



When Culture Governs Business Practice....  
A Look at Indian Diamond Cutting and Polishing Industry

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# When Culture Governs Business Practice....A Look at Indian Diamond Cutting and Polishing Industry

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## Abstract

*In absence of the well-defined strategy, structure and processes in informal firms in emerging markets, it is the intangible aspect of organizing, specifically, the organizational culture that governs business practices. This paper investigates organizational culture of one such firm of the Indian diamond industry to contribute to this emerging area of scholarship. Today, global value chains are comprised of both formal and informal firms but we know little about the informal firm. Since managers of the formal firms need to interact, negotiate and deal with informal firms to transact global business, they also need to understand the organizational aspects of the informal firm. I make an attempt in this direction to inform scholars and practitioners about the organizational aspects of such firms by investigating organizational culture in the Indian Diamond Industry.*

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# When Culture Governs Business Practice....A Look at Indian Diamond Cutting and Polishing Industry

## 1. INTRODUCTION

Current literature on organizations has largely addressed formal firms. We know little about what works inside the informal firms and how they are organized. In this paper, I look at the Indian diamond industry, which comprises of thousands of informal firms engaged in cutting and polishing of diamonds, but constitutes the world's largest hub of manufacturing polished diamonds. In absence of well-defined strategy, structure and processes, it is the intangible aspect of organizing, specifically, the organizational culture that governs business practices and leads to sustained competitive advantage (Schein, 1996; Barney 1986; Kotter and Heskitt 1992; Brown, 1992) in an informal firm. This paper, thus, investigates empirically the organizational culture of a firm of the Indian diamond industry to contribute to scholarship in this emerging area and informs practitioners about its organizational aspects.

## 2. BACKGROUND OF THE STUDY

Surat, a city in the western state of India, Gujarat, is not just the hub of the Indian diamond industry. The city of Surat also manufactures 95% of all diamonds processed in the world. Rough diamonds are procured from different countries like Russia, Canada, South Africa, Botswana and Australia by the Indian entrepreneurs, having little formal education but excellent organizational and technical skills of this business, that of the cutting and polishing of diamonds (CPD). The small and medium sized CPD units (or firms) which are scattered across the state of Gujarat but mainly in Surat produce a lion's share of the finished and sparkling diamond to be exported to different parts of the world. My personal investigation has found that many of these smaller firms are run from inside private homes, some of which did not even have a registered postal address. Nonetheless, tens of thousands of such firms (nobody seems to know the exact count of such firms) are well integrated in the overall supply chains of the Indian diamond manufacturing industry (Rao, 2009; 2010; 2011; 2012; 2014).

The Indian CPD industry is also well connected to the global supply chain of diamonds. It is worth mentioning here that for about 100 years, until the year 2000, the global diamond trade and prices were controlled by de Beers, which provided the supply of rough diamonds only to sight-holders approved by them. My personal discussion with a leading diamontairre in India suggests that de Beers had for long exerted its monopoly in deciding terms for the CPD firms that were listed as their sight-holders (being a de Beers' sight-holder was a priviledge in those days because it gave access to the rough diamonds from the leading company). By the end of

the last century, Indian CPD firms had gained both technical and financial strength to be able to negotiate their own terms with de Beers. In the past two decades, other companies like Rio-Tinto (British-Australian), Alrosa (Russian), Dominion Diamond Company (Canada), Debswana Diamond Company (Botswana) de-linked from this centralized trading of diamonds and started selling the rough from their mines directly to manufacturers and needless to say the monopoly ceased to exist.

An interesting phenomenon followed then. The hub of diamond manufacturers (CPD firms) which was originally centred in Antwerp in Belgium, slowly but steadily shifted to Surat in India. Naturally, the research question here is how did the Indian CPD firms achieve this magnificent global success? 11 out of every 12 diamonds set in jewellery worldwide were now polished in Surat in India. This recent phenomenon has found little attention in the Organizational and Global Business literature. Further, the Indian CPD firms are said to reside in the un-organized or informal sector. I define the informal firms as those which do not have well-defined strategy, structure and practices unlike the formal firms. The CPD firms are truly informal in this sense.

It is estimated that about two million artisans and workers are employed in the Indian diamond industry and more than 90% have not had formal school education. Many of the diamond barons who own the largest CPD firms in India are school drop-outs. Despite attempts by large companies to corporatize their businesses, these firms are still considered to be in the unorganized sector (Gaitonde, 2014) as the culture that sets in an organization during the time of founding continues over a period of time (Stinchcombe, 1965). The large numbers of firms that constitute the thriving diamond business in India, surely have a way of organizing themselves.

Perhaps, this way is quite different from the more “formal” ways of organizing traditional firms. Perhaps that is why they have not formally registered on the awareness of traditional management scholars. Given that financial and technical skills were available elsewhere in the world too, the Indian CPD firms perhaps had something unique about organizing themselves. This perceived gap in knowledge about organization of these “informal firms (IFs)” ignited my desire to better understand them.

From my own personal experience with these Indian CPD firms, and comparing them with the scholarly literature on traditional formal firms, I realized that compared to the formal structures, processes, and governance structures of formal firms, these firms were really “informal” and could truly be called IFs (Informal Firms) that are governed by their organizational culture.

At the same time, I also found that recently there is an increased attention towards the informal economy and its significance to the global business and trade<sup>1</sup> and an absolute dearth of study on organizational aspects of the informal firms. I considered this as an

opportunity to study and report on these unorganized (in the traditional sense), but nonetheless a significant proportion of the business firms, in emerging countries.

There is recent call for indigenous research in this new stream of research about informal firms. “.....there is a need for an indigenous examination of the firms and managers in institutional settings where informal firms dominate.... Too often scholars from mature economies, who commonly have little to no grounding in the institutional setting they are examining, will find significance in their statistical analysis but may be revealing results with little materiality or face validity. Thus, there is a need for scholars with an intimate knowledge of the context to help define the questions to ask and also ensure that the evidence found provides material and important insights into the actual setting at hand.” (Bruton et al, 2012).....

Rightly then, after having lived in the state of Gujarat and in Surat for two decades, I have identified the informal firms engaged in cutting and polishing of diamonds of the Indian diamond industry, in an institutional setting where informal firms dominate, and empirically investigated their organizational culture using mixed-methods. I addressed the preliminary research question :

***“Without formally defined processes and structure, how do Informal Firms in the Indian diamond industry organize themselves?”***

A large number of my friends and neighbours were connected to the diamond business flourishing in this city. Hearing their discussions and stories about the diamond business, I was intrigued and made several informal visits to the firms engaged in cutting and polishing of diamonds. I found that there was very little connect in the way these firms were managed and organized, and what I studied in the journals and books on management literature and courses in Management Schools. The owners and employees of these firms had little formal education and barely had business school training. But they seemed to know well their business, and ways of organizing them.

