

Influence of Ethnic and Religious Values on Corporate Culture of Small and Medium Enterprises (SME) in Sri Lanka

W. P. G. De Alwis

Department of Management and Organization Studies, Faculty of Management and Finance

Many management writers argue that the problems faced by SMEs are due to no corporate culture for SMEs. Although Most of the large organizations manage their business activities in a systematic way; in contrast small and medium scale organizations by nature are very informal and managed on a trial and error method. Large organizations develop a management system to achieve their plans and the system in general is called corporate culture. SMEs too have their own way of doing/managing organizations. By nature of SME's owner and manger may be same person. Hence the owner manages the business the way he wants. The management system is mainly an outcome of his personal value system. Can anyone consider it as corporate culture? Is it his personal culture? There is a question of existence of a corporate/organization culture within small and medium scale businesses. This is the main focus of this research.

Culture and entrepreneur culture

A person's behavior is culture bounded. As an individual belong to particular community or society his behavior is governed by the culture of that community or society. In other words culture is mindset of group of people (Hofstede (1984). An enterprise culture is the set of values, attitudes and beliefs supporting the exercise in the community of independent entrepreneurial behavior in a business context (Gibb 1987). It is clear that culture of an organization is a combination of societal and enterprise culture. The next issue is whether the SMEs have organizational culture or individual culture. Further as the SMEs are owned and managed by one person or a family it is clear that culture of SME is influenced by their individual behavior and it more or less close to the culture of the community which he belongs.

Corporate culture

Corporate culture has been defined as *“as an interdependent set of beliefs, values, way of behaving, and tools for living that are so common in a community that they tend to perpetuate themselves: sometimes over long periods of time. This continuity is the product of a variety of social forces that are frequently subtle, bordering on invisible, through which people learn a group's norms and values, are rewarded when they accept them, and are ostracized when they do not”* (Kotter and Heskett. 1991) .

This definition indicates that corporate culture is the group culture or community culture. Meanwhile the definition for organizational culture too seems to be same. “An organization's culture describes the part of its internal environment that incorporates a set of assumptions, beliefs, and values that organizational members share and use to guide their functioning” (Shein1990). One can raise a question as to whether there is a difference between organizational culture and corporate culture? It is clear that these two terms have been used interchangeably to give the same meaning. Moreover, what was apparent from the literature review was a clear gap, the lack of reference as to the effects of organizational culture on the development of SMEs.

The Aim of the Research

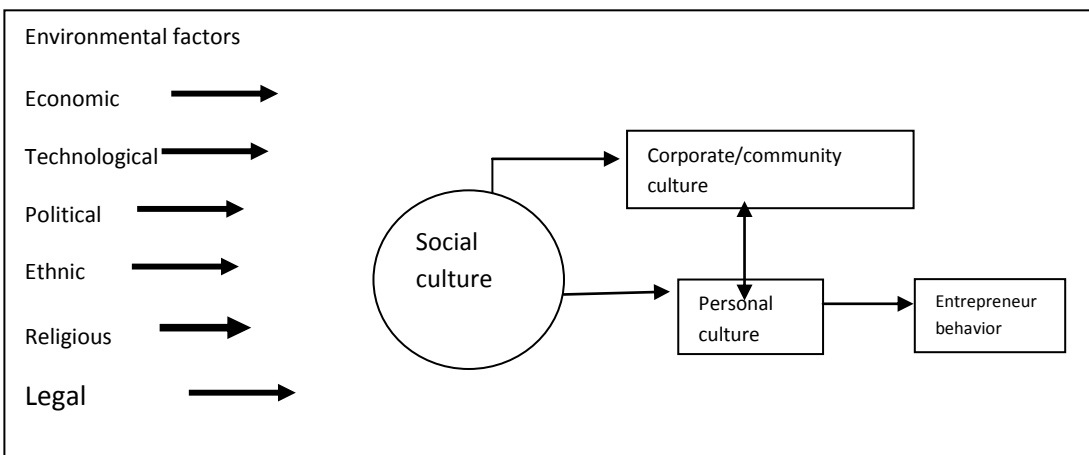
The aim of this research study is to examine how SMEs do their businesses and to understand whether they have a common (as a business group) behavior pattern and to what extent that common behavior pattern is influenced by their ethnic and religious values.

Justification for the Research

Although there is a great volume of research examining corporate culture, very little empirical research has been conducted to examine cultures of small and medium-sized organizations (Choueke and Armstrong, 2000). There is an underlying assumption in the literature that the aspects of culture that characterize large corporations apply to the same extent in small and medium-sized enterprises (SMEs). Some researchers argue that the findings concerning corporate culture may not be applicable to small organizations because of fundamental differences between large and small organizations (Dandridge, 1979; Julien, 1995; Welsh and White, 1981). This reveals that there is a theoretical and research gap in relation to the organizational culture of the SME sector.

