

## PM WORLD TODAY – FEATURED PAPER – JANUARY 2012

## Organizational Culture in Leadership and Management

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### Objectives and Scope

This paper reviews the existing literature organizational leadership and management structure, culture, technical process approach, constraints and challenges. Leaders focus to find the meaning and purpose in their organization, and to link their individual efforts to those of the entire company workforce. This paper further argues that certain organizational cultural attributes contribute to the shaping of future courses of action, able to discover, to amplify and value the employees' innovative potential based on knowledge creation, acquiring, sharing and use. Next, this paper points out how knowledge management and organization culture develops on a daily base only when the leader succeeds to transform the organization core business, and know how to drive the employee's productivity and firm performance levels. The main challenge is when knowledge becomes a factor that shapes the characteristics of leaders, employees, and the economic power of organization. This article provides a process for mapping the organizational culture and describing its culture is one of the most difficult actions for a leader, and how it can be better valued. We define culture as unifying and refer to the processes that bind the organization together. The idea of corporate culture reinforces the unifying strengths of central goals and creates a sense of common responsibility.

**Keywords:** Organizational culture, constraints and challenges, leaders characteristics, organizational change

### The Emerging of Organizational Culture

One of the primary responsibilities of strategic leaders is to create and maintain the organizational characteristics that reward and encourage collective effort. Perhaps the most fundamental of these is organizational culture. "The grand total of all the objects, ideas, knowledge, ways of doing things, habits, values, and attitudes which each generation in a society passes on to the next is what the anthropologist refers to as the culture of a group" (Nord, 1972). The famous Dutch behavioral scientist, Geert Hofstede defined culture "as the collective mental programming of a people in an environment". His later definition was "that culture is the collective programming of the mind which distinguishes the members of one group from another". Kotter and Heskett (1992) of the Harvard Business School define organizational culture, "as an interdependent set of values and ways of behaving that are common to a community and tend to perpetuate

them, sometimes over a long period of time". Robbins (1989) defines organizational culture is also as "a system of shared meaning held by members that distinguishes the organization from other organizations. This is a set of characteristics that the organization values."

If a business is established to make the best use of its resources, and then builds walls and political machinations that make it less efficient, those failures have to be obvious to the people in control. So office politics and a lack of teamwork are not just accepted but often implicitly condoned by a management team that can't create clear incentives to work together. This seems more intent on creating competitive teams that excel by eliminating team work. Culture is usually long-term, strategic, and difficult to change. It is rooted in beliefs and values. An organizational culture also represents the shared sense of the way we do things around here, a critical factor in guiding day-to-day behavior and shaping a future course of action". (2) Handy (1986) believes that it is these last two forms of culture, role and task, which are most frequently found in organizations. Handy's categorization of types of culture is useful for giving a picture of different organizational cultures. It serves to highlight both the difficulty of clearly defining cultures and the profound implications of the cultural approach to organizations.

## **Constraints**

Leaders have to develop new approaches be able to face the challenges of a dynamic environment. Their inspiration and hard work are involved in developing organizational structures able to discover, to amplify and value the employees' innovative potential based on knowledge creation, acquiring, sharing and use. Despise of the uncertainty that is associated to the external environment the leaders bet on the new approach that started to shake the paradigms that surrounded the way of leading (Politis, 2001), paying more attention to knowledge and knowledge management. At the same time, leaders support the individuals and groups to share knowledge (Hicks, 2000; Vitala, 2004), but also to learn together. It's a process that is very important for the organizational life but one that in practice is forced to face many obstacles. Learning an organizational leadership and management theory can be developed only when the leader succeeds to transform the organizational main business core in both sender and receiver of information, building a climate of trust and embedding it within the organizational culture (Năstase, 2008). We can't say today that we are interested only in political factors, technical sector and or in demographic field. All of them are important and together represent constraints that we have to pay attention.

## **Challenges**

The leaders faces challenges when a knowledge becomes a new factor that shape the characteristics of leaders of thinking and actions that include the social and cultural norms, and the economic power of organization. It is a mechanism that will have

powerful consequences on the organizations changes (Năstase, 2009), on the design as on the content of these adjustments. There is a strong connection that has to be properly explored between the leader decisions and the acquiring and use of knowledge (Bryant, 2003; Lakshman, 2005) within organizations. Building an organizational knowledge map is one of the most difficult accomplishments for leader, as has to thoroughly assess the knowledge potential and how it can be better valued. Sources of learning have to be identified also from external environment and the quality ones have to be cultivated and more integrated with the internal ones.

The leaders connect their success to the values that are at the bases of their decisions and undertaken actions, to the ability to work in team with their co-workers. This represents key elements for the evolution of an organization culture, leadership, and management. Great leaders lead with the best interests of their employees in mind. A leader must lead according to the unique needs of the organization. The leader must not only be successful as a leader, but also bring success to the organization and its employees.

One of the views that have been presented is the trait theories of leadership. In our research we found six traits on which leaders differ from non-leaders. These traits are: ambition and energy, the desire to lead, honesty and integrity, self-confidence, intelligence, emotional intelligence, and job relevant knowledge. These findings led to the conclusion that these traits may increase the likelihood of success as a leader, but do not guarantee success (Robbins, 2003). Behavioral theories explain the behaviors of leaders imply that the leaders may be trained. Professors at the University of Michigan, in the area of leadership, developed two dimensions of behavior. They labeled them employee oriented and production-oriented. Employee oriented leaders emphasize interpersonal relations by taking a personal interest in the employee's needs and accepting their differences. Conversely, production-oriented leaders emphasize the completion of tasks or technical functions of a job and the employee is simply the means of doing so (Robbins, 2003).

## **Introduction**

Leadership styles have a direct and unique impact on the work environment and the financial success of a company. Daniel Goleman's research identified six distinct leadership styles that stemmed from different components of emotional intelligence. These leadership styles are: coercive, authoritative, affiliative, democratic, pacesetter, and coaching. However, only four of these six styles consistently have a positive impact on a company's environment and financial success.

Leaders must set the example by living the elements of culture: values, behaviors, measures, and actions. Values are meaningless without the other element, such that organizations with clearly codified and enforced cultures enjoy great employee and

customer loyalty. Like anything worthwhile, corporate culture is something in which you invest. An organization's norms and values aren't formed through speeches but through actions and team learning. Leadership is a process by which a person influences others (followers) to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. Leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge, and skills. Underlying this ability are fundamental executive processes, or meta-components” (Sternberg, 1985): recognizing the existence of a problem, defining and redefining the problem, allocating resources to the solution of the problem, representing the problem mentally, formulating a strategy for solving the problem, monitoring the solution of the problem while problem solving is ongoing, and evaluating the solution to the problem after it has been solved. A creative intelligence is involved in a leadership and management culture when one applies the processes to relatively novel tasks and situations.

Taking this a step further, if each recognition is specifically tied to a company value demonstrated or strategic objective achieved (or contributed to), company leaders can begin to track which values and objectives are less understood by every employee and how those values and objectives apply to his or her specific job. Executives can use the recognition program as lagging indicators, to target these areas of low recognition for additional training or reinforcement. It is more important now than ever to establish a company culture that will drive the employee productivity and company performance levels to carry the organization through recession and prepare for when the economy turns. A culture of appreciation in which employees are recognized for their efforts helps employees understand why those efforts are critical to the company for achieving its strategic objectives.

It is important to note that not all leaders possess all six styles of leadership. However, these styles can be learned through understanding which emotional intelligence competencies are inlaid in each style. Goleman identified effective leaders as having one common trait – a high degree of emotional intelligence. Emotional intelligence includes: self-awareness, self-regulation, motivation, empathy, and social skills. Through repetition, time, desire, and effort, these emotional intelligence competencies can be mastered leaving the leader with great results (Goleman, 2003).

## ***Significance of Organizational Culture***

Corporate culture shapes the way people act and interact and strongly influences how things get done. It encompasses the organization's goals, behavioral norms, and dominant ideologies. Companies pursuing internal stability such as large government bureaucracies are likely to seek to instill respect for order and rule following as appropriate behaviors in their employees in order to facilitate functioning on complex tasks (Leavitt, 2003; Thompson & Wildavsky, 1986). Ouchi (1981) explained the

traditional American and Japanese organizational culture styles and suggested that management through commitment and cohesiveness seems to be the success formula in Japan. The organizational values in turn develop the norms, guidelines and expectations for appropriate behavior of employees while in a particular situation as well as control behavior of the members with one another.

Organizational culture conveys the beliefs and ideas of the goals that need to be pursued by and the appropriate standards of behavior the members of the organization utilize to attain their respective organizational goals. As a widely used concept, organizational culture is a vital environment condition that affects the systems and subsystems of an organization and examining it is a valuable analytical tool. The executive leaders have a fundamental role to play in the organization through their actions and leadership, while the employees contribute in developing the organizational culture, which is the work environment. Furthermore, something is driving the development of your culture and sustaining it. Organizational culture is a result of that which precedes it. It means that if you want to address issues related to your culture, you must focus on the key elements that come together to create and sustain it.

Organizations are more than they appear to be on the surface. Behind products, policies, services, and rewards are the ingredients which determine the results in organization. We believe that organizational culture is a primary, if not the primary determinant of the daily operations. We believe an organization can go only as far as its culture takes it. We help organizations get their "cultural bearings," get a clear sense of how far they are from where they wish to be, and what it will take to get "there." Then we help organizations move themselves forward.