1. the *Academy of Management*, world’s largest association of management scholars adopted the theme “The Informal Economy” for its 2012 Annual Meeting in Boston.

Gujarat predominantly has an entrepreneurial culture consisting of start-ups that have grown to become large within the time-space of a generation (Adiga, 2004; Banerjee, 2014). Many of these firms are engaged in exports and international business. These firms are run by local entrepreneurs, and have contributed to the economic prosperity of the state as a whole. I investigated the Indian diamond industry through field visits and interviews, an in-depth case study (Rao & Bhatnagar, 2009).

I was able to visit many small, medium and large, largely informal, firms, and had discussions with different stakeholders in these firms. While there were no specific answers to my question, one word, “culture,” (...as in, “it is in our culture”; “business is in our culture”) kept recurring in my conversations with various stakeholders. In the minds of these stakeholders, it was their “culture” that made them special, different from other formal organizations, and was the main reason that they were structured and managed to operate “informally” as they did.

I decided to investigate this “culture”. These firms, unlike formal firms, both for their internal structure, processes, and governance, and for their business with others in the Gujarat CPD industry, seemed to work mainly on trust and relationships. They seemed to be organized as family-clans within local industry-clans. Like their formal counterparts, their organizational culture encompassed several aspects of organizing like, leadership, employee management, and organizational glue. But these aspects were quite organized differently than those in formal organizations. There was clearly a need to understand various aspects of organizing in the informal firms. This investigation required a qualitative approach not just statistical analysis of existing concepts in literature. After a year of searching and reviewing literature, I inferred that in the absence of formal organizational business practices such as stated mission and vision statements, defined organizational structures, explicit strategies, and defined processes; it was the “organizational culture” that governed and guided business practices in these firms in the Indian diamond industry. To understand these firms, it was important to understand their culture.

### **3. LITERATURE REVIEW**

#### **3.1 Relevance of Organizational Culture to Informal Firms**

Since I found little evidence of written, formal rules and guidelines in the informal firms of Indian CPDs, I believe there is something intangible and unique about the organizational skills possessed by these entrepreneurs. They had never learned business skills in schools.

Culture has been found to provide that intangible force to influence organizational life and practices. If it is valuable, rare and only imperfectly imitable, organizational culture can be a source of sustained competitive advantage (Barney 1986). The three levels of manifestation of an organization’s culture, i.e. its basic assumptions, its values and beliefs, and its visible artifacts (Schein, 1984) are extremely powerful determinants of organizational life. They are intuitively incorporated into the actions of skilled executives who use them to manage people, formulate strategy, and induce organizational change (Brown, 1992). Kotter and Heskitt (1992) report that firms with cultures suited to their market environment perform better.

Within an industry, firms share industry-driven cultural elements. These elements are influenced by industry characteristics and are based on assumptions about the firm’s competitive environment, customer requirements and societal expectations (Gordon, 1991). Thus, although organizational culture is unique to a firm or its subunits, industries exert influences that cause the organization’s cultures to develop within defined parameters.

After ‘strong’ and ‘excellent’ cultures were “discovered” in the popular press to have significant positive associations with success of American and Japanese firms (Deal & Kennedy, 1982; Peters and Waterman, 1982; Ouchi, 1981), there has been a proliferation of interest in studies of organizational culture. Given that informal firms and the Indian diamond industry are both currently a greenfield investigation, I choose to focus here on the intangible aspects of organizing, specifically the organizational culture.

Culture has been defined as the system of publicly and collectively accepted meanings operating for a given group at a given time. It is an important practical consideration in an extended stream of time, events, people, and processes (Pettigrew, 1979). However, a firm’s culture cannot be captured without knowledge of its context (Reynolds, 1986). Within an industry, firms share industry driven cultural elements that are influenced by characteristics of its industry and are based on assumptions about the competitive environment, customer requirements and societal expectations Gordon (1991). Although traditional academic research pertains to studies of culture conducted in formal organizations, these studies can equally be applicable to informal sector firms.

Although informal economic arrangements have been mentioned in mainstream areas of management research such as relational governance ( J. H. Dyer & Singh, 1998; Chakroborthy, 1997) and considered as key innovations in the business-models in entrepreneurial cultures (Saxenian, 2000), we did not find a specific study of organizational culture conducted in the informal firms. Literature suggests that the culture of an organization can also be a source of sustained competitive advantage (Barney 1986). Therefore, for this study, we decided to investigate the culture of the informal firms of the Indian diamond industry.

This conjecture was also supported by the extant management literature on formal organizations. Organizational Culture has been referred to as a “powerful determinant of organizational life” (Brown, 1992; Smircich, 83). Some scholars go as far as to even suggest that an organization is nothing but its culture; or a coalition of cultures, and that everything in the organization is just a manifestation of its culture. Thus, the organization’s culture plays an important role in understanding that organization.

After a study of success of informal firms of the Indian diamond industry (Rao, 2009; Rao & Von Glinow, 2012), and study of organizational culture as an influential driver of organizational life (Rao, 2011), I chose to measure and analyse the organizational culture of a large firm of the Indian diamond industry using an instrument well accepted in literature. I have analyzed responses collected from 600 artisans to a translated and validated organizational culture assessment instrument. The survey results have given insights on six organizational dimensions of the informal firm of the Indian diamond industry and are reported in this paper.

### 3.2 Identifying an Instrument for Measuring Organizational Culture

I reviewed the current management literature to search for organizational frameworks and their associated measuring instruments for defining and assessing organizational culture. I realized that there are several frameworks and culture assessment instruments for describing and measuring culture. Hofstede's Survey Instrument (1980) adapted from Hermes Values survey and Cooke and Lafferty's (1983), Organizational Culture Inventory and Paul Reynolds' (1986) culture-dimensions; the Organizational Culture Assessment Questionnaire (Sashkin,1990), Organizational Cultural Profile by O'Reilly et al (1991), Cameron and Freeman's (1991) model of Competing Values Framework (CVF), Organizational Cultural profile (Chatman and Jehn 1994) and Denison's Organizational Culture Survey(1996) were few of the popular ones. Some researchers also suggest that, due to the ambivalent nature of behavior, or the reluctance of people to commit their real feelings to paper, the instruments used to measure organizational culture may not fully take account of the pervasiveness of culture and the unconscious nature of basic assumptions (Lewis, 1994). However, as Hofstede (1986) observes, there is a strong need for speculating less and measuring more. After evaluation of different frameworks to study organizational culture, I found the CVF suitable for my purpose.

