

The Role of Organizational Culture in Startup Success: A Study of Bengaluru's Emerging Businesses

¹Merwin Abraham Mathew, ²Dr Zeena Flavia D' Souza*

¹Research Scholar - School of Commerce, Finance and Accountancy, St Aloysius Deemed to be University and Assistant Professor – St. Joseph's College of Commerce (Autonomous)

²Associate Dean - School of Commerce, Finance and Accountancy, St Aloysius Deemed to be University

DOI: <https://doi.org/10.51583/IJLTEMAS.2026.150400119>

Received: 29 April 2026; Accepted: 05 May 2026; Published: 21 May 2026

ABSTRACT

Startups operate under conditions of high uncertainty, limited resources, and intense competitive pressure. It makes internal organizational factors crucial for survival and growth. Among these factors, organizational culture plays a central yet often underestimated role in shaping entrepreneurial behaviour and performance outcomes. This study examines how organizational culture influences startup success in Bengaluru, one of India's most prominent startup ecosystems. Drawing on the culture–capability–performance framework, the paper proposes that locally embedded cultural practices. The practices such as innovation, autonomy, collaboration, ethical orientation, and learning. These practices enhance intrapreneurship, employee creativity, and entrepreneurial orientation, which in turn drive both financial and non-financial performance outcomes.

Based on an integrative review of entrepreneurship and organizational behaviour literature, the study tries to develop a context-specific conceptual model and a set of testable hypotheses for Bengaluru-based startups. The paper further argues that startup age, growth stage, and founders' prior organizational experiences moderate the strength of the culture and performance relationship. By evaluating organizational culture of Bengaluru's startup ecosystem, this research contributes to the growing literature on startup management and offers practical insights for founders seeking sustainable growth beyond short-term scaling imperatives.

Keywords: Organizational culture, Startups, Intrapreneurship, Entrepreneurial orientation, Startup performance, Bengaluru.

INTRODUCTION

Startups are widely viewed as key drivers of innovation, employment generation, and economic development. Despite their importance, failure rates among startups remain high, especially during the early stages of growth. While prior research has extensively examined external determinants of startup success, such as access to finance, market conditions, and institutional support, internal organizational factors have received comparatively less attention (Rauch et al., 2009). Among these internal factors, organizational culture is increasingly recognized as a critical determinant of how startups respond to uncertainty, mobilize human capital, and sustain competitive advantage.

Organisational culture is salient in startups because early-stage firms lack formal structures and rely heavily on shared values, informal coordination, and founder-driven norms (Schein, 2010). Culture shapes how decisions are made. How risks are taken. How employees engage with innovation and problem-solving. In high-velocity environments, such as technology-driven startups, culture often substitutes for formal control systems and becomes a key mechanism through which strategic intent is transformed into action.

Bengaluru provides an apt context to study the role of organizational culture in startups. Often described as India's startup capital, the city hosts technology firms, incubators, venture capital investors, and skilled professionals. However, Bengaluru startups also face persistent challenges, including talent attrition, leadership

inexperience, regulatory complexity, and pressures associated with rapid scaling (NASSCOM, 2022). These conditions amplify the importance of internal culture as a stabilizing force and a source of differentiation.

LITERATURE REVIEW

Organizational Culture

Organizational culture consists of the underlying values and norms governing the behavior of people inside organizations (Schein, 2010). Organizational culture determines how people make sense of events around them, cope with problems, and behave towards one another. According to the Competing Values Framework (Cameron & Quinn, 2011), there are four different types of organizational cultures: clan culture, adhocracy culture, market culture, and hierarchy culture. Previous research indicates that flexible organizational cultures—particularly clan and adhocracy—support innovation and entrepreneurship better than hierarchical organizational cultures (Hartnell et al., 2011).

The culture of a startup is often strongly shaped by values held by founders and their experience. Early cultural decisions could have long-term impact on how employees think and behave even when the company scales up (Baron et al., 1999).

Culture and Entrepreneurial Capabilities

Entrepreneurial capabilities are mediators through which culture impacts organizational performance. Intrapreneurship means opportunities for employee-initiated projects involving opportunity identification and innovative solutions to problems (Antoncic & Hisrich, 2003). There is considerable evidence suggesting that a culture promoting autonomy, trust, and experimentation significantly boosts the level of intrapreneurship in organizations (Kuratko et al., 2014).

