



# Interplay of Organizational Culture and Leadership in Performance

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**Abstract.** This study examines the intricate relationship between organizational culture and leadership style, and their collective impact on organizational performance. Organizational culture is defined as a system of shared meanings that distinguishes one organization from another, essentially forming the backbone of an organization's identity and operational ethos. Leadership style, conversely, acts as the primary vehicle through which this culture is implemented and sustained. Through qualitative analysis and review of existing literature, this research highlights how the synergy between a supportive organizational culture and an adaptive leadership style can significantly enhance organizational outcomes, including performance, innovation, and sustainability. Key findings suggest that effective leadership is paramount in fostering a culture that promotes shared goals and values, while also necessitating adjustments in communication styles to align with follower characteristics. Challenges such as establishing trust and aligning values within the culture-building process are underscored. The study underscores the critical role of leadership in not only endorsing but actualizing an organizational culture conducive to achieving unified organizational objectives.

**Keywords:** Organizational Culture, Leadership Style, Performance Optimization, Innovation, Sustainability

## 1 Introduction

### 1.1 Organizational Culture and Leadership Style in an Era of Complexity

In a rapidly changing business era, organizational culture and leadership style have become important elements in shaping the identity and success of an organization. Culture creates the foundation for how people work together, while leadership style influences how leaders direct and motivate team members. [1] defines, "Organizational culture as a system of values shared by members of an organization that differentiates that organization from other organizations." Organizational culture will foster identity within each member and their attachment to the organization, because in an organization the role of organizational culture has a real impact on the behaviour of organizational members as individuals, groups and as an entire organizational unit. The same embedded values will make it easier for every member of the organization to understand and appreciate every event and activity carried out by the organization. Understanding organizational culture, apart from making it easier to solve internal problems such as rewards, performance and career development, also helps organizations face

problems related to adapting to their external environment, so that the organization can continue to survive in all conditions. The decline in organizational performance is largely due to changes in organizational culture, because organizational culture is a type of intangible capital belonging to an organization. Understanding organizational culture, apart from making it easier to solve internal problems such as rewards, performance and career development, also helps organizations face problems related to adapting to their external environment, so that the organization can continue to survive in all conditions. The decline in organizational performance is largely due to changes in organizational culture, because organizational culture is a type of intangible capital belonging to an organization. Understanding organizational culture, apart from making it easier to solve internal problems such as rewards, performance and career development, also helps organizations face problems related to adapting to their external environment, so that the organization can continue to survive in all conditions. The decline in organizational performance is largely due to changes in organizational culture, because organizational culture is a type of intangible capital belonging to an organization.

## **2 Organizational Culture**

### **2.1 Foundations of Shared Values and Norms**

Organizational culture reflects a collective agreement regarding behavioral norms, values, and shared goals. It creates guidelines that influence daily interactions, decision making, as well as acceptance of change. A strong culture encourages collaboration, innovation, and continuous development. Therefore, organizational culture in practice must be disseminated to all members of the organization to obtain agreement and commitment to the values that underlie all activities in the organization, because organizational culture aims to create excellence. [2] argues that "the key to successful change is human resources, namely as initiators and agents of continuous change, shapers of processes and culture which together increase the organization's ability to change".

## **3 Leadership Style**

### **3.1 Influence in Supporting Organizational Culture**

Leadership style summarizes a leader's approach and attitude toward decision making, communication, and interaction with the team. Different leadership styles - such as authoritarian, democratic, transformational, or servant leadership - have different impacts on organizational culture. Leaders who implement a transformational style, for example, encourage innovation and development, which can change a rigid culture into a dynamic one. An astute and expert leader is a leader who can respond to organizational environmental conditions and is able to make continuous improvements in accordance with organizational demands. [3] states that:

Leadership is any action determined by an individual or group to coordinate and provide direction to individuals or groups who are members of a particular organization to

achieve predetermined goals. ... Leader activities include giving orders, guiding and influencing work groups or other people in order to achieve certain goals effectively and efficiently.

[3] further states that, "A good leader is a reliable communicator. Most of the time spent on leadership work is communicating both internally and externally." [4] in states that "a vision should be a reference for leaders and their followers in a certain direction for the future and can provide motivation in making changes." Therefore, leaders should have a vision as a goal to be achieved by both themselves and their followers.

## 4 Dynamic Interaction

### 4.1 How Culture Influences Leadership Style and Vice Versa

Organizational culture is classified as a set of understandings that are shared through interactions over time, and can be said to never be static. This was expressed in [5] who said that "organizational culture can be stable for some time, but it is never static. Competition in a rapidly changing business environment forces groups or leaders to re-evaluate old values and culture and must look for new ways to do things which ultimately creates a new culture." According to [5], the types and characteristics of organizational culture are divided into four (4) groups, namely:

Table 1. The types and characteristics of organizational culture

No	Type	Characteristic features	Term
1	Culture as an extension of leadership	Openness to dialogue and conflict	<i>Apollo</i>
2	In assignments it is possible for differences of understanding to emerge	The direction of progress and affirmation takes a central place; Allows for inconsistencies to arise in decisions taken; Quickly anticipate the challenges of the times	<i>Athens</i>
3	Structural approach	Strong bureaucracy; The ability to protect oneself is strong; There is no intimacy and warmth; Large scale matters can be handled well	<i>Zeus</i>
4	Everyone feels and really takes part in the task	Has a tendency to maintain warmth and an intimate family attitude	<i>Dionysius</i>