**The Competing Values Framework (CVF)** is based on a statistical analysis of the key indicators of organizational effectiveness proposed by John Campbell et al (1974) and the subsequent work by Quinn and Rohrbaugh (1983). It is formulated on the basis of fundamental assumptions about how organizations work and how they are managed. CVF and OCAI describe and assess organizational culture at micro (individual) and meta (organizational) levels. The CVF classifies organizations into four quadrants along two dimensions. One dimension differentiates an effectiveness criterion that emphasizes flexibility, discretion and dynamism from criteria that emphasize stability, order and control. Thus, the first continuum ranges from organizational versatility and pliability (Flexibility and Discretion) on one end to organizational steadiness and durability (Stability and Control) on the other. The second continuum ranges from organizational cohesion and consonance on the one end (Internal Focus and Integration) to organizational separation and independence on the other (External focus and Differentiation). Cameron and Quinn (1999) name the four quadrants produced by the intersection of these two dimensions: clan, hierarchy, market and adhocracy (Fig 1). It is worth mentioning here that all organizations may have some characteristics of each of these arch-types. However different organizations can be differentiated by dominance of one or more of these arch-types.

*The CLAN arch-type is like an extended family based on internal focus, agility, and flexibility. An HIERARCHY is characterized by a formalized and structured place to work. The MARKET form is based on transaction costs as foundation of organizational*



effectiveness. *ADHOCRACY* refers to a temporary, specialized dynamic unit, is based on assumptions that innovation and creativity leads to success.

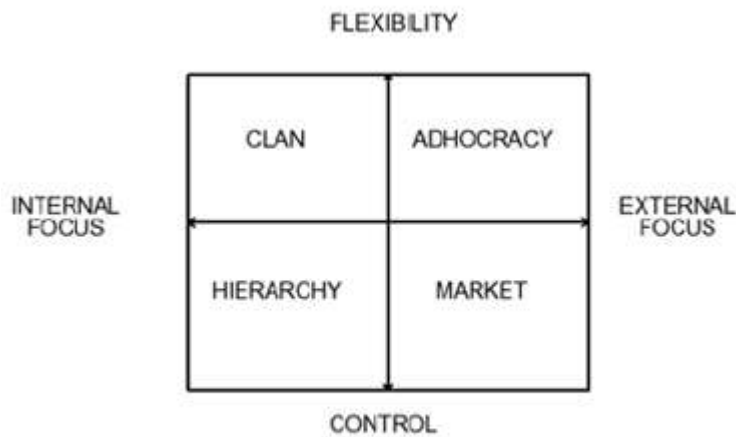


Figure 1: Competing Values Framework

Since our purpose is to understand these new informal forms of organizing, the CVF will guide us into understanding the informal firms along different organizational dimensions of the OCAI (organizational culture assessment instrument).

### 3.3. Plotting the Cultural profile using the OCAI Instrument

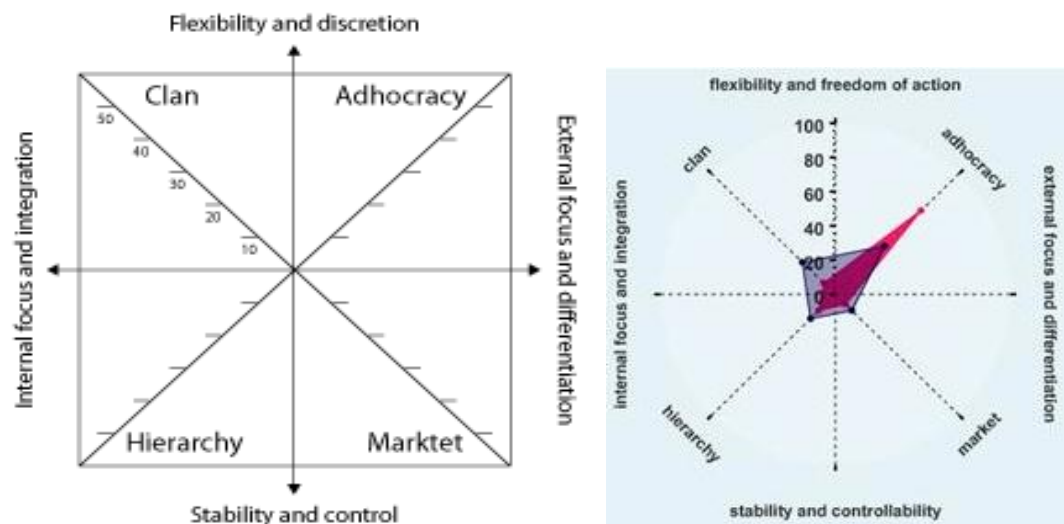
The Organizational Culture Assessment Instrument (OCAI) designed and validated by Cameron & Quinn is based upon the above Competing Values Framework. It measures the strength of above four organizational culture types along six content dimensions (see Appendix A). Altogether, OCAI includes 24 (4 x 6 ) items on which data from the respondents is collected. An organization may have scores on each of the four cultural types, just more or less of each.

The sum total of responses to all items marked Å's is calculated as CLAN culture and plotted on the diagonals in the CLAN quadrant, as represented in Fig 2. Similarly, we plot scores for all other three quadrants. When we join the dots (representing total scores) on each diagonal, it results in the cultural profile of the organization. An example of an organization's cultural profile is shown in Fig 2. The more the area of the cultural profile in a particular quadrant, the more is the dominance of that culture arche-type. The cultural profiles can be plotted separately for all the six dimensions on the OCAI scale and can be analyzed for different demographic variables for further investigation and interpretation. After translating (into

Gujarati) and validating the translated instrument, we used the translatedOCAI instrument for the assessment of the quantitative Organizational Culture profiles for our case study.

The idea is that if we can collect data from the members of this Indian CPD organization using the translated and validated questionnaire, we get valuable insights into the six organizational dimensions of organizing inside this informal firm.

Figure 2 Plotting a Cultural Profile



So far, we have established the significance of the informal sector firms, the need to understand how they are organized, and of the concept of organizational culture that can help us understand the organizing aspects of informal sector firms.

#### 4. RESEARCH METHOD

Using the organizational culture concept and the organizational culture measuring instrument described in section 3, an organizational analysis of a large successful firm of the Indian diamond cluster was designed as below.

##### 4.1 Selection of the Firm.

As there is a lack of comparative data to list the more successful firms in this industry, the CPD unit was identified after analysis of inputs obtained from the exploratory study and of those received from responsible actors in the industry. Triangulation was achieved after consulting the Chairman, GJEPC (Gems and Jewelry Export Promotion Council ) at Mumbai, an official body working under the ministry of commerce, Government of India; the Director of IDI (Indian Diamond Institute) at Surat and members of local diamond associations. This

CPD unit has been in existence for 40 years, strength of employees is 1500 and exports \$400 million worth of cut and polished diamonds annually. The firm resembles a family owned business. The difference is that it continues to be a part of an industry cluster which has for long been labeled as unorganized or informal sector. The firm therefore imbibes cultural elements of the industry to which it belongs.