Further except the research of (Gamini Alwis and R. Senadhiraja. 2003) there is no research related to organizational culture of SME's in Sri Lanka. One of the objectives of this paper is to fill the theoretical, research and empirical gap about organizational culture of SME's in Sri Lanka by identifying the existence of organization/corporate culture among SMEs.

Methodology



Source: Modified by the researcher, adapted in part from B.J Punnett and S. Withane, “Hofstede’s value survey module: to embrace or abandon?” in *Advances in International Comparative Management*, Vol 5 ed S.B. Prasad (Greenwich, CT: JAI press, 1990) pp 69—89

The researcher followed the grounded theory principle and basically the study is a qualitative research. The method of data collection will be in-depth interviews. For the purpose of in-depth interviews 10 entrepreneurs from different ethnic and religious groups (Buddhist, Christian, Hindu, Islamic, Sinhalese, Tamil and Muslims) will be selected on a stratified sampling method. For the analysis the researcher used the cause and effect concept.

Research Conclusions and Recommendations

The researcher was able to find many common values among SMEs to justify that they have a common behavior (corporate culture) based on common values. Further it was able to conclude

that in Sri Lanka SMEs corporate culture is more influenced by religious values rather than ethnic values.

Contribution to Theoretical Knowledge

The researcher challenged the Hofstede (1990) model of understanding the formation of organizational behavior. According to that model organizational culture influences personal culture but personal culture would not influence organizational culture. The researcher showed that there is an interaction between these two cultures and organizational behavior is an outcome of this interaction between these two cultures. This argument is congruent with ideas of previous researchers like Lucas-Bachert (2001) and Swindler (1986). Western researchers argue that a religion like Buddhism will not support business activities (Yarnall, 2000, Dana,1995). The research findings show that it is difficult to accept that argument fully.

Bibliography

- Dana,L.P.(1995),“Small business in a non-entrepreneurial society: the case of the Lao People’s Democratic Republic”, *Journal of Small Business Management*, Vol. 33 No.3,pp.95-102. *International Journal of Entrepreneurial Behavior & Research* Vol.14No.3,2008, pp.172-191, Emerald Group Publishing Limited
- Gamini Alwis , Senathiraja R (2003), *The Impact of Socio – Cultural Background of the Entrepreneur on Management and Business Practices of selected Small and Medium Scale Businesses in Sri Lanka*, 9th International conference on Sri Lanka Studies, 28th – 30th November 2003, Matara, Sri Lanka
- Geert Hofstede and Harris Bond (1984) “ Hofstede’s culture Dimesions: An Independent Validation Using Rokeach’s value Survey,” *Journal of cross-cultural Psychology*, December 1984.
- Gibb (1987) “Education for enterprise: training for small business initiation-some contrast”. – *journal of small business and entrepreneurship*. Vol 4 No3. Pp.42-7
- Hofstede et al., 1990 *Measuring Organizational Cultures: A Qualitative and Quantitative Study Across Twenty Cases*. *Administrative Science Quarterly*. 35: 286-316. -
- Hofstede, G. (1984). "The cultural relativity of the quality of life concept." *Academy of Management Review* Vol 9 No3, pp389-98.
- Lucas-Bachert U. (2001) *Der Wert der Werte / Wertewandel / Wertmessung*. In: Lucas-Bachert, U. (Ed.): *Mit Ethik zum Unternehmenserfolg? Vom Nutzen der Glaubwürdigkeit durch Wertemanagement*. Dokumentation einer öffentlichen Tagung von F.A.Z. und DNWE am 16. November 2000. Frankfurt am Main: F.A.Z.-Institute 2001. pp. 13-28
- Riochard Chaoueke and Rooger Armstrong (2000), *Culture: a missing perspective on Small- medium sized enterprise Development?*, *international Journal of Enrprenuiral Behavior & Research*, Vol. 6 No 4, 2000, MCB University
- Schein 1990; ‘Organizational Culture’, *American Psychologist*, February, 114.
- Swindler A. (1986) *Culture in Action: Symbols and Strategies*. In: *American Sociological Review* 1986, Vol. 51, pp. 273-286
- Yarnall, (2000), “Engaged Buddhism: new and improved!/? Made in the USA of Asian materials”, *Journal of Buddhist Ethics*, Vol.7,p.1.