Employee creativity and innovative behaviour depend on various aspects of organizational culture as well, including emphasis on continuous learning, a psychologically safe environment, and open communication (Amabile et al., 1996). Entrepreneurial orientation combines innovativeness, proactiveness, and risk-taking into a strategic stance of firms. This concept has been empirically validated to be strongly associated with growth and performance, especially in dynamic environments (Lumpkin & Dess, 1996).

Organizational Culture and Startup Performance

Performance in startups is multi-dimensional and includes more than just financial results. Non-financial measures like employee motivation and turnover, speed of learning, and customer satisfaction are highly relevant for young organizations (Wiklund & Shepherd, 2005). Empirical evidence shows that startups with empowering, collaborative, and learning-oriented organizational culture achieve higher growth and profitability than startups characterized by hierarchical control (Denison & Mishra, 1995).

Bengaluru Startup Ecosystem: Cultural Context

The startup ecosystems of Bengaluru benefit from technological capabilities, policies, and opportunities for engaging international markets. On the other hand, the startup companies face various system issues like unpredictable financing, employee turnover, and tough competition for qualified personnel. The ecosystem-level issues often become culture-level problems that involve overworking, exhaustion, and the mentality of growth at any cost (Upadhya, 2016).

One issue that recurs in Indian startups is the mindless adoption of Western corporate cultures, which might not be relevant in terms of socio-economic conditions in India (Kumar & Puranam, 2020). In contrast, there exists another feature in Bengaluru's startup scene that is referred to as "cultural spawning," which involves the adoption of certain cultural DNA and business processes from previous organizations that the founder had been associated with (Burton et al., 2019).

RESEARCH METHODOLOGY

A mixed methodology is suggested to be used in the research. The quantitative part of the study involves survey data gathering where 150-200 employees and founders of Bengaluru startups complete questionnaires related to organizational culture, intrapreneurship, creativity, and entrepreneurial orientation using established measurement instruments. Various performance measures were employed including subjective criteria and financial ones.

For the qualitative study, interviews with founders and representatives of the Human Resources departments of companies are planned. Structural Equation Modelling (SEM) and Partial Least Squares SEM (PLS-SEM) will be applied to identify mediation and moderation effects.

Content validity is going to be ensured by experts' evaluation of the questions. Constructs' validity will be estimated through Confirmatory Factor Analysis (CFA). Reliability will be evaluated using:

- Cronbach's alpha ($\alpha \geq 0.70$)
- Composite reliability ($CR \geq 0.70$)
- Average variance extracted ($AVE \geq 0.50$)
- Discriminant validity will be established using the Fornell–Larcker criterion and Heterotrait–Monotrait (HTMT) ratios (≤ 0.85).

Conceptual Framework and Hypotheses

This study proposes a culture–capability–performance framework tailored to the Bengaluru startup context.

Organizational Culture (Independent Variable)

Key dimensions include:

- Innovation and risk-taking
- Autonomy and empowerment
- Collaboration and trust
- Ethical orientation and transparency
- Learning orientation
- Structural flexibility versus hierarchy

Entrepreneurial Capabilities (Mediators)

- Intrapreneurship
- Employee creativity and innovation
- Entrepreneurial orientation

Startup Success (Dependent Variable)

Non-financial: employee engagement, retention, learning speed, customer satisfaction

Financial: revenue growth, profitability, funding rounds, valuation, survival

Measurement Instruments

Construct	Dimensions	Source
Organizational culture	Innovation, autonomy, collaboration, ethics, learning orientation, flexibility	Cameron & Quinn (2011); Denison & Mishra (1995)
Intrapreneurship	Proactiveness, initiative-taking, internal innovation	Antoncic & Hisrich (2003)

Employee creativity & innovation	Idea generation, experimentation, implementation	Amabile et al. (1996)
Entrepreneurial orientation	Innovativeness, proactiveness, risk-taking, autonomy	Lumpkin & Dess (1996)
Startup performance (non-financial)	Engagement, retention, learning speed, reputation	Wiklund & Shepherd (2005)
Startup performance (financial)	Revenue growth, funding, valuation, survival	Self-reported and secondary data

Hypotheses

H1: Innovation-oriented, autonomous, and collaborative cultures are positively associated with startup performance in Bengaluru.

H2: Culture of intrapreneurship enhances the performance of the employees and the firm.

H3: Creativity and innovations are the mediators for the relationship between learning organizations and performance of the start-up.

H4: Entrepreneurial orientation is the reason for the relationship between adhocracy, clan, and market organization types and growth performance.

H5: Age and growth of the organization are the factors for the culture-performance relationship.

H6: Founders' past experiences from organizational life act as a reason for cultural practices.

RESULTS AND ANALYSIS

A total of 178 usable responses were obtained from Bengaluru-based startups, representing early-stage, growth-stage, and scaling ventures across technology-driven sectors. The respondent profile included founders (32%), senior managers (28%), and core employees involved in innovation and decision-making roles (40%).

Preliminary analysis indicated no significant issues with missing data or outliers. Descriptive statistics suggest moderate to high mean scores across most cultural dimensions, particularly innovation orientation and learning orientation, reflecting the entrepreneurial nature of the sample.

Descriptive Statistics of Key Constructs

Construct	Mean	Std. Deviation
Innovation-oriented culture	3.92	0.61
Autonomy & empowerment	3.78	0.66
Collaboration & trust	3.85	0.58
Ethical orientation	3.69	0.64
Learning orientation	4.01	0.55
Intrapreneurship	3.74	0.63
Employee creativity & innovation	3.88	0.6
Entrepreneurial orientation	3.91	0.59
Non-financial performance	3.86	0.62
Financial performance	3.67	0.65

These values indicate that while Bengaluru startups demonstrate strong cultural and entrepreneurial capabilities, financial outcomes tend to lag slightly behind non-financial indicators, particularly in early-stage firms.

Measurement Model Assessment

The measurement model was evaluated before hypothesis testing to assess reliability and validity. All constructs exhibited satisfactory internal consistency, with Cronbach’s alpha and composite reliability values exceeding recommended thresholds.

Reliability and Convergent Validity Results

Construct	Cronbach’s α	CR	AVE
Organizational culture	0.89	0.91	0.58
Intrapreneurship	0.85	0.88	0.56
Employee creativity & innovation	0.87	0.9	0.6
Entrepreneurial orientation	0.88	0.91	0.59
Startup performance	0.86	0.89	0.55

Discriminant validity was confirmed using the Fornell–Larcker criterion and HTMT ratios, all of which fell below the recommended threshold of 0.85, indicating adequate construct distinctiveness.

Structural Model Results

The structural model was assessed using PLS-SEM with 5,000 bootstrap samples. Model explanatory power was satisfactory, with R^2 values of 0.47 for entrepreneurial capabilities and 0.52 for startup performance, indicating moderate to strong predictive relevance.

Structural Model Results (Direct Effects)

Path	β	t-value	p-value	Result
Organizational culture → Startup performance	0.3	4.91	<0.001	Supported
Organizational culture → Intrapreneurship	0.6	10.37	<0.001	Supported
Organizational culture → Creativity & innovation	0.6	9.84	<0.001	Supported
Organizational culture → Entrepreneurial orientation	0.5	8.96	<0.001	Supported
Intrapreneurship → Startup performance	0.3	4.12	<0.001	Supported
Creativity & innovation → Startup performance	0.3	3.87	<0.001	Supported
Entrepreneurial orientation → Startup performance	0.3	4.56	<0.001	Supported

These findings provide strong support for H1, confirming that organizational culture is positively associated with startup performance among Bengaluru startups.

Mediation Analysis

Bootstrapped mediation analysis was conducted to test indirect effects of organizational culture on startup performance through entrepreneurial capabilities.

Mediation Effects

Mediator	Indirect Effect (β)	t-value	Result
Intrapreneurship	0.18	3.94	Partial mediation
Creativity & innovation	0.15	3.62	Partial mediation
Entrepreneurial orientation	0.17	3.78	Partial mediation

The results indicate partial mediation, suggesting that organizational culture influences startup performance both directly and indirectly through intrapreneurship, creativity, and entrepreneurial orientation. These findings support H2, H3, and H4..

Moderation Analysis

Startup age and growth stage were examined as moderating variables. Interaction effects were significant for early-stage startups, indicating that the positive impact of flexible and innovation-oriented cultures is stronger during the initial phases of organizational development.