#### **4.2. Selection of the Instrument.**

As explained in section 3.2 and 3.3, we identify a validated culture assessment instrument to draw cultural profiles for a large sized CPD unit of the industrial cluster along six organizational dimensions of Dominant Characteristics, Organizational Leadership, Management of Employees, Organizational Glue, Strategic Emphases and Criteria of Success. The Organizational Culture Assessment Instrument (OCAI) is selected for the purpose. It is based on a theoretical model, Competing Values Framework. This framework was developed from research conducted on the major indicators of effective organizations and was formulated on the basis of very fundamental assumptions about how organizations work and how they are managed.

#### **4.3 Translation and Validation of the Instrument.**

The Organizational Culture Assessment Instrument (OCAI) was translated from English to Gujarati language with the help of 6 experts who were well versed with both the languages. An initial draft was prepared and circulated amongst all the six team members. After reviewing the same and making several corrections, a final draft of the Gujarati questionnaire was prepared. The validation of the Gujarati version was performed by administering both the versions of the instruments to 30 experts which included Faculty and Graduate students from a technical engineering college and who were equally conversant with Gujarati and English language. The comments were reviewed by the team of six experts and the revised translated version was used for collection of data from the CPD unit under study.

#### **4.4. Sample and Data Collection.**

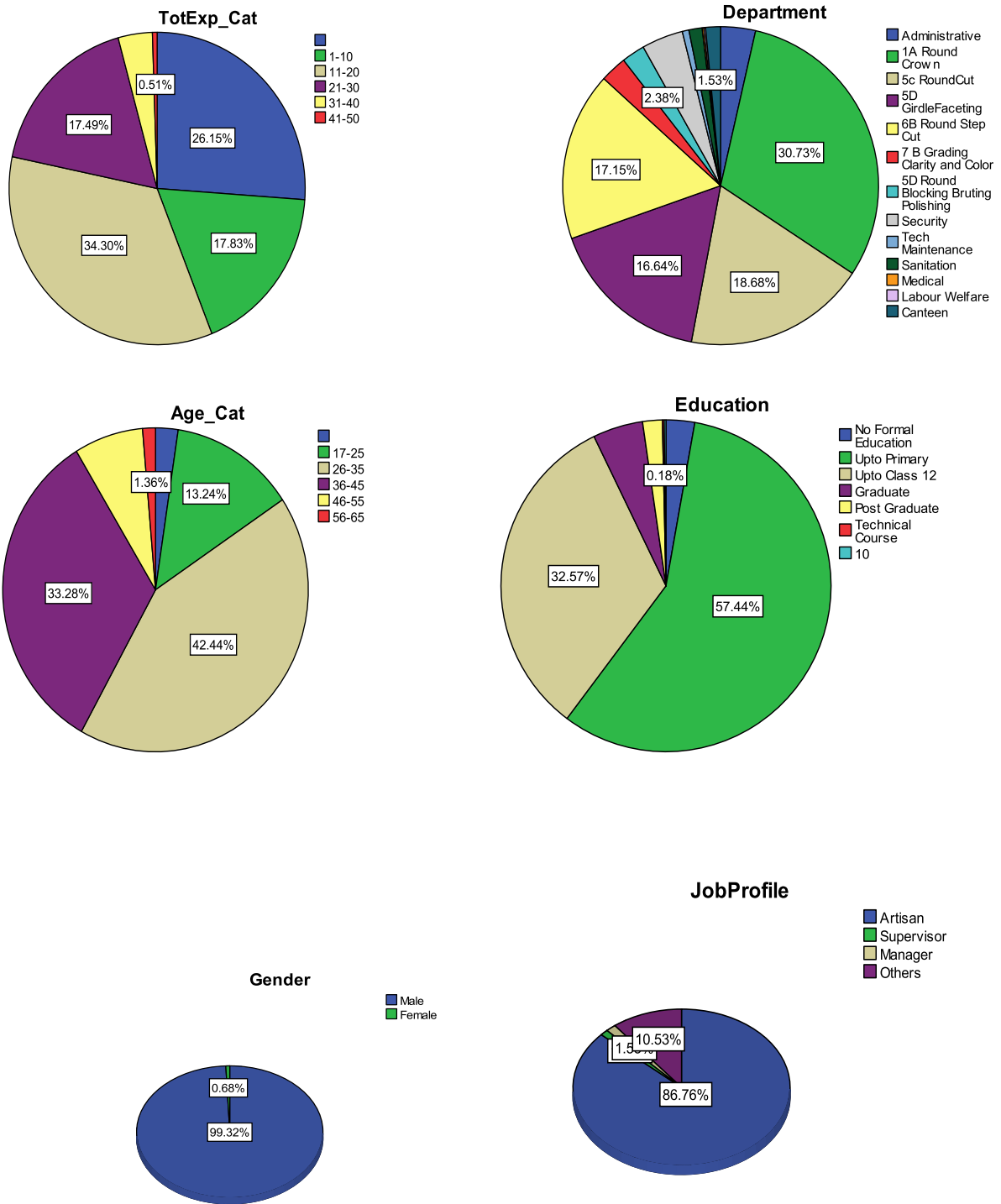
The data was collected personally by the researcher from the artisans, supervisors, managers and owner of the CPD unit. 630 questionnaires were administered but some contained missing data and hence 589 responses were considered for analysis for the 24 variables (appendix A). These 24 variables are categorized into six organizational dimensions. Each of the four items under these six categories represents values which symbolize the clan, adhocracy, and market or hierarchy culture. We also collected data on the demographic variables of age, gender, level of education and the job profiles of the respondents. Further, we try to assess if there is any difference between the responses of the owner, the family member and the employees with respect to the six dimensions of the Organizational Culture Assessment Instrument OCAI. The results are presented below.

## 5. RESULTS

### 5.1 Demographic Profile of the Sample

We collected a sample representative of all employees of the CPD unit. 58.1 percent respondents were below the age of 35 years and 91.3 percent below the age of 45 years. 62.3 percent were employed for 10 years or less and 91.7 were employed for less than or equal to 20 years. 44 percent of respondents had an experience of up to 10 years, 78.3 percent had total experience of up to 20 years and 95.8 percent had experience of up to 30 years. It is amazing that 60.2 percent respondents received education only primary education i.e. grade 5 in school and 92.8 percent studied up to grade 12 in school, some five percent went for an under graduate study and only 2 percent received graduate level education. The percent of female employees was less than 1 percent; this is a male dominated industry. 86.8 percent of employees were artisans actually doing the cutting and polishing of diamonds in the manufacturing process, 1.2% was supervisors looking after the artisans (workers) and only 1.5 % were managers. Only 3.6% were administrative staff and the rest for other support services including technical, medical, security, sanitation services. Data shows that overheads in CPD units are very low as shown in even the large sized CPD unit (Fig. 4).

