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syit: changing the corporate culture

Maria Khan, Khurram Rehman Alvi, and Zunaira Saqib wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On February 1, 2013, Mr. Ibrahim Saeed, managing director of software development firm SYIT, sat in his office and gathered his thoughts on the events of the past month. On January 1, 2013, Saeed had celebrated the inauguration of the new organization. Based in Islamabad, Pakistan, SYIT was a new entrant in the offshore software development industry. Saeed’s months of effort to move the entire project team from his previous employer to his newly formed company had not yet been successful. However, he knew that this was just the beginning; the real challenge lay ahead. The most challenging task would be reducing the cultural gap between his team and his primary client, LMT, one of Denmark’s largest publishing houses.

SYIT: THE JOURNEY SO FAR

Saeed had made a swift journey from his first job in 2001 (as a junior software engineer) to managing director of SYIT by 2013. After completing a bachelor of computer science degree in 2001, Saeed worked in a variety of roles at four different organizations, quickly rising through the ranks before being hired as a project manager by AB Tech, a large information technology (IT) and software services company based in Islamabad, in 2007. Although he had switched roles and companies rather quickly, Saeed’s impeccable technical abilities, along with his effective leadership and communication skills, were rare commodities in Pakistan’s software industry.

AB Tech’s clients were spread across different parts of the world, but each had a single point of contact based in the Islamabad office who served as the project manager. Saeed was the project manager for LMT, one of AB Tech’s largest clients and one of Denmark’s largest and oldest publishing houses. Although other representatives normally communicated with the client, Saeed was the main point of contact for the client’s representative. As project manager, he was responsible for taking part in meetings and following up on the progress of ongoing tasks. AB Tech placed the bulk of the responsibility on its project managers in this way in order to keep the working model and accountability simple and clear.

Unlike most AB Tech clients, whose relationships with AB Tech lasted for one particular project within a specific amount of time and funding, LMT was a permanent client with long-term IT needs. LMT reviewed its relationship with and performance of AB Tech every two years and extended the contract for a further period of two years if it was satisfied with the services. This relationship had lasted several years already.

By 2012, LMT’s IT needs had increased and Saeed’s team was expanded accordingly. LMT requested more control over the Islamabad team, feeling that with the increased number of team members (from four to 15), more than one point of contact was needed. LMT wanted to establish a strong working relationship with its dedicated team at AB Tech. Continuous dialogue and more influence on every detail—including team values, culture, office design, and physical outlook—was needed for such a long-term relationship. However, AB Tech was reluctant to change its management style and company policies to accommodate one client. The firm felt that LMT’s demands would lead to a feeling of inequity regarding authority across the company and other teams. The situation escalated to the point where LMT considered several options, including acquiring the entire AB Tech team or simply exiting the IT market altogether. Interestingly, AB Tech had lost teams to its clients before, specifically to European clients.

These events led to LMT and Saeed collaborating towards a solution where Saeed set up a new company called SYIT, and LMT was its long-term client, with a contract for a minimum of 18 months. LMT invested in SYIT through an initial loan, although the company was owned by Saeed. Establishing SYIT allowed LMT to have significant influence on projects. LMT was the new company’s initial client, but SYIT had full freedom to look for additional clients. Saeed saw this arrangement as a great opportunity and left AB Tech to start SYIT as planned.

Saeed offered his previous team members employment with the new company, which they all accepted. SYIT was formed on January 1, 2013, with a team of 15 people (all former AB Tech employees) and Saeed as managing director. Because LMT had direct influence over SYIT, Saeed knew that he needed to pay attention to minute details and ensure that all of the client’s needs were fulfilled. Saeed also intended to develop a bigger client base in Europe. Having LMT as SYIT’s first client would be a major boost to his company’s reputation.

Saeed decided on a horizontal structure for the organization, with a wide span of control and only two managers between him and the development teams (see Exhibit 1). The concept of this unusually flat organizational structure was influenced by LMT’s vision for encouraging participation, autonomy, and open communication at all levels. The structure allowed the team in Pakistan to deal directly with the LMT team in Denmark. The new model assured that minute details of the new project could easily be discussed among the two teams, even though they were based in different countries. However, adapting to the new structure and culture was expected to take some time.