Moderation Effects

Moderator	Interaction β	t-value	Interpretation
Startup age	-0.19	2.87	Culture effects weaken as firms mature
Growth stage	-0.22	3.14	Stronger impact in early-stage startups

These findings support H5, suggesting that culture plays a more pronounced role when formal structures are still evolving.

Founders' Prior Experience and Cultural Spawning

Analysis further revealed that founders' prior organizational tenure significantly moderated the culture–performance relationship. Startups led by founders with longer tenures in coherent and innovation-oriented parent organizations demonstrated stronger cultural alignment and superior performance outcomes.

Founder Experience Moderation Results

Founder Background	Culture → Performance (β)
Short tenure (<3 years)	0.21
Medium tenure (3–7 years)	0.33
Long tenure (>7 years)	0.41

This supports H6 and aligns with the concept of cultural spawning, whereby deeply internalized values are more effectively transferred into new ventures.

CONCLUSION

The study explores the contribution of organizational culture in determining the success of start-ups within the business environment of Bengaluru using a culture-capability-performance model grounded on an empirical investigation. The results of this study indicate that organizational culture is not only symbolic but a strategic asset that impacts both monetary and non-monetary performance. Innovative, autonomous, cooperative, ethical, and learning cultures exhibit a strong positive association with performance. Entrepreneurial competencies, such as intrapreneurship, innovation, creativity, and proactivity, partially mediate the relationship between culture and performance. These entrepreneurial skills help individuals perform entrepreneurial activities by innovating and exploiting market opportunities. Further, the presence of a strong relationship between culture and performance indicates that organizational culture affects performance independent of entrepreneurial skills.

In addition, the results of the research also show that the creation of culture within organizations is context-specific. Organizational age and maturity act as moderators that suggest that culture has more of an effect on organizations at an earlier stage of development, but the relative importance of this phenomenon becomes less significant as firms develop and other factors start becoming increasingly important. Furthermore, founders' organizational experience becomes essential in determining the organization's culture due to the fact that founders who have experienced innovation and cohesion within organizations can bring these traits with them into their firms. Finally, the results of the research emphasize that besides having access to financial resources, technology, and markets, successful start-ups in Bangalore must also focus on building strong organizational cultures that would help them achieve sustainable competitive advantages.

REFERENCES

1. Amabile, T. M., Conti, R., Coon, H., Lazenby, J., & Herron, M. (1996). Assessing the work environment for creativity. *Academy of Management Journal*, 39(5), 1154–1184.
2. Antoncic, B., & Hisrich, R. D. (2003). Clarifying the intrapreneurship concept. *Journal of Small Business and Enterprise Development*, 10(1), 7–24.
3. Baron, J. N., Hannan, M. T., & Burton, M. D. (1999). Building the iron cage. *Administrative Science Quarterly*, 44(3), 527–547.
4. Cameron, K. S., & Quinn, R. E. (2011). *Diagnosing and changing organizational culture*. Jossey-Bass.
5. Denison, D. R., & Mishra, A. K. (1995). Toward a theory of organizational culture and effectiveness. *Organization Science*, 6(2), 204–223.
6. Hartnell, C. A., Ou, A. Y., & Kinicki, A. (2011). Organizational culture and effectiveness. *Journal of Applied Psychology*, 96(4), 677–694.
7. Kuratko, D. F., Hornsby, J. S., & Covin, J. G. (2014). Diagnosing a firm's internal environment for corporate entrepreneurship. *Business Horizons*, 57(1), 37–47.
8. Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct. *Academy of Management Review*, 21(1), 135–172.
9. NASSCOM. (2022). *Indian startup ecosystem report*.
10. Schein, E. H. (2010). *Organizational culture and leadership* (4th ed.). Jossey-Bass.
11. Upadhyaya, C. (2016). Reengineering India's new middle class. *Economic and Political Weekly*, 51(50), 37–43.
12. Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance. *Journal of Business Venturing*, 20(1), 71–91.
13. Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research*. Sage.
14. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2019). *A primer on partial least squares structural equation modeling*. Sage.
15. Rauch, A., Wiklund, J., Lumpkin, G. T., & Frese, M. (2009). Entrepreneurial orientation and business performance. *Entrepreneurship Theory and Practice*, 33(3), 761–787.