Figure 4 Demographic Profiles of the CPD Unit



## 5.2. Cultural Profiles

Given the informal nature of the firms, and lack of literature support, I began with an assumption that perceived culture across all dimensions will be dominated by the clan type. But contradictory to my expectation, the dominant characteristics and organizational leadership turned out to be hierarchy and market respectively (Table 1).

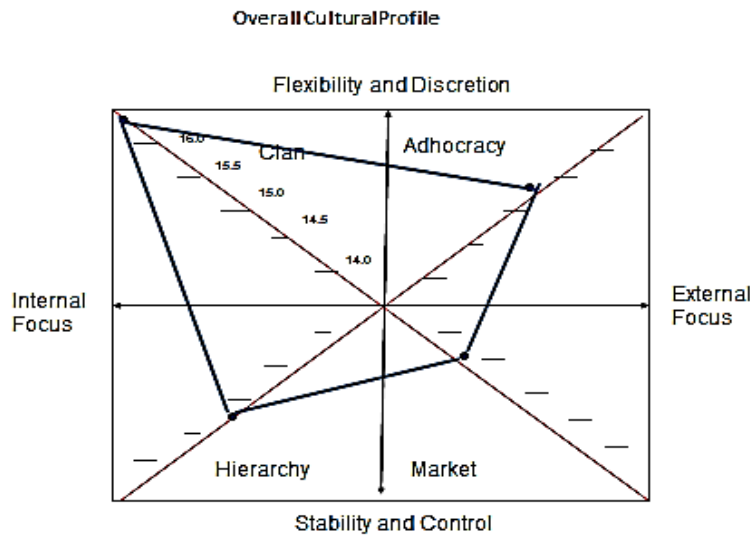
Table 1 Cultural Perceptions along six dimensions of OCAI

	Expected	Results	
Dominant Characteristics	CLAN	*	Hierarchy (45%)
Organizational Leadership	CLAN	*	Market (35%)
Employee Management	CLAN	✓ .	38%
Organizational Glue	CLAN	✓ .	37%
Strategic Emphases	CLAN	✓ .	34%
Criteria of Success	CLAN	✓ .	41.5%

I further plotted the cultural profiles as below:-

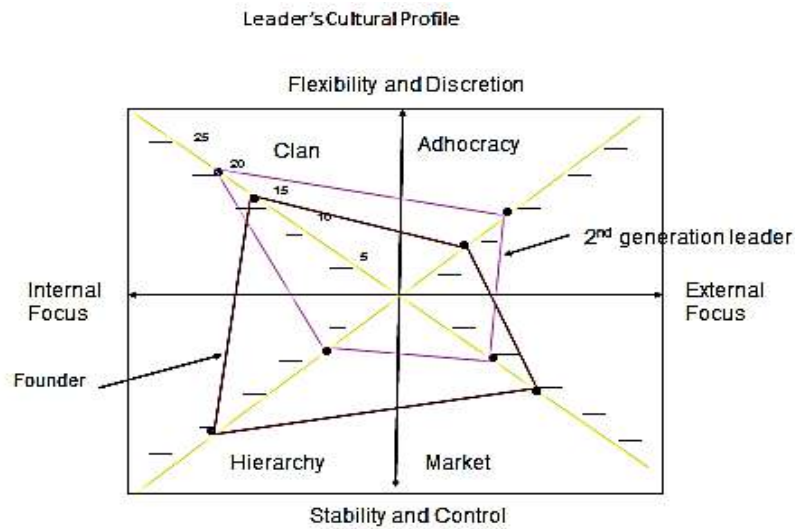
- 1) Overall firm culture as aggregate of all responses from employees (Fig 5)
- 2) Overall firm culture as perceived by the first and next generation leaders (Fig 6)
- 3) Individual Cultural Profiles for the six dimensions of the OCAI (Fig 7)
- 4) A Comparative Cultural profile across all dimensions of the OCAI (Fig 8)

Figure 5 Overall Cultural Profile



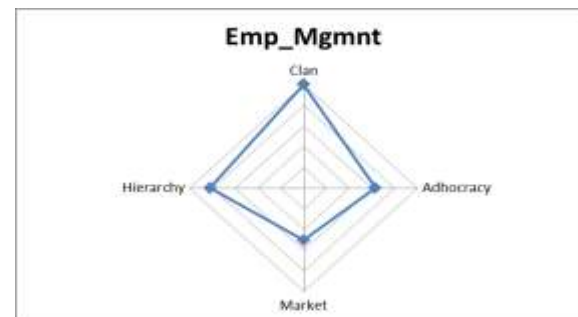
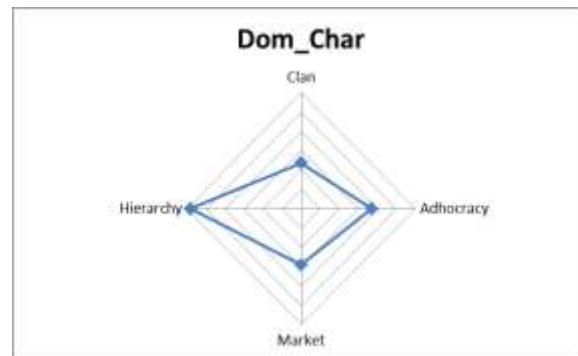
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Figure 6 Leader's Cultural Profile (1st and 2<sup>nd</sup> Generation)



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Figure 7 Dimension-wise Cultural profiles