Previously, at AB Tech, the organizational structure was not strictly bureaucratic, but it did have management layers. Employees were required to communicate with their immediate supervisors, who, in turn, would communicate with their own managers. Teamwork was appreciated, but open communication was not a core part of AB Tech’s culture. The communication flow mostly ran from top to bottom, and AB Tech’s employees (i.e., SYIT’s new employees) had become accustomed to this format. Saeed was pleased with SYIT’s different structure, but he realized he would need strategies to help his employees adapt to the new practices.

PAKISTAN’S SOFTWARE INDUSTRY

Pakistan’s government provided “reliable IT infrastructure” and many incentives to IT firms, including provision of low-rent software technology parks with fibre-optic connectivity, libraries, and conference rooms. In addition, companies were offered income tax exemption on IT exports revenue until June 2019.[[1]](#footnote-1) This government support had played a significant role in the tremendous growth of the country’s IT industry. An increasing number of foreign IT companies were choosing Pakistan for outsourcing operations.

Moreover, the Pakistan software industry was rapidly changing with increasing technological advancements. The industry’s value was estimated at approximately US$700 million,[[2]](#footnote-2) with a $70–80 million annual turnover. Total spending on large IT projects exceeded $100 million in public and private sectors.[[3]](#footnote-3) Half of the industry’s growth came from projects by foreign clients, such as IBM, Cisco Systems, Inc., and Microsoft. The growth rate suggested that the industry would reach $11 billion by 2016. A dominant reason for this growth was Pakistan’s low-cost IT workforce.

SYIT’S BUSINESS MODEL

At AB Tech, Saeed had been both the project manager and main contact responsible for discussing progress with LMT, which meant that the communication between the teams in Denmark and Pakistan was limited; this was one factor that led LMT to separate from AB Tech. As one representative from the LMT team noted,

We cannot have one person coordinating our requirements to the whole team anymore, as that limits how our needs are interpreted and executed. With our bigger projects, we need to be able to directly see how the team [in Pakistan] is working and that can be done only if we are able to communicate with the entire team. With the [software] industry, you cannot wait for bureaucratic communication to work, you need to make decisions fast, so everyone should be involved.

Keeping these observations in mind, Saeed decided to focus on two core services at SYIT: team expansion and project outsourcing.

Team Expansion

The new organization adopted a more refined approach than the previous model of team extensions at AB Tech. Even though SYIT still referred to the model’s features as team extensions, the intention behind these extensions was different. At SYIT, team extensions referred to the client getting its very own dedicated technical team that included junior and senior employees based in Islamabad. The team would be led by a senior manager, either from Denmark or Pakistan. This team would become an extension of the client’s own team back in the home country. Unlike the process at typical offshore companies, where an individual was often occupied with multiple projects, the team extension model designated one individual to report specific project details to the respective manager, who was based in the other country.

Under this model, team members could maximize their communications with their foreign counterparts, and learned to make quick decisions without involving bureaucratic controls. For example, they did not need approval from senior managers before responding to the foreign team. The idea was to integrate the structures and cultures of the different sets of individuals working in different countries (e.g., Denmark and Pakistan). Therefore, the focus was on strengthening the organizational culture so that it could transcend regional culture. Because this model worked well with clients who had ongoing IT needs, SYIT was able to pursue long-term relationships with new clients. Saeed was confident that this model facilitated quick communication between his team in Pakistan and the team in Denmark. He wanted to expand his operations to other clients in the European market, and he believed that his team extension model would prove to be a winning design.

Project Outsourcing

In addition to the team extension model, SYIT also employed a more traditional project outsourcing model, where IT projects were designed, developed, deployed, and supported by expert engineers at SYIT. These projects had a set duration. Once the projects were completed, employees moved on to another project. The level of communication for these projects was much lower than with team extensions. Employees could be working on multiple projects with different companies at the same time. Project teams were formed by SYIT depending on the needs of each project, and the client had little input in team matters.

THE CULTURAL CHALLENGE

Saeed’s primary objective at his new company was to develop a culture of self-management and encourage individual employees to think, work, and make decisions on their own—that is, a culture of the “self-steering” individual. Offshore software houses typically had a poor reputation because of their autocratic management style. However, Saeed believed that his type of organizational culture would better serve the European client base that he wanted to develop. This cultural change was directly influenced by deploying flatter team structures, including the team extensions model, where team members could communicate directly with their European counterparts. They would also be able to make decisions on their own, rather than rely heavily on the project manager. The new culture was designed to promote faster and more effective execution of the client’s needs.

Because this new way of working was different from AB Tech’s culture (and indeed, from Pakistan’s work culture in general), it would be challenging to instill the new culture at SYIT, where employees were used to the more authoritative work model. Saeed wanted his team members to have open minds, and develop an international sensibility to develop solutions, rather than simply execute orders given by the team leader. These qualities were especially important to a successful relationship with LMT. Lack of a communication-based business model had been one of the main reasons LMT left AB Tech. To facilitate expansion, Saeed and his team needed to develop a working culture that provided team members with the confidence and tools to generate solutions independently, which would allow them to become more responsive to their clients. Such a work culture was more conducive to developing long-term relationships with potential clients in Europe.

In theory, a more employee-led work culture should have been more empowering, but various issues arose once the culture was deployed at SYIT. Saeed assumed that his employees were technically sound and capable enough to make decisions quickly, without a constant need for approval from superiors. However, junior employees were hesitant to question their superiors or the client when making decisions. For example, multiple deadlines were missed on one project due to numerous technical issues, but the junior employees in that project’s team were hesitant to question the senior team member’s decisions, despite those decisions causing technical problems in the project. Discussions with those junior employees revealed that they found it disrespectful to question senior members, and they did not want to be held accountable if their questioning led to project failure.

Other issues arose regarding the control strategies of some managers on remote sites, as well as confusion regarding which workstyle worked best. For instance, one employee from the Pakistan team explained these problems as follows:

[The teams at LMT] work in their way, [and] they have their level of care, their level of control. How can I control [LMT employees] and say you have to [do a task] when they refuse to acknowledge that I have certain responsibilities for the completion of the tasks assigned to them?[[4]](#footnote-4)

Another SYIT employee (and member of Saeed’s original team at AB Tech) also expressed concerns:

One cannot simply tell supervisors that they are doing something wrong, as that may be considered grounds for some penalty or worse. Our society teaches us to trust our superiors, even at times when they may be wrong, because they may have access to information that we don’t.

Saeed realized that once the team extension model was put into practice, senior team members would need to provide direction, establish a clear vision, and create an environment of open communication, where the junior team members would feel comfortable sharing their ideas without fear of ramifications. However, this practice was hard to implement, as one Pakistan team member explained:

There are a lot of projects that we are doing in parallel and we have so many parallel teams . . . of two, three, four, [or] five persons, depending upon the parallel projects. So there can be a mess and lack of visibility and predictability. At one time, for example, after two months of work [on a particular project], I was still unaware of what we were doing.

Saeed recognized that, in a culture where questioning senior employees was considered rude, junior employees could not simply be forced to adopt the new working style that he had envisioned without providing further guidance to both junior and senior employees.

NATIONAL CULTURE[[5]](#footnote-5)

There were striking differences between the culture that Saeed was trying to develop at SYIT and the one that was common in companies in Pakistan. These differences translated to a significant gap between LMT’s working style (in Denmark) and SYIT’s (in Pakistan) (see Exhibit 2). Saeed was well aware that Pakistan harboured an authoritative culture. People accepted and appreciated a set hierarchical order in which there was a clear understanding of authority positions. These positions or figures of authority were not questioned. The process began at home, where parents and grandparents were seen as authority figures. Similarly, the common hierarchical structure in organizations reflected certain inherent inequalities and centralized decision making, and subordinates were expected to be told what to do. In such a work culture, employees had less autonomy (see Exhibit 3).

SYIT employees expected to have an autocratic employer/manager who gave directions. The autocratic decision-making model made it easier for employees to work on complex tasks. Moreover, employees within this model appreciated the fact that if something went wrong, the responsibility fell on the authority figure. Their preference for an autocratic employer, as well as the great distance from the client, led employees to generally avoid uncertainty.

Pakistan’s corporate culture also reflected a society that held rigid beliefs and was hostile towards unusual behaviours and ideas. From a very young age, children in Pakistan were encouraged to be competitive. Achievement and success were considered key motivators. According to the Hofstede’s cultural dimensions theory, Pakistan’s working environment could be categorized as “masculine,” where managers were expected to be decisive and assertive, with an emphasis on competition and performance.

Saeed did not want this strong “masculine” culture to prevail at SYIT because it contradicted his own beliefs as well as his vision for his organization. He wanted SYIT’s team members to act responsibly, make their own decisions, take risks, be innovative in their approach to problem solving, be credited for their successes, and accept responsibility for their failures. At the same time, SYIT’s new culture promoted a relaxed environment, where helping each other was the priority, above self-accomplishment.