Corporate culture is a key component in the achievement of an organization's mission and strategies, the improvement of organizational effectiveness, and the management of change (Samuel Olu Adeyoyin, 2006). A corporate culture can work for an organization to improve performance or against it by creating barriers that prevent the attainment of goals. However, it can be corrected by providing guidance on what is expected by conveying a sense of identity and purpose of unity to members, facilitating the generation of commitment and shaping behavior.

Not all managers are leaders and, conversely, not all leaders are managers. Furthermore, just because a company has placed a manager into formal authority does not mean that this manager will be able to lead effectively. However, these two terms can be considered complimentary because in today's changing world both are necessary. (Zaleznik 1). John Kotter describes each term with its own functions and activities. He said "they don't make plans; they don't even organize people. What leaders really do is prepare organizations for change and help them cope as they struggle through it." Managers, however, cope with complexity by instituting order and consistency to the key dimensions of the working environment leaders (Kotter 3-5, 7,9).

In Robert Galford's and Anne Seibold Drapeau's book, *The Trusted Leader*, they identified three levels of trust – strategic trust, organizational trust, and personal trust. However, we will only discuss organizational trust and personal trust. Organizational trust is “the trust that the organization's policies will be fairly administered and implemented as stated.” Personal trust is “the trust that subordinates place in their manager to be fair and to look out for their interests.” (Galford and Drapeau 1).

## **Organizational culture and strategic management**

If the corporate culture is incompatible with business strategy, objectives will not be met. Before changing the corporation's strategic direction, top management should be prepared to reshape the organization culture to fit the new strategy. However, we've seen organizations execute new strategies, due to changes in external influences, but allowed these plans to be subverted by a culture, reflecting old strategies. We have seen large scale change initiatives being implemented and on the project plans it is on time and on budget, yet the stakeholders/recipients of the initiative is lagging behind. The culture helps to shape its members ... culture, then, stands at the apex of the leader's responsibility hierarchy' (Hampden-Turner 1990, pp. 7, 9).

The reason is not that change management is at fault (some would argue), but many initiatives do not take into account the importance of organization culture. To introduce any change, including new strategy, one must work with the whole system, all the elements that shape the perceptions, beliefs and reflexes of those who must carry out the strategy of the corporation. Furthermore, business processes and other support processes need to be reflective and structured to reward expected behavior of the new initiative. Whether we are embarking on a journey of assessing the organization culture, wanting to create a new culture after a merger, or want to take the organization in a new strategic direction; assessing, planning executing and supporting is the key (Bate 1994, p. 11).

Organizational Culture focuses attention on the human side of organizational life, and finds significance and learning in even its most ordinary aspects. It clarifies the importance of creating appropriate systems of shared meaning to help people work together toward desired outcomes. It requires members especially leaders, to acknowledge the impact of their behavior on the organization's culture. It encourages the view that the perceived relationship between an organization and its environment is also affected by the organization's basic assumptions. Organizational culture is possibly the most critical factor determining an organization's capacity, effectiveness, and longevity. It also contributes significantly to the organization's brand image and brand promise. Organizational Culture creates energy and momentum. The energy will permeate the organization and create a new momentum for success. Like wider delineations such as national culture, an organizational culture may be generally

described as a set of norms, beliefs, principles and ways of behaving that together give each organization a distinctive character (Brown 1995).

## **Organizational Culture Development & Failure**

Corporate mergers and acquisitions usually occur because of the strategic or financial imperatives of one or both partner firms. For example, the merger between computer makers Hewlett-Packard and Compaq was announced as “creating an absolute powerhouse in the market place” (Williams, 2001). Similarly, when Daimler Benz and Chrysler merged in 1999, the CEO’s of both companies cited as motivation the increasing role of scale economies in a globalizing industry as well as complementarities between the companies’ products (Vlasic and Stertz, 2000). And, the merger of hospitals between Stanford University and the University of California at San Francisco (UCSF) was supposed to “not only offer superior patient care but would provide financial stability that would ensure the medical centers’ survival in a brutally competitive health care industry. Together, Stanford and UCSF would bargain more aggressively with insurance companies and suppliers, boosting revenues and saving money” (Feder, 2000). Indeed, a recent academic review suggests enhanced efficiency is the most common general motivation for mergers and acquisitions (Holmstrom and Kaplan, 2000).