The culture in each company is different and is formed through several key elements, such as the values of the organization's founders, the industrial and business environment, national culture, and the vision and behavior of senior managers. According to [6] culture carries out a number of functions in an organization. First, culture plays a role in determining boundary

markers, which means that culture creates clear differences between one organization and another. Second, culture brings a sense of identity to organizational members. Third, culture makes it easier to create a commitment to something broader than one's personal self-interest. Fourth, culture increases the stability of the social system. Culture is the social glue that helps unite an organization by providing precise standards for what employees should say and do. So it can be concluded that corporate culture functions as a meaning-making and control mechanism that guides and shapes the attitudes and behavior of employees. It is this function that draws attention to the fact that culture can bring a sense of identity to members of an organization and help in generating commitment and bonding the organization, eliminating superiority and ensuring that members of the organization move in the same direction, namely the goals which are the vision and mission of the organization. Therefore, as a guide and shaper of employee attitudes and behavior, according in "Culture is supported by leadership factors, sense of direction, climate, positive teamwork, value added systems, enabling structure, appropriate competences and developed individuals". And among these factors, the most prominent is the leadership factor, where the commitment and seriousness of determination from leaders, especially the top leadership of an organization, is the main factor and really supports the implementation of a culture in the company.

#### **4.2 Organizational Success through Cultural Synergy and Leadership**

The main key to organizational success is achieving optimal alignment between organizational culture and leadership style. Leaders must understand the existing culture and choose an appropriate leadership style to strengthen and direct that culture according to organizational goals. According to [5] there are two definitions of leadership, namely:

- a. Leadership is the ability and art of obtaining results through activities by influencing other people in order to achieve predetermined goals.
- b. Leadership is the ability to influence other people, in this case subordinates, so that they are willing and able to carry out certain activities even though they personally don't like it. ....

In relation to influencing and building relationships with members of the organization, [7] believes that leaders are individuals in an organization who play the biggest role in influencing other people. Meanwhile, leadership is a process where an individual influences other group members to fulfill organizational or group goals. So in this case [8] puts forward the following leadership theory and approach:

1. Trait Theory, where a leader has a higher level of intelligence than his subordinates.
2. Group Theory, where to achieve goals there must be a positive exchange between the leader and his followers, such as paying attention to his followers.
3. Situational Theory and Contingency Model, states that there are two things that are targeted, namely identifying the most important factors in the situation, and secondly estimating the most effective leadership style or behavior in the situation.
4. Social Learning Approach Theory in Leadership, namely about reciprocal interactions between leaders, the environment and their own behavior. Leaders and subordinates have the opportunity to discuss problems that arise and have awareness in their behavior.

Meanwhile, [3] explains that the Situational Theory and Contingency Model is a Contingency Leadership Theory which is formulated based on the assumption that:

...to be effective a leader must be able to change his behavior according to changes in the characteristics of his followers and the leadership situation. ... The definition of the term contingency leadership theory is the same as the term situational leadership which formulates that the leadership style needs to adapt to the characteristics of its followers.

Paul Hersey and Kenneth H. Blanchard developed a behavioral theory or situational leadership style (Situational Leadership Theory). This theory is based on the principle that effective leadership can be realized through the ability to choose appropriate behavior or leadership style based on the level of readiness and maturity of organizational members or subordinates (which is divided into four (4) styles. leadership, as follows:

1. Telling Style or style of saying or commanding or directing: This leadership style is highly task oriented and low on relationships with organizational members or subordinates. The leader is the center of activity because the readiness and maturity of the subordinates is low, requiring the leader to explain the role of each member of the organization or how they carry out their work.
2. Selling Style or the style of offering or selling: This leadership style is carried out with high levels of task and relationship orientation behavior. The role of the leader is to offer or sell tasks to those who are capable and willing. In other words, the leader behaves as a director and supporter (support) for each member of the organization as a subordinate.
3. Participating Style: Leadership style is implemented with low task orientation and high relationship orientation with organizational members. This style is effective if subordinates have high levels of readiness and maturity in completing their tasks.
4. Delegating Style or style of delegating authority: Leadership style is implemented with low task orientation and low relationships with organizational members as subordinates. The situation of organizational members as subordinates shows high ability or work skills and a great willingness to carry out and complete their tasks, so that they are worthy of being given delegation of authority at work.



**Follower Readiness**

<i>High</i>	<i>Moderate</i>		<i>Low</i>
R4	R3	R2	R1
Very Capable and Confident	Capable but unwilling	Unable but willing	Unable and insecure

**Fig.1** Pace and Faules Organizational Communication (2014:132)

## 5 Conclusion

This investigation into the relationship between organizational culture and leadership style reaffirms the significant influence these elements have on enhancing organizational performance. The findings illuminate the critical role of leadership in championing and operationalizing an organizational culture that aligns with shared values and goals, thereby fostering an environment ripe for innovation and sustainable growth. The study contributes to the existing body of knowledge by demonstrating that the compatibility of leadership style with organizational culture is fundamental to achieving optimal performance outcomes. Implications of this research suggest that leaders must prioritize understanding and adapting their leadership approaches to cultivate a strong, value-driven culture. Additionally, future research should further explore the dynamic interplay between leadership styles and organizational culture across diverse sectors and contexts to generalize these findings and uncover deeper insights into their combined effect on organizational success. This will pave the way for developing more nuanced strategies that leaders can employ to navigate the complexities of organizational culture and leadership dynamics effectively.

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