The Effects of Organizational Culture and Leadership on Firm Performance

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Abstract
The aim of this study is to investigate whether the organizational culture and leadership have an effect on performance. The literature search displays that these three subjects are usually studied on their own. The effects of organizational culture, leadership and performance on each other are not sufficiently tackled. Thus, this study intends to help filling this gap. The impact of organizational culture and leadership over performance is examined with the assistance of survey data. The main mass of the survey is represented by the managers of a shopping mall. As a result of these analyzes; organizational culture and leadership, organizational culture and performance, leadership and performance were found to have a meaningful relationship. It was found that organizational culture and leadership had effects on firm performance.

Keywords: Organizational Culture, Leadership, Firm Performance.

Introduction
There is generally a common problem in the denomination of organizations. Basic rules should be set in order to ensure everybody know what should be done and do them according to same standards. This situation established the culture named ‘organizational culture’. It is necessary to strengthen the system and make it adaptable with the changing conditions in order to ensure its sustainability. Thus talented, knowledgeable and experienced managers are needed and the concept of leadership is formed. Another issue that is significant in terms of the sustainability of establishments is productivity. Issues such as the use of organization resources, existence of unutilized capacity and full employment of employees are significant for organizations. This situation and various similar situations necessitated and created the concept of ‘performance’ in organizations. The basic goal of this study is to research the above mentioned concepts’ effects on one another. The study’s first step is the literature review about the issues of organizational culture, leadership and performance. It is observed that studies in the related literature focused on these three issues separately, on the interaction between organizational culture and performance, on the interaction between leadership and performance or on the interaction between organizational culture and leadership. It is also seen that there is no study about the effects of organizational culture, leadership and performance on one another. In order to fill this need in the literature, the effects of organizational culture and leadership on performance is analyzed presented in this study.
In the first section of the article, the concept of organizational culture is explained and dimensions that form an organizational culture are determined. In the second section, the concept of leadership and dimensions that form leadership are analyzed. In the third section, organizational culture and leadership’s effects on performance are substantiated through survey study.

Organizational Culture

The word culture is originally derived from the word “colere”, which means cultivation in Latin. The original word was used as ‘cultur’ in German Language Dictionary and has evolved to “kültür” in Turkish language in time (Kaya, 2009:91). Culture means “experiences of a society gained through the process of continuing its existence, its customs transferred to new members, a whole of attitudes, religion, language, law, morals, ability, experience, traditions, material and spiritual values” (Kurt, 2010: 8). On the other hand, the concept of organizational culture entered the literature towards the end of twentieth century. Organizational culture specifically became popular together with the issues such as organizational performance, efficiency in management, productivity and organizational behavior (Karadağ, 2009: 1394). The article titled “On Studying Organizational Cultures” written by Pettigrew, published in 1979, was the first study on the concept of “organizational culture”. Pettigrew defined organizational culture as “a whole of values, symbols, acts, language, ideology and beliefs shared by a society” (Pettigrew, 1979: 574).

Organizational culture ensures workers have a sense of identity in a company.
- Organizational culture eases having a connection through common values.
- Organizational culture ensures organizational control and coordination by directing worker behaviors.
- Organizational culture is a socialization process and effort.
- Organizational culture is the point of searching solutions to organizational problems.
- Organizational culture defines organization’s limits, separates it from others.
- Organizational culture is the indicator of organizational productivity, efficiency and stability.
- Organizational culture decreases conflicts among workers, guides them.
- Organizational culture helps transferring of shared values to next generations.
- Organizational culture positively affects performance, quality and work satisfaction and provides competitive advantage.
- Organizational culture defines working standards in an organization.

Benefits of Organizational Culture

Organizational culture is crucially significant for companies as it provides competitive advantage. It is important in the process of putting strategies developed by managers into practice. Organizational culture also creates goals and policies of establishments. Some of the benefits of organizational culture are mentioned below (Tozkoparan and Susmuş, 2001: 209; Kantek, 2005: 18-19; Şahin, 2010: 25-26; Turan, 2011: 58-59; Tunçer, 2012: 711-712):
- Organizational culture makes contribution to growing manager candidates and enables their improvement. They acquire knowledge and experience through it.
- Organizational culture ends or decreases uncertainties, conflicts and problems during a work.
- Organizational culture decreases employee turnover rates, supports the use of innovations.
- Organizational culture guides the process of creating positive, reliable and sustainable attitudes and behaviors in an establishment; it sets a balance in and out of organizations.

Leader and Leadership

The concept of leadership has occurred in all of the societies that have existed since the beginning of history; it has never been affected from different factors such as religion, language or culture and it has always continued to be relevant. Leadership is originally derived from the English verb “lead”; it means pioneering, directing, guiding. The word “leader” means pioneer, guide, head. In the Oxford dictionary, the word leader dates back to 1300s. On the other hand, the word leadership occurred at the beginning of 1900s (Turan, 2011: 94). Through the power used with leadership, activities of a group gathered under some specific purposes can be affected. There are four different elements used as a part of the concept of leadership (Pazarbaş, 2012: 11):

- **Purpose**: The element made of goals and needs that unite group members.
- **Member (audiences)**: Individuals who naturalize a leader.
- **Leader**: The group member who creates the group. He/she is the one who is followed while reaching goals.
- **Environment**: It is made of different values such as relationship level of members, reaching goals and motivation.

Characteristics that a Leader shall have

Leadership is a prospective structure. Leaders are responsible for creating a vision in the organization and instilling that vision in employees. Leaders struggle to reach the goals. They give effort to ensure positive changes in the elements that they work for such as increase in determination, decrease in operational costs, increase in market share, geographical enlargements, and increase in share prices. The leader that will ensure this cycle shall have some features (Aydoğan, 2014: 7). These features that are determined in a study are mentioned below (Taksim, 2014: 46):

- Having a vision and sharing it with workers,
- Not having resistance to change and being open to new projects,
- Carrying out the duties in line with the needs of customers,
- Supporting group works,
- Being open to information sharing,
- Overcoming problems and making correct decisions,
- Ensuring work flow,
- Efficiently managing already existing projects,
- Having and using technical abilities,
- Making efficient time and resource management,
- Being responsible, not evading responsibilities,
- Keeping emotions under control,
- Being compassionate, humane, honest and reliable.

In another study, it is emphasized that an efficient leader shall have these 7 golden keys (Şimşek, Akgemci and Çelik, 2008: 272):

- **Giving confidence to the subordinates**: Leader shall ensure his/her subordinates that he believes in them, trusts them.
- **Developing vision**: People prefer to follow the footsteps of people who know what is right.
- **Keeping a level head**: Leader keeps calm under harsh circumstances. He/she acts sensible.
-Taking Risks: Leader isn’t afraid of failing; he/she doesn’t refrain from taking risks, starting different processes.

-Being professional: When group members believe that the leader is professional, they their loyalty and trust in the leader increase.

-Being open to criticism: Group members should feel free to state personal opinions.

-Simplifying processes: A leader is able to solve problems that are difficult and complicated for others.

Leadership Functions

Leaders have a set of functions free from the structure, the way of work, the number of personnel or the size of organization. These functions can be summarized as below (Şimşek, Akgemci and Çelik, 2008: 270-271).

- Making coordination: Leader coordinates group works, directs works and processes towards group members.

- Making plans: Leader plans behaviors that are necessary for organization workers to reach targets.

- Professionalism: Leader is the resource of information and practices that are formed in a group.

- Spokesmanship: Leader ensures communication among groups. He/she is the spokesman of the group.

- Controlling: Leader has the authority to control the activities of group members and to analyze the processes towards reaching targets.

- Rewarding or punishing: Leader rewards or punishes group members on the basis of their acts such as acting according to group targets or obeying group rules.

- Leader as a referee and mediator: Leader has the role of mediator when there is a problem between individuals or when there is a conflict.

- Setting example: Leader should be an example in his/her behaviors.

- Being teacher: Leaders educate their followers, transmits their experiences and knowledge and fill their deficiencies.

Research Method

The goal, scope and analyses evaluating the effects of organizational culture and leadership on performance are presented in this section.

Preparation of Survey Scales

5 point likert scale is taken into consideration in the process of answering surveys. Internationally accepted scales are preferred while choosing questions in the research. Organizational Culture Evaluation Scale prepared by Cameron and Quinn (2005), translated to Turkish by Özşen Tunçer (Tunçer, 2009: 205) is used while preparing questions about organizational culture. Multidimensional Leadership organization scale prepared by Serkan Çakmakyapan is used while determining questions about leadership (Çakmakyapan, 2009: 89-90). Performance scale prepared by Engin Karayalçın is used while determining questions about performance (Karayalçın, 2009: 106-107).

Data Collection

Survey method is preferred as the data collection tool in the research. Main body of the study is made of a shopping center which is located in Bolu city; the center involves various companies serving in different fields. Surveys are practiced on store managers. A total of 112 surveys are collected, 9 of them are excluded as they were incompetently filled; finally, 103 surveys are analyzed. SPSS 18 package program is used in analyzing survey data. Frequency distribution of demographic features of survey participators, factor analysis, reliability analysis, correlation analysis, regression analysis and hypothesis tests are carried out.
Research model and Hypotheses

A sample model is formed in order to be able to test the effects of organizational culture and leadership on performance; the model is demonstrated in Figure 1 and presented below. These hypotheses are formed in order to test the effect of organizational culture and leadership on performance:

H1: There is a significant relation between organizational culture and leadership.
H2: There is a significant relation between organizational culture and performance.
H3: There is a significant relation between leadership and performance.
H4: There is a significant relation between organizational culture and leadership and performance.

Demographic Features

53 participators are (%51.5) female, while 50 (%48.5) are male. 79 of participators are (%77) under the age of 30. 20 of them are (%19.4) between the ages of 31-40, 4 are (%3.8) over the age of 41. It is observed that, because of the long working hours, the sector is mostly preferred by young individuals. 52 of survey participators (%50.5) were graduated from secondary education, 23 had (%22.3) associate degree, 25 (%24.3) had undergraduate education and 3 had (%2.9) higher education. 55 of participators (%53.4) have been working in the sector for 1-5 years, 30 (%29.1) for 6-10 years, 13 for (%12.6) 11-15 years and 5 of them have been working (%4.9) for 16 years or more. As most of the store managers included in the study is young individuals, the highest ratio in terms of experience in the sector is 1-5 years.

Reliability Analysis

Reliability analysis is the process of measuring consistency among the items of a scale and explaining their relations. Cronbach Alpha value of the scale is 0.92, which shows that the analyses of variables are reliable (Karayalçın, 2009; 66).

Confirmatory Factor Analysis

At the end of the confirmatory factor analysis, it is observed that the questions are gathered under their factors. As the scales used in the study have international validity and used in various previous studies, it is determined that confirmatory analysis is sufficient.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Cronbach Alpha value</th>
<th>Number of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture</td>
<td>0.948</td>
<td>21</td>
</tr>
<tr>
<td>Leadership</td>
<td>0.904</td>
<td>23</td>
</tr>
<tr>
<td>Performance</td>
<td>0.838</td>
<td>10</td>
</tr>
</tbody>
</table>
Correlation Analysis

Correlation analysis is carried out in order to determine the significance level among the relations of factors. In this analysis, correlation coefficient values between -1 and +1 are analyzed. The result -1 means that there is a highly negative relation between variables while the result +1 means that there is a highly positive relation between variables (Durmaz, 2007: 70). At the end of the analysis, correlation values between organizational culture, leadership and performance are determined (See Table 2). It is determined that correlation coefficient between leadership and organizational culture is r:0, 664; between leadership and performance it is r:0,538 and between organizational culture and performance it is r:0, 683. Based on these results, it can be said that there are significant and positive relations among all of the three variables at 0.01 significance level.

<table>
<thead>
<tr>
<th></th>
<th>Leadership</th>
<th>Organizational Culture</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>.664** .000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>.538** .000</td>
<td>.683** .000</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at 0.01 level.

Regression Analyses and Hypothesis Tests

After correlation analysis, regression analyses are carried out in order to test hypotheses. In these analyses, whose goal is to determine the parametric value of regression equation, two or more predictor variables are used. Results obtained from analyses and hypothesis tests are explained below.

H1: There is a significant relation between organizational culture and leadership.

<table>
<thead>
<tr>
<th></th>
<th>Non-Standard coefficients</th>
<th>Standard coefficients</th>
<th>t</th>
<th>Sig</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>1.613 .262 (fixed)</td>
<td>.581 .065</td>
<td>6.156</td>
<td>.000</td>
<td>79,50</td>
</tr>
</tbody>
</table>

Dependent Variable: Organizational Culture

When Table 3, in which leaders are defined as independent variable and organizational culture is defined as dependent variable, is analyzed, it can be said that relation between variables is statistically significant as the significance level is lower than %5 (F=79,50; sig=0.000), (β=0.664; sig=0.000). Based on this finding, it can be said that H1 hypothesis is accepted and leadership has impact on organizational culture.

H2: There is a significant relation between organizational culture and performance.

When the values in the section of ‘significance’ of Table 4, in which organizational culture is accepted as independent, performance is accepted as dependent variable, it can be said that there is a statistically significant relation between variables as the level of significance is below 0.05 (F=88,320; sig=0.000), (β=0.683; sig=0.000).
Table 4. Relation between Organizational Culture and Performance

<table>
<thead>
<tr>
<th>(fixed) Organizational Culture</th>
<th>Non-Standard coefficients</th>
<th>Standard coefficients</th>
<th>t</th>
<th>Sig</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,328</td>
<td>.265</td>
<td>5.011</td>
<td>.000</td>
<td>88,320</td>
</tr>
<tr>
<td></td>
<td>.628</td>
<td>.067</td>
<td>9.398</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: Performance

Based on this finding, it is determined that H2 hypothesis is accepted and there is a significant relation between organizational culture and performance.

H3: There is a significant relation between leadership and performance.

Table 5. Relation between Leadership and Performance

<table>
<thead>
<tr>
<th>(fixed) Leadership</th>
<th>Non-Standard coefficients</th>
<th>Standard coefficients</th>
<th>t</th>
<th>Sig</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,072</td>
<td>.271</td>
<td>7.632</td>
<td>.000</td>
<td>41,197</td>
</tr>
<tr>
<td></td>
<td>.433</td>
<td>.068</td>
<td>6.419</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: Performance

When the values in the section of ‘significance’ of Table 5, in which leadership is accepted as independent, performance is accepted as dependent variable, are analyzed, it can be said that there is a statistically significant relation between variables as the level of significance is < 0.05 (F=41,197; sig=0.000), (β=0.538; sig=0.000). Based on this finding, it can be said that there is a significant relation between leadership and performance, and H3 hypothesis is accepted.

H4: There is a significant relation between organizational culture and leadership

Table 6. Relation between Organizational Culture, Leadership and Performance

<table>
<thead>
<tr>
<th>(fixed) Organizational Culture Leadership</th>
<th>Non-Standard coefficients</th>
<th>Standard coefficients</th>
<th>t</th>
<th>Sig</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.208</td>
<td>.274</td>
<td>4.411</td>
<td>.000</td>
<td>46,045</td>
</tr>
<tr>
<td></td>
<td>.535</td>
<td>.089</td>
<td>6.036</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.122</td>
<td>.078</td>
<td>1.574</td>
<td>.119</td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: Performance

When the values in the section of ‘significance’ of Table 6, in which organizational culture and leadership are accepted as independent, performance is accepted as dependent variable, it can be said that organizational culture’s level of explaining dependent variable is statistically significant (β=0.582; sig=0.000). On the other hand, leadership’s level of explaining dependent variable is not statistically significant (β=0.152; sig=0.119). Namely, organizational culture and leadership doesn’t affect performance at the same time. Based on this data, H4 hypothesis is rejected as the two variables don’t affect performance at the same time.
Result

In the first section of this study, the concept of organizational culture is explained; dimensions that create and form the organizational culture are discussed in details. In the second section of the study, the concept of leadership is explained; dimensions that create and form the leadership are discussed. In the third section of the study, organizational culture and leadership’s effects on performance are analyzed on the basis of the survey study. The main body of this survey is a shopping center. Impacts of organizational culture and leadership on performance in the companies located in this center are analyzed.

In these analyses, it is determined that correlation coefficient between leadership and organizational culture (r: 0.664), between leadership and performance (r: 0.538) and between organizational culture and performance (r: 0.683) are relational. It is determined that there is a significant and positive relation between each of 3 variables at 0.01 significance level. Finally, regression analysis is carried out in order to test the hypotheses. In these analyses, it is observed that there is a significant relation between organizational culture and leadership and organizational culture explains approximately 44% of leadership. In previous researches on the same issue, it was also determined that there is a similar relation between organizational culture and leadership (Şahal, 2005: 42; Bakan, 2009: 146-147; Acar, 2013: 12-13). While culture is important for a leader to step up in an organization as it sets the proper environment, leader is highly significant in enforcing the culture and enabling employees adopt the culture in an organization. Schein’s statement of “Leadership and culture is like the two sides of medallion” successfully summarizes this issue (Schein, 2004: 1). In the following analysis, it is observed that there is a significant relation between organizational culture and performance and organizational culture explains approximately 47% of performance. Previous researches on the issue also show that there is a similar relation between organizational culture and performance (Açıkgöz, 2006: 87; Kılıç, 2006: 189; Karayalçın, 2009: 47-48). A strong organizational culture positively affects employees and increases their motivation and loyalty to the organization; such an organizational culture contributes to the performance of an employee working in a positive atmosphere, which contributes to the performance of the organization. In the following analysis, it is is determined that there is a significant relation between leadership and performance and leadership explains approximately 29% of performance. Studies in the related literature also show that there is a similar relation between leadership and performance (Karayalçın, 2009: 46; Özşahin, 2011: 78). Leaders have determining roles in the success or failure of a group or organization. Employees who have reliable and efficient relations with leaders are more productive, they contribute to organizational performance by reaching and moving beyond the goals set by the organization.

References


Appendix

Survey Questions.

<table>
<thead>
<tr>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) My manager shares values and beliefs that are important for him with employees.</td>
</tr>
<tr>
<td>2) My manager gives importance to the ethical dimensions of his decisions.</td>
</tr>
<tr>
<td>3) My manager gives importance to the existence of the sense of mission in employees.</td>
</tr>
<tr>
<td>4) I’d like to be likened to my manager and I’d be honored.</td>
</tr>
<tr>
<td>5) My manager gives more importance to the interest of his group than his personal interest.</td>
</tr>
<tr>
<td>6) Behaviors of my manager increase the respect I feel for him/her.</td>
</tr>
<tr>
<td>7) My manager makes us feel that he/she is powerful and reliable.</td>
</tr>
<tr>
<td>8) My manager benefits from different points of view while solving problems.</td>
</tr>
<tr>
<td>9) My manager shows new dimensions and methods about working processes.</td>
</tr>
<tr>
<td>10) My manager supports employees with innovative ideas.</td>
</tr>
<tr>
<td>11) My manager is positive about future.</td>
</tr>
<tr>
<td>12) My manager tells his/her employees what to do in order to reach success.</td>
</tr>
<tr>
<td>13) My manager shares his/her vision about the future with us.</td>
</tr>
<tr>
<td>14) My manager states his/her belief that organizational goals will be reached.</td>
</tr>
<tr>
<td>15) My manager spends time in order to educate, develop and teach new things to his/her employees.</td>
</tr>
<tr>
<td>16) My manager knows that each and every one of us has different wishes, abilities and expectations.</td>
</tr>
<tr>
<td>17) My manager guides me on the way of developing my strengths.</td>
</tr>
<tr>
<td>18) My manager supports me in return to my efforts.</td>
</tr>
<tr>
<td>19) My manager explicitly states who will have what when performance goals are reached.</td>
</tr>
<tr>
<td>20) When my manager’s expectations about work are met, he/she mentions his/her satisfaction.</td>
</tr>
<tr>
<td>21) My manager focuses on mistakes, exceptions and variations from standards.</td>
</tr>
<tr>
<td>22) My manager especially focuses on failures and mistakes of employees.</td>
</tr>
<tr>
<td>23) My manager tries to find the resources of all of the mistakes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) My organization is like a big family whose members share many things.</td>
</tr>
<tr>
<td>2) My organization is a place with dynamic members who are willing to take risks.</td>
</tr>
<tr>
<td>3) My organization is a result-oriented place in which workers focus on success and competition.</td>
</tr>
<tr>
<td>4) My organization is a place in which working processes are determined through procedures, and they are followed carefully.</td>
</tr>
<tr>
<td>5) In my organization, leadership is generally defined as educating and guiding employees.</td>
</tr>
<tr>
<td>6) In my organization, leadership is defined as supporting entrepreneurship and making innