejected, no significant relationship exist
Likelihood Ratio	8.197	8	.414	
Linear-by-Linear Association	.129	1	.719	
Culture and Market Share				
Pearson Chi-Square	22.299(a)	8	.004	<i>H₀A.4</i> Rejected, statistically significant relationship exist
Likelihood Ratio	24.856	8	.002	
Linear-by-Linear Association	7.419	1	.006	
Culture and Business Growth Rate				
Pearson Chi-Square	14.105(a)	8	.079	<i>H₀A.5</i> Not rejected, significant relationship did not exist
Likelihood Ratio	14.212	8	.076	
Linear-by-Linear Association	.553	1	.457	
Culture and New Product Development				
Pearson Chi-Square	15.513(a)	8	.045	<i>H₀A.6</i> Rejected, statistically significant relationship exist
Likelihood Ratio	15.255	8	.054	
Linear-by-Linear Association	.024	1	.876	
N of Valid Cases	185			

These results contradict the findings of Deshpande for Japanese firms and studies conducted by Gray et al. (2003) and Michael Stoica et al. (2011)

involving SMEs. On the contrary, the research conducted by Boonpattarakan (2012); Eker and Eker (2009) and Qing and Jin (n.d.) involving Thai, Turkish and Macao SMEs, respectively fully supports and reinforces the outcome of this study that due to the strong influence of national culture, local organizations also tend to follow the same value patterns.

Similarly, the analysis of the relationship of organizational culture with individual parameters of performance also supports the above phenomenon. The performance scales of market share, number of employees and new product development are significantly associated with culture. On the contrary, the scales of profitability, customer satisfaction and business growth rate are not significantly linked with it. Usually, increasing market share, number of employees and introducing new products heavily relies on a firm's internal policies and control mechanisms which are the linchpin of hierarchy culture. On the contrary, profitability, customer satisfaction and business growth rate is linked with the firm's flexibility to cope with the external business environment, just like the core competencies of market culture (Abu-Jarad, et al., 2010; Laitinen, 2002; Laitinene & Chong, 2006). Since the majority of the respondents have hierarchy culture as the dominant culture, so these results truly manifest the influence of culture on organizational performance.

On the basis of these findings, it can also be inferred that the majority of SMEs put less emphasis on new product development and customer satisfaction, since both of these variables have a very high rate on equal to low competitive scales. It indicates that the majority of SMEs have low aspirations toward innovation and gaining customer insights. This phenomenon fully supports the primacy of hierarchy culture, where organizational performance is mainly attributed to structured plans and defined goals through stability and control. These findings perfectly correspond with the outcome of prevailing culture of SMEs in Pakistan, where adhocracy culture is at lowest level. Principally, adhocracy culture oriented organizations are more entrepreneurial, innovative and externally positioned. Therefore, SMEs in Pakistan do lack innovation and customer perspective. They are traditionally inward oriented that defies them to become more competition or differentiation oriented.

On the basis of the empirical findings of this study, it can be inferred that hierarchy oriented SMEs in Pakistan are more competitive as compared

to market, adhocracy or clan oriented SMEs. Yet, it would be impractical to generalize this phenomenon and to draw accepted conclusions without considering the national cultural values.

6. Conclusion, Limitations and Future Research

This paper was intended to empirically investigate the prevailing type of culture and its influence on performance in the sampled SMEs of Pakistan. Although, the prime focus of the study was on SMEs organizational culture rather than corporate or national culture, yet it did provide an opportunity to recognize these associations, as organizational culture is primarily embedded in the backdrop of national culture.

The results show that the prevailing type of culture in the sampled SMEs in Pakistan is the hierarchy culture. This judgment surmises that, according to the perception of the employees of sampled SMEs, their organizations strongly value the internal stability and control system through bureaucratic management. However, due to the exploratory nature of the study, the proposed implications for practice are inevitably speculative. First of all, it has been confirmed that organizational performance is a complicated and multidimensional affair; there is no “*quick fix*” or any “*short-cut*” for improving the performance. It has to be achieved through internal improvements and strategic shifts as per the requirements of both internal and external stakeholders.

It is not necessary that an organization simply having a particular type (clan, hierarchy, market or adhocracy) of dominant culture would be more profitable, customer focused, innovative or best performer. Similarly, low level of innovation, creativity or customer centeredness is also not associated with a particular culture, solely. However, organizational culture can be a basis of better performance and sustained competitive advantage (Apsalone & Flores, 2018) because it guides the way to effective decision making. It increases the organizations’ capability to make corrections and to adapt to changes. Therefore, organizations need to identify their cultural strengths and weaknesses that hamper their performance in the market. They would vary from case to case, for instance, firms with low level of innovation or new product development have to follow the values of adhocracy culture; whereas firms with low control systems need to adopt hierarchy culture and firms with low customer focus have to move towards market culture and so forth. This discussion leads to confirm the conclusion drawn by Michael Stoica et al. (2011, p. 201), that “*these culture types are*

modal of dominant ones rather mutually exclusive". Hirota et al. (2007) posits that there is no clear evidence that whether highly successful SMEs or large corporations (of whatever national base) tend to have hierarchy or market, adhocracy or clan cultures; although it is extremely important for organizations (irrespective of their size and origin) to recognize and understand their prevailing culture type.

The paper presents valuable facts about the correlation of organizational culture and performance within the sampled SMEs in Pakistan; thus, the outcomes of this research may not be generalized by the broader research community. Moreover, the unit of measurement of this study encompassed the executive level employees working in a SME. So, the respondent completing the survey was principally describing his / her enterprise. Perhaps, he might be the only participant from his / her enterprise and a single rejoinder could not provide a precise view of an enterprise's culture and performance. Conversely, due to anonymity of the survey questionnaire, multiple respondents belonging to same enterprise were not identified as colleagues and so the survey is incapable to distinguish the varying perception of individuals regarding the same organization.

There are undoubtedly great prospects for further research involving SMEs, most notably comparative analysis of SMEs' culture with national culture and the analysis of cross-sectoral cultural profiles of SMEs and their performance in domestic and export markets. Also, organizational culture is commonly perceived as a strength or source of competitive advantage, but there is a strong possibility that it could be the potential hurdle in the successes of an organization. And so the question arises that whether organizational culture impedes the growth of an enterprise?

At the end, it is concluded that organizational culture is an effective instrument which executives can manipulate to improve performance in an organization, either an SME or a large corporation. In today's highly competitive and globalized business markets, leaders are those firms which invest in innovation, always value customer preferences and promote employees' commitment. Thus, SMEs in Pakistan need to do the same to achieve superior performance, both in domestic and international markets.

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