Likewise, the dismal performance of DaimlerChrysler has been attributed to the difficulties of combining Daimler-Benz’s “hierarchical bureaucratic” culture with Chrysler’s “free wheeling creative” culture (Vlasic and Stertz, 2001). And, after losing \$176 million in 28 months, the Stanford-UCSF hospital merger was dismantled because “the two hospitals had radically different cultures, which made the merger impossible in the end” (Pyati, 2000). Clearly, content-based cultural assessment is the dominant way that many observers, including social scientists, analyze the cultural aspect of mergers and acquisitions. In fact, this way of thinking is so engrained that some progressive firms such as Johnson & Johnson and Cisco Systems now use such analysis proactively: they systematically analyze cultural fit in assessing potential merger targets.

## **Building Organizational Culture**

Organizational culture plays an especially critical role in most organizations. Generally organizations evolve from a group of people working on a common cause to solve a common problem. What originally hold these individuals together is their shared commitment or purpose and the common underlying assumptions and values about what they want to accomplish and how they hope to accomplish it. Human systems naturally evolve from habits of behavior and thoughts based on these shared assumptions and values. These predictable and promoted behaviors and the written artifacts created by the groups as a whole gradually become the organizational culture. If the culture within an organization fails to evolve and change as rapidly as the social conditions in the community and society, the organization's culture often loses sight of

the commitment or purpose that brought people together in the first place. The organizational culture then becomes an end in itself rather than the means. Cultural competitiveness is the degree to which an organization is predisposed to detect and fill gaps between what the market desires and what is currently offered (Hult et al., 2002).

To keep organizational culture vital and relevant, people need a deep understanding of why the organization was created, what brought its members together in the first place, and why the group still exists today. Is it an organization with a mission-driven contemporary purpose and strategic focus supported by a healthy organizational culture? Or have once-effective human systems and their procedures, rituals, and bureaucracies--the organizational culture itself--replaced shared goals and values to become the dominant source of power and energy in the organization? (Tamara J Woodbury 2006).

The importance of organizational culture and how it contributes to organizational effectiveness and achievement is well established. Organizational culture is possibly the most critical factor determining an organization's capacity, effectiveness, and longevity. It can also contribute significantly to the organization's brand image and brand promise, which can have both positive and negative implications. When culture is out of alignment with mission, core values, and operational strategy, it can become a significant liability for the organization.

Diverse organizations promote creativity, innovation, and flexibility. In fact, they even tend to plan for, and purposely learn from, the effects of environmental unpredictability. How did we ever think we could build diversity through conformity? We did not. We neglected to look at this issue systemically, failing to examine ourselves to see how our underlying assumptions about uniformity, fairness, and the so-called simplicity of "one way to do things" had run counter to our core value of inclusivity. We did not see how our prescribed methods of working, viewing, and solving problems often left members of our group from other cultures or life experiences feeling as if they were truly unwelcome.

Embedding a new culture within an existing organizational fabric often begins with focusing from the outside in. Instead of just focusing on the patterns and perceptions inside the organization, it is important to understand how the community, your customers, and your donors perceive your culture. How much of your brand image is tied to your culture? Most important, is your organizational culture in alignment with your mission, organizational goals, and strategies? Is it the means for the end? (Tamara J Woodbury 2006).

## **Finding**

Organization culture is characterized by the attitudes, experiences, beliefs and values of an entire organization. An understanding of culture, and how to transform it, is a crucial

skill for leaders trying to achieve strategic outcomes. Strategic leaders have the best perspective, because of their position in the organization, to see the dynamics of the culture, what should remain, and what needs to be transformed. The attributes of an organization’s culture can be tangible, such as dress code or physical work environments, or intangible, such as shared values and definitions of success.

The findings of this study showed that corporate culture is relationship with attitudes toward organizational change. Different types of corporate culture have different levels of acceptance on attitudes toward organizational change. Major implication of this finding: the corporate culture has an effect in the organizational change process, and the attitude toward organizational change, and this gives the impression of the importance of each type of culture. The corporate culture is very important in every organization when it has positive impact on employee job performance. Besides, corporate culture affects the level of organizational productivity in a positive way. This study shows that there is a positive relationship between organizational culture and employee job performance.

While past inquiry suggests independent roles for an organizational culture of competitiveness and knowledge development, our results highlight the criticality of simultaneously considering these two concepts and market turbulence in order to minimize cycle time.

### Recommendations

Every individual has different culture and beliefs and when they join an organization that has a completely different culture and beliefs from their own, they should be allowed to internalize themselves first with the organization’s culture and values to know whether they can cope with them or not. It is the ability of the employee to cope with the organizations culture that will determine how they will perform on their job. In cases where an organizational culture must be changed, employees must first of all be notified and made to learn the modification of the culture they carry as this will affect their performance. Organizational culture must be binding on all member and staff of the company as this will encourage uniformity among members of the organization and thus enhance commitment and group efficiency.

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