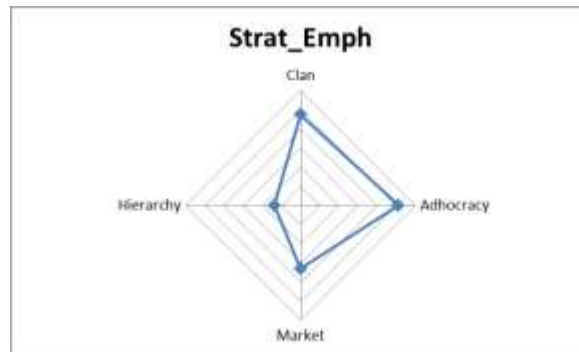
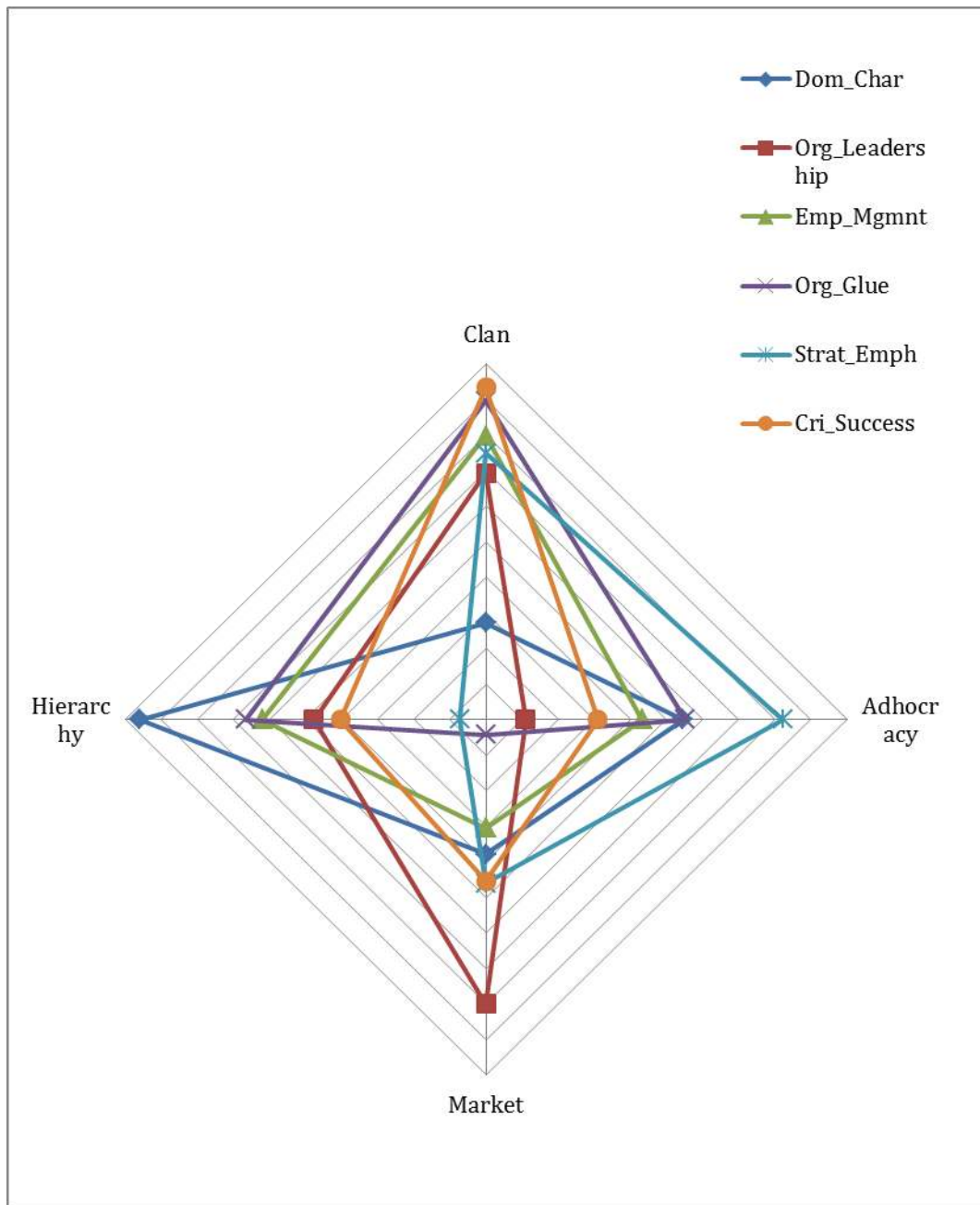


Figure 8 Comparative Cultural Profiles



Results from the OCAI cultural survey reveal some interesting facts (Table 2)

**Table 2 The Cultural Profile of the ISF**

	Clan	Hierarchy	Market	Adhocracy
Dominant Characteristics		45%		
Organizational leadership			35%	
Employee Management	38%			
Organizational Glue	37% <sup>1</sup>			
Strategic emphases	34%			
Criteria of Success	41%			

1. The percentages above reflect the maximum score (e.g. 37%) for a cultural type (e.g. Clan) with respect to an organizational dimension (e.g. organizational glue)

It is important to note, that, with, a strong “clan” orientation, and the dimensions of company culture being characterized by loyalty, trust, teamwork, and consensus we were anticipating that the dominant culture orientation will be a “Clan” cultural archetype. However, the dominant cultural type was found to be “Hierarchy,” and the leadership was rated as being one of “Market Type”. The item with loyalty and mutual trust as the organizational glue had the highest rating. This data provides evidence that not only trust is a major factor holding together the ISFs but also provides interesting evidence that the ISFs are very structured and controlled places.

Moreover a market-orientation by the leadership shows that the leadership of these firms could be aggressive and results-oriented. The ISF cultural profile also emphasizes human development as a core strategy and defines their success based on concern for people and human resource development. Furthermore, their management style is characterized by teamwork and consensus. These findings can stimulate many studies on leadership, strategy, and governance of informal firms.

The finding that Hierarchy is the dominant characteristic of the IF is an interesting finding. However, within these firms, the hierarchy is not a typical bureaucratically prescribed hierarchy. It is a traditional clan type hierarchy where social relations, not bureaucratic prescription define the hierarchical structures. Clan relations define a person’s place in the clan’s hierarchy. This finding confirms that a clan structure includes hierarchy and systematic ways of organizing, except that unlike a formal organization, this hierarchy is based upon relationships and traditions. It is not bureaucratically prescribed. This second way of characterizing hierarchy, could be an important contribution to the Competing Values Framework (CVF) and to our understanding of governance mechanisms and ways of organizing.

Of the 24 items on the scale, six items were rated highest along the cultural dimensions of the OCAI. The overall profile suggests that a CLAN culture was dominant in the company. The organizational glue which kept people together in the absence of formal policies and structures was Mutual Trust and Loyalty. It was also evidenced that the management of employees emphasized fostering teamwork, consensus and participation. Surprisingly, despite an overall dominant Clan culture and the informality surrounding the diamond business in this industry, the Dominant Characteristics (one of the six elements in the OCAI survey) of the CPD unit were rated as Hierarchy. Leadership was rated as being no-nonsense, aggressive, and result-oriented. The Strategic emphasis was on promoting competitiveness and productivity.

**Consolidating,** I list here the six key observations about ISFs that were discovered by the OCAI survey we conducted.

1. The CPD-ISF was found to be a very controlled and structured place. Formal procedures generally governed what people do (Hierarchy).
2. The leadership was generally considered to exemplify a no-nonsense, aggressive, results-oriented focus (Market).
3. The management style was characterized by teamwork, consensus, and participation (Clan).
4. The glue that held the company together was loyalty and mutual trust. Commitment to this organization ran high (Clan).
5. The company emphasized human development. High levels of trust, openness, and participation continue to persist (Clan).
6. The company defined success on the basis of the development of human resources, teamwork, employee commitment, and concern for people (Clan).
7. We observe that while the overall cultural profile was “clan” dimensions dominated, there was also a strong sense of hierarchy. This suggests that “Hierarchy” and “Clan” are not orthogonal as implied by the word “competing” in CVF by Cameron and Quinn (1983). Instead, a strong sense of Hierarchy can co-exist in a clan culture, especially in traditional societies such as India. While the traditional culture creates a strong sense of clan-type behavior, it also includes a high level of reverence and deference to hierarchical authority to authority of higher or privileged positions in the social hierarchy. These seemingly contradictory observations suggest a modified interpretation for ISFs, of the Cameron and Quinn’s Competing Values Framework. In this modified interpretation a strong sense of Hierarchy co-exists within a Clan behavior. Perhaps this is a characteristic of traditional Asia societies which are based on a strong sense of hierarchical deference to authority, however within a clan type behavior pattern. Thus we may need to modify the CVF with type-of-society (traditional Asian cultural vs. modern Western) being a moderating influence on the organization’s cultural profile.

## 6. Discussion

The dominant overall cultural type is CLAN (Fig 5) and is significantly different from the Adhocracy and Market cultural types. The second most observed cultural profile is HIERARCHY which is also significantly different from the observed values of Adhocracy and Market cultural types but not so from the Clan cultural type. Given the informality of the firms and the family owned nature of business, it was expected that Clan culture would dominate, however, despite absence of formal rules and structures, it is noteworthy that there exists hierarchy in the informal sector firms. We looked for differences in cultural types across the six dimensions of the OCAI. Results are presented in Fig 7 & 8. The HIERARCHY culture type was found to be the dominant characteristics of the CPD unit and also significantly different from all other culture types and this was a very interesting result for us showing that the so-called unorganized or informal sector firms may in fact be highly organized and structured.

The organizational leadership as observed by the OCAI is Market culture which is again significantly different from the other three culture types. This throws light on the entrepreneurial capabilities of the owner-leaders of the CPD unit. The leadership operates the firm as economic market mechanism, and the major focus of markets is to conduct transactions with other constituencies to create competitive advantage. Profitability, bottom line results, secure customer bases are primary objectives of the firm and core values are competitiveness and productivity.

The organizational glue which holds the CPD unit together is Loyalty and Mutual Trust and is a highly significant result. The criteria of success appears to be again CLAN culture type which means that the organization defines success on the basis of the development of human resources, teamwork, employee commitment and concern for people.

a) CLAN \* Age\* Education. We observed some interesting patterns while analyzing for interaction effects. The perception of CLAN culture diminished with increase in age of employees. Those with graduate level education scored higher on the CLAN culture. However, interaction effect was not prominent as in either case, for low levels of education and for higher levels of education, the CLAN culture generally decreased with age. It is observed that only younger employees between the age group less than 45 years possess higher level of education up to graduation, those older than 45 years were educated not beyond grade 12 in schools.

b) CLAN \* Age\* Gender. This univariate analysis reveals that with the age of employees, the CLAN score increased in case of females while it decreased in case of males. Also, females are very few and only in the age category of less than 35 years which shows that the diamond cluster may have been male dominated before but started recruiting females lately and also that they were well taken care of and hence the higher score on CLAN culture. It also contradicts with the scores of males counterparts with increase in age.

c) CLAN\*Job Profile\*Years of Experience in the CPD Unit.

The tests across Job Profile gave us insights about the experience of artisans (workers), supervisors and managers. While artisans scored relatively low on CLAN culture, managers

scored higher while the supervisors who are responsible for directly supervising the artisans rated much lower on CLAN score. The high score on the graph is due to the administrators who perceive that the culture of their CPD unit is more CLAN type. With increasing length of stay in the firm, the CLAN score generally except for managers for whom it was like a V-shape. It is interesting to note that though some artisans had served for a longer duration in the CPD unit up to 40 years, the supervisors were those with relatively less experience in the firm, less than 20 years.

## 7. CONCLUSION, CONTRIBUTION AND LIMITATION of study

Most importantly, although the firms in the Indian diamond industry are embedded in the so-called un-organized sector, the results of a survey interestingly suggest that they are in fact highly organized. The difference here is that instead of using documented strategies, structure and practices, the organizing occurs through cultural governance. In such case, members align their values and beliefs in order to arrive to a common understanding of the way of doing things in their business and organization.

The results of analysis of data from the OCAI suggest that the ISF is a very controlled and structured place. Formal procedures generally govern what people do (Hierarchy). The leadership is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus (Market). The management style is characterized by teamwork, consensus, and participation (Clan). The glue that holds company together is loyalty and mutual trust. Commitment to this organization runs high (Clan). The company emphasizes human development. High trust, openness, and participation persist (Clan). The company defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people (Clan). Smaller units were not underpinned by the larger ones, and were happy to be operating from their native places, the location of their respective villages where they shared their life with the members of the family and kith and kin.

An insight into the organizational culture and therefore the organizational life of informal firms can help practitioners and scholars for two main reasons: 1) Formal firm's managers will need to interact and communicate and deal with managers of informal firms as an inseparable part of global value chains, and 2) Informal firms are gaining economic importance, both in size and as inseparable part of the global value chains. Therefore, this study contributes towards this new line of enquiry. The research topic addresses both international management scholars and those interested in Organizational Studies as well as managers engaged in international business. Although it may not represent all informal firms across industries, it contributes to a first-hand insight about the intangible aspects of organizing, specifically organizational culture of an informal firm of the Indian diamond industry.

Further, OCAI has been used in variety of industries but mostly in case of formal firms. However, at this time, organization-level data for firms operating in industries comprised of

informal sector firms in the emerging markets is scarce. In this paper, we have attempted to bridge this knowledge gap by describing the culture of an Indian CPD firm. ISFs and also by developing empirical evidence and organizational level data using OCAI.

## 8. IMPLICATION

The study of the informal sector firms in the diamond industry provides useful insights. The cultural survey provides us with organizational characteristics of a large CPD unit. Although we have chosen one large CPD firm as our focal case, we have visited dozens of small and medium sized ISFs, during the initial data collection phase. Based upon these observations, we believe that informal economy thrives on a culture which cultivates entrepreneurship and facilitates its growth while at the same time contributing significantly to the economy.

The analysis of the findings from the exploratory study of the Indian diamond industry and that of the case study of a large CPD unit leads to multiple significant findings. We found that informal sector firms are not just local firms but also have global reach. They acquire diamond rough from global sources, and supply the finished diamonds to the global diamond industry. These Informal Sector Firms, which have made it big on the global front, have flourished like a close-knit community. They have accomplished it through a cultural governance where culture governs business practices. Therefore, the need for lengthy documentation has been avoided. People work, communicate, negotiate and transact business as per their values which have got aligned over a period of time through the organizational culture. Therefore, although the concept of culture has been studied as a strong reinforce of organizational life in management literature, the informal firms have practically made use of this concept and strengthened this belief. It is fascinating to note that an organizational culture can help members of an organization to work so coherently. The industry culture in the Indian diamond cutting and polishing industry governs the industry and helps align the small, medium and large CPD firms into a network. Cultural Governance has helped the Indian diamond industry and firms engaged in CPD business succeed in shifting the global landscape of diamond business. The global hub of diamond manufacturing has thus moved from Antwerp to Surat.

Within this community, large sized firms have led this CPD community at the forefront. As the volume of their business increases, they pass on (sub-contract) business to others smaller firms within to the same community. However, this sub-contracting is not a formal process. There are no formal contracts or processes. Instead it relies on existing clan relationships where the leading firm passes on work to people that they already know and trust.

Despite little formal education, professionalism exists where verbal commitments are honoured and met, and a high order of integrity is exhibited. It is, as many respondents remarked, a part of their societal culture. Our OCAI survey shows the dominance of the “Clan” Culture quadrant in the CPD ISFs. The six dimensions associated with the clan culture show that the networking of IFs in the diamond industry IFs, works on a culture of loyalty, trust and mutual respect.

The people involved take pride in their work and in what they have achieved. A sense of belonging to the community is a big motivating factor. People try their best to be known and respected by others in the clan, by adhering to the norms of behavior established by their clan and culture. Values of simplicity, sincerity to work, diligence, loyalty and discipline were observed in all CPD firms in the industry, down the line from the large, to medium, and small sized CPD units.

We found that in the broader context of the Indian diamond industry, there is lack of formal systems like: documentation of the diamond packets exchanged or sub-contracted: of the financial transactions between parties in the industry; or that of the recording of employee details or number of units worked on, etc. However, these firms made them feel proud of their ability to conduct a business of global dimensions based primarily on mutual trust within their community.

The community or clan feeling appeared so strong that the mere thought of being ousted from the group and the diamond business on account of not delivering on verbal commitments, or due to any symptoms of dishonesty, became a driver to behave within the societal and cultural norms. If any ISF was non-compliant with the cultural norms, it could not expect any help from the societal institutions in this informal sector. This makes the entrepreneur responsible for his actions. Across all sizes of the CPD units, we found that the unit owners were sensitive to the family concerns of their employees. This in turn helped employees to remain loyal and devoted to their work.

Another interesting observation, at least in the smaller units, was that after the workers and the artisans learned the art of cutting and polishing a diamond, they were likely to start their own CPD unit and employ others known to them through personal references. This finding is similar to observations with other clan-like cultures e.g. Prato (Kumar, van Dissel and Bielli, 1998) where an enterprise may spawn new enterprises with strong ties with these new firms, because these firms were started by people who were originally members of the parent firm. A culture of individual responsibility which goes together with the entrepreneurial spirit is demonstrated by these ISFs. This often drove the individuals to start their own CPD units. The ISFs have their organizational cultures more in tune with their societal cultures.

The respondents frequently remarked about the importance of culture; and how their “culture” made their businesses unique and successful. These remarks also confirm that the firm owners and their sub-contractors and employees were proud of the uniqueness and strength of their culture, and passionate about maintaining it. An enterprising spirit was present in all firms, large or small. Everyone understood the importance of what they were doing irrespective of the place they were operating in on the value chain. The large network of these thousands of ISFs was held together by a common goal of doing and improving the business of diamond cutting and polishing. They worked together by understanding and conforming to the informal systems that were traditionally in place.

Most unit owners mentioned that they had a dream of making Surat the world’s largest diamond cutting and polishing center. They were able to achieve this goal. This achievement gave them a sense of fulfilment. At the same time, these individuals also contributed to their society by getting involved in social, religious and other human endeavours. The smaller



units, as it seemed, were not overshadowed or underpinned by the larger ones. They were content to be operating from their native places, the locations of their respective villages where they shared their life with the members of the family, and kith and kin. However, the mention of the names of larger firms did evoke a sense of respect and their own determination to grow.

For practitioners and managers of formal firms, the above analysis provides valuable insights to assist formulate their strategies while dealing, communicating and negotiating with informal firms and firms from emerging markets. Overall, this is a rare piece of research giving insights into the organizational cultural aspects of an Indian CPD firm.

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## Appendix A. The List of Variables Used in Analysis

Variable Name	Label
A_Dom_Char	Our firm is a very personal place. It is like an extended family. People seem to share a lot of themselves.
B_Dom_Char	Our firm is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
C_Dom_Char	Our firm is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented.
D_Dom_Char	Our firm is a very controlled and structured place. Formal procedures generally govern what people do.
A_Org_Leader	The leadership here is generally considered to exemplify mentoring, facilitating, or nurturing.
B_Org_Leader	The leadership here is generally considered to exemplify entrepreneurship, innovating, or risk taking.
C_Org_Leader	The leadership here is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.
D_Org_Leader	The leadership here is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.
A_Emp_Mgmnt	The management style here is characterized by teamwork, consensus, and participation
B_Emp_Mgmnt	The management style here is characterized by individual risk-taking, innovation, freedom, and uniqueness.
C_Emp_Mgmnt	The management style here is characterized by hard-driving competitiveness, high demands, and achievement
D_Emp_Mgmnt	The management style here is characterized by security of employment, conformity, predictability, and stability in relationships.
A_Org_Glue	The glue that holds Our firm together is loyalty and mutual trust. Commitment to this organization runs high.
B_Org_Glue	The glue that holds Our firm together is commitment to innovation and development. There is an emphasis on being on the cutting edge
C_Org_Glue	The glue that holds Our firm together emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.
D_Org_Glue	The glue that holds Our firm together is formal rules and policies. Maintaining a smooth running organization is important.
A_Strat_Emph	Our firm emphasizes human development. High trust, openness, and participation persist.
B_Strat_Emph	Our firm emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.
C_Strat_Emph	Our firm emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
D_Strat_Emph	Our firm emphasizes permanence and stability. Efficiency, control and smooth operations are important
A_Cri_Success	Our firm defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people.
B_Cri_Success	Our firm defines success on the basis of having the most unique of or newest products. It is a product leader and innovator
C_Cri_Success	Our firm defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.
D_Cri_Success	Our firm defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical
Age	Age
Gender	Gender
JobProfile	Job Profiles
Education	Level of Education
ExpVenus	Experience (years) in the firm
TotalExp	Experience(years) in the industry
Department	Sub-unit of the CPD