Saeed quickly realized that, if left unaddressed, these differences in corporate culture would pose a serious threat to the effectiveness of the new venture. However, he could not simply force his employees to adopt his innovative idea of an employee-driven work culture.

HOW TO MOVE FORWARD

Saeed’s ultimate goal was to create an organization that was flexible and innovative. He wanted SYIT to become one of the best offshore software development companies in Pakistan. The company had a good start thanks to its large initial client, but there was still a long way to go to effectively address LMT’s needs. SYIT also needed to acquire new clients and projects to establish itself in the market. Saeed felt that a change in culture was the first step in achieving these goals; it would allow SYIT employees to work with different clients and on projects with varying work styles. He knew that organizational culture was directly linked to employee performance in Pakistan’s software industry.[[6]](#footnote-6)

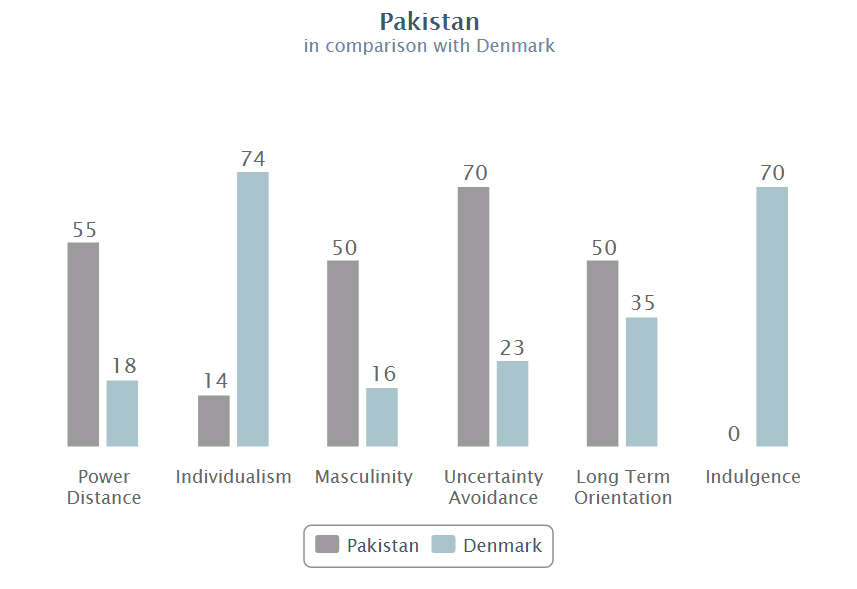
SYIT’s initial 15-member team had worked well with LMT at AB Tech, but an awareness of significant cultural differences would not ensure success. Both established and new employees would be in constant contact with their Danish counterparts, which required long-term and short-term strategies to ensure that the cultural gap would not be an issue. SYIT was expected to grow, with more individuals joining the organization and bringing their own working styles. Saeed needed to implement a strong culture that promoted SYIT’s shared values to ensure that all employees projected one consistent and effective working style across SYIT’s different projects and clients (see Exhibit 4).

EXHIBIT 1: SYIT management team structure

Note: Admin. = Administration.

Source: Company documents.

EXHIBIT 2: Hofstede’s National Cultural dimensions SCORES: Pakistan & Denmark



Source: Created by authors based on “Country Comparison,” Hofstede Insights, accessed September 27, 2016, https://www.hofstede-insights.com/country-comparison/denmark,pakistan/.

EXHIBIT 3: Comparison of Hofstede’s National Cultural DIMENSIONS: Pakistan VERSUS Denmark

Pakistan and Denmark’s respective values and cultural characteristics can be compared through the lens of Geert Hofstede’s cultural dimensions theory.

Power Distance

“Power distance” refers to the extent to which the people accept the presence of inequality in the distribution of power between superiors and subordinates. With a low score of 18, Danish culture exhibits a more “feminine” (i.e., where power is distributed uniformly among the members of the society/organizations) culture, oriented towards coaching and mentoring rather than directing. On the other hand, looking at Pakistan’s intermediate score of 55, one cannot completely claim that the culture has high power distance; however, the culture is not completely “feminine” either. People in senior positions do not necessarily decentralize decisions and have more of a tendency towards directing rather than coaching.

Individualism

This dimension deals with how much interdependence the members of the society feel towards each other. Denmark’s high score of 74 indicates that Danish people do not necessarily believe that building and maintaining extended relationships is necessary. People usually take care of themselves and at most, their immediate family members and are usually quite independent. In contrast, Pakistan’s low score of a mere 14 suggests a highly collectivist society where family, extended family, and members in the society, all have significant importance; this culture is more of a “group” culture where loyalty is key and trust is the foundation of group behaviour. Further, multiple trusted individuals’ opinions are taken into account before making key decisions.

