

Organizational Culture Relative to Effective Leadership

Blake E. Hollis

Beulah Heights University

Abstract

This paper discusses the subject of organizational culture as it relates to its impact upon effective leadership. To get a full understanding of the terms organizational culture and their impact upon effective leadership, one must first understand each of the different terms involved which are those of organizational culture and effective leadership. This paper attempts to discuss each of these terms to paint a clearer picture of just how effective leadership within an organization is impacted. As well, this document will identify some possible areas which will likely be impacted based upon the culture that could exist within an organization. When considering the general term leadership one thing that first comes to mind is the exerting influence over another causing them to accomplish a task. In fact, the author Yukl (2013) defines leadership as “the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives” (p. 7). As well, according to the authors Branson and Martinez (2011) “relationships and social concepts such as friendship, commitment, partnership and even ‘belonging’ when it refers to a congregation” (p. 1545) describe the term culture.

Introduction

This paper looks at the areas of organizational culture and effective leadership and ultimately identifies some major impacts of culture upon effective leadership. Regardless, within every organization there will always be leaders and followers who embark upon a similar requirement to achieve a similar result or outcome. As noted above, in every case, regardless of situations, leaders and followers will always be involved. However, though leaders and followers will always be involved, outcomes will always be different and sometimes outcomes will be vastly different. Considering this fact, one would likely ask the question, how is it that outcomes could be so vastly different? The simple answer to this question is leadership. To be more specific with the answer to this question, the answer as to why outcomes could be so vastly different is that of “effective leadership.”

Leadership is something that everyone knows is required but it is the one thing that very few people can define in a consistent manner. According to the author Yukl (2013) leadership can be defined as “. . .the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives” (p. 7). Leadership is what causes an organization to succeed but as Yukl (2013) notes that since leadership is all about influence we must not forget the need to understand the influence process. [CITATION Yuk13 \l 1033]

Organizational Culture

To develop a good understanding regarding the impact of organizational culture on effective leadership, it is important to first develop a good understanding of the terms organizational culture. When we consider the terms organizational culture we see that an organization is something that according to the author Yukl (2013) is “. . . founded, other key

responsibilities include identifying and acquiring the technology needed to perform the work, recruiting the key personnel needed to staff the organization, inspiring commitment by the new members, and designing appropriate management systems (e.g., information systems, control systems, reward systems)” (p. 38). Again, when considering an organization, we see that it is nothing more than a group or society or even a team that comes together for a specific purpose and it tends to have many things in common. As noted in the definition above, it states that the organization will perform work; it will be staffed with appropriate personnel; group members will be committed to each other; members will inspire each other; and manager and management systems will be chosen, and these things will bring an organization to life.

Once an organization is developed, formed, and comes to life it then begins to develop an identity that is unique only to that organization and this would be identified as the organization’s culture. The term culture is defined by Merriam-Webster as:

the beliefs, customs, arts, etc., of a particular society, group, place, or time. : a particular society that has its own beliefs, ways of life, art, etc. : a way of thinking, behaving, or working that exists in a place or organization (such as a business) [CITATION Mer18 \l 1033].

Based upon the definition for culture above, we see that the term culture involves an organization’s beliefs, their manner of thinking, their customs within the organization, their lives within the organization and the way they conduct themselves within the group or organization. All the areas identified above involve the term culture and impact each of the individuals within the organization. It is very important that every leader is aware of the areas mentioned and others to become effective leaders within this organization.

Effective Leadership

Earlier in this document the term leadership was defined. As a reminder, leadership was defined as “the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives” [CITATION Yuk13 \p 7 \l 1033]. As noted earlier, there are many different definitions for the term leadership. Leadership is something that we all know we need but is that definition for which we cannot totally agree on. Another author identifies the Christian model of leadership as: “. . . one in which leadership perspectives, practices and habits are congruent with the tenets and habits of the Christian faith” [CITATION Bur141 \p 60 \l 1033]. This approach applies to leadership across the board. When the authors mention the Christian faith, the Christian faith can be used interchangeably with the term organization in this case. In this definition, the Christian faith is the organization in question. For a leader to be identified as an effective leader they must be able to exercise extensive influence over those whom they supervise whereby their influence is used to accomplish results above and beyond the norm. In fact, the author Yukl (2013) states “One very relevant indicator of leadership effectiveness is the extent to which the performance of the team or organization is enhanced and the attainment of goals is facilitated” (Bass, 2008; Kaiser, Hogan & Craig, 2008 as cited in [CITATION Yuk13 \p 9 \l 1033]). It is clearly noted in this case that ultimately it is the organization that benefits from the actions of the leader. The organization in this case is improved based upon the actions of the leader thereby making them effective leaders. Upon looking a little deeper at the effective leader and questioning exactly what is impacted by the effective leader’s actions we would likely see areas such as those that identify the organizations culture. As we recall, areas involved with an organization’s culture are areas such as the

organization's behavior; an organization's actions; the organization's reactions; the beliefs of the organization; customs exhibited; beliefs displayed within the organization and the actual picture that is ultimately painted because of an organization's work. Whenever a leader is identified as going above and beyond their calling in their work, generally the organization's culture is enhanced in some way and the goals of the team are both achieved and possibly improved upon. This statement is also consistent with the comment stated earlier that suggested that the group, team or organization is improved upon and the organizations work goals are achieved.

Cultural Impacts Upon Leadership

Whenever a team, group or even the entire organization improves it is very likely done in one of the areas involved with the organizations culture. Again, an organization's culture involves such areas as their manner of behaving; the way they think; the way they act and/or react; the organization's manner of living; or ultimately the work done by organizational personnel for the organization. Whenever leadership improves, one or several of these areas will likely also improve. In an article by the authors Guiso, L., Sapienza, P., & Zingales, L. (2015) the company began to lose revenue and standing based upon a failure to value the organization's established culture causing the former vice president Greg Smith to write:

. . . "Culture was always a vital part of Goldman Sachs's success. It revolved around teamwork, integrity, a spirit of humility, and always doing right by our clients. The culture was the secret sauce that made this place great and allowed us to earn our clients' trust for 143 years." He then adds "I am sad to say that I look around today and see virtually no trace of the culture that made me love working for this firm for many years. (Guiso et al., 2015, p. 60)

In this case it is evident that based upon the thoughts of a previous vice president, the reason that the organization was not performing well was primarily because the organization had abandoned the cultural practices that had been practiced and maintained for 143 years making the organization, Goldman Sachs, a great organization. The authors Guiso et al. (2015) decided to investigate the assertion by former vice president Greg Smith that the organization was spiraling downward because it had failed to maintain the cultural practices that were practiced and maintained for 143 years. Some of the cultural practices identified were those of operating as a team; exhibiting integrity throughout the organization; the organization exhibited a spirit of humbleness, humility, modesty, and meekness; and most importantly the organization always did right by its clientele. Unfortunately, according to Greg Smith, the organization began to decline in the market when it began to lose its cultural values. In the article by Guiso et al. (2015) the former vice president also asserts that “the demise of Goldman Sachs’s culture to its transformation from a partnership to a publicly traded company” (p. 60). The article also mentions that the organization began to lose market share and revenue, not just because of the cultural practices but also because of its failure to maintain practice of certain foundational leadership principles. One area specifically impacted was that of foundational leadership and the practice of integrity. It is critically important to practice integrity within all organizations in order to be successful. In the book entitled *The Truth About Leadership*, Kouzes and Posner, (2010), the book authors mention that “A culture of leadership excellence and integrity is created when people at all levels genuinely expect each other to be credible, and they hold each other accountable for the actions that build and sustain credibility” (p. 26). Based upon ion provided by Greg Smith, this appears to have been practiced within the Goldman Sachs organization for a

very long time prior to being discarded or either disregarded by the leadership team present at the time when former vice president Greg Smith departed the Goldman Sachs organization.

Cultural Impacts Upon Leadership

As noted in the above article, the issues identified by former vice president Greg Smith began to impact the organization from a leadership standpoint. Generally, the issues are always noticed within the workforce initially, but the impact is always greatest on the leadership because it's their responsibility to solve. The issues that first impacted Goldman Sachs, per the information provided by Greg Smith, were those related to organizational culture. Again, those cultural issues were that of operating as a team; exhibiting integrity in the organization; maintaining a spirit of humbleness, humility, modesty, and meekness; and doing the right thing always concerning the organizations clients. Some other issues identified as negatively impacting the organization were those related to foundational leadership. Whether the leadership was first to learn of any issues it was the responsibility of the organization's leadership to determine the cause of the various issues and determine what was required to solve the issues. Once the cause of the issues was determined and a determination was made regarding resolution requirements it was the responsibility of the leadership to resolve all issues for the organization. In this case it appears that, not only did the organization have an issue with cultural issues but there were also foundational leader issues. Per Guiso et al., (2015) it was their goal to determine if the issues identified by Greg Smith were true by determining: the culture of the organization; determining the true impact of changes; and to determine if the governance structure actually aided or hurt the organization's culture.

Conclusion

In conclusion, when considering the impact of organizational culture upon effective leadership we see that the traits espoused would be traits which are very important in any organization. When we consider the impact of cultural areas such as teamwork; exhibiting integrity within an organization; practicing and exhibiting a spirit of meekness, humbleness, humility and modesty (which are Godly principles); and simply doing the right thing throughout the organization for its clientele, one could certainly almost conclude a negative impact if such important areas were removed from operation. However, even though one could have likely concluded the impact, the author Guiso et al. (2015) investigated this issue officially and concluded that the former vice president Greg Smith was correct in his assessment, stating “While we are unable to test his claims directly, we study whether on average a culture of integrity adds value and whether on average this culture is weaker among publicly traded companies. We find both these statements to be true. Integrity is positively correlated with financial performance and attractiveness of job offerings, while it is negatively correlated with the degree of unionization” (p. 82). Based upon this information it appears that there will likely always be a negative impact whenever such cultural issues are recinded.

References

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