Masculinity

A high score on this dimension indicates that the culture is highly competitive and is driven by results, achievements, and goals. Denmark’s low score of 16 on this dimension indicates that the culture is more focused on well-being, involvement, and support, rather than competition. Pakistan’s score of a neutral 50 indicates that the society is a mix of masculine and feminine inclinations; this indicates that the society may have a mix of masculine and feminine values, including focusing on goals—but not to an extent that jeopardizes well-being and relationships.

Uncertainty Avoidance

Uncertainty avoidance refers to the degree that members of the culture avoid unknown factors, and whether they are comfortable dealing with uncertain circumstances. A low score of 23 for Denmark on uncertainty avoidance means that Danish individuals do not require a great deal of predictability and uniformity to function effectively. The Danish culture is comfortable with innovation and creativity. Conversely, Pakistan’s high score of 70 indicates that individuals there are not comfortable with uncertain circumstances and effort is made to control unknowns. The culture is built around strong codes of belief, and deviation from the norm is discouraged. Here, hard-work is appreciated to reinforce security, rules, and structure for work and life.

EXHIBIT 3: Comparison of Hofstede’s National Cultural DIMENSIONS: Pakistan VERSUS Denmark (Continued)

Long-Term Orientation

Long-term oriented cultures focus on persistence and pragmatism; decisions are made with long-term benefits and profitability in mind. For Pakistan, a neutral score of 50 means that the culture may not have a specific inclination towards either long-term or short-term orientation. However, Denmark’s relatively low score of 35 means that it is more of a short-term-oriented culture; such cultures focus on immediate gains, respect for traditions and personal steadfastness, bottom-line results, absolute truths, and “saving face.”

Indulgence

Indulgence is the extent to which the members of the society are taught to control their desires and whims. Denmark’s high score of 70 means that Danish culture is quite “indulgent”; people focus on freedom of speech, actively engage in enjoying life, and invest time in recreational activities. Pakistan’s score on this measure is a stark zero, which means that it is a highly restrained society that controls its gratification; there is also a perception of helplessness about controlling one’s destiny. Moral discipline is important, and there is more formality. In Pakistan, indulging in fulfilling personal desires is considered inappropriate.

Source: Created by authors based on “Country Comparison,” Hofstede Insights, accessed September 27, 2016, https://www.hofstede-insights.com/country-comparison/denmark,pakistan/.

EXHIBIT 4: SYIT Company Values

|  |  |
| --- | --- |
| **Teamwork** | We believe SYIT is born from great teamwork |
| **Excellence** | We are committed to excellence and continual improvement |
| **Accountability** | We acknowledge and assume responsibility for our work and products |
| **Empowerment** | We encourage our employees to take initiative and engage |
| **Equality** | We respect diversity and believe in equality as a foundation for progress |

Source: Company documents.

1. “Why Pakistan,” Pakistan Software Export Board, accessed December 6, 2016, www.pseb.org.pk/why-pakistan. [↑](#footnote-ref-1)
2. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-2)
3. Muhammad Ishfaq Khan, Muzaffar Ali Qureshi, and Qaisar Abbas, “Agile Methodology in Software Development (SMEs) of Pakistan Software Industry for Successful Software Projects (CMM Framework),” *International Conference on Educational and Network Technology (ICENT)* (2010): 576–580. [↑](#footnote-ref-3)
4. Mansooreh Zahedi and Muhammad Ali Babar, “Towards an Understanding of Enabling Process Knowing in Global Software Development: A Case Study,” *Proceedings of the 2014 International Conference on Software and System Process* (2014): page 33, accessed September 25, 2016, http://bit.ly/2wd6Vds. [↑](#footnote-ref-4)
5. This section is based on “Country Comparison,” Hofstede Insights, accessed September 27, 2016, https://www.hofstede-insights.com/country-comparison/denmark,pakistan/. [↑](#footnote-ref-5)
6. Fakhar Shahzad, Zahid Iqbal, and Muhammad Gulzar, “Impact of Organizational Culture on Employees’ Job Performance: An Empirical Study of Software Houses in Pakistan,” *Journal of Business Studies Quarterly* 5**,** no. 2 (2013): 56. [↑](#footnote-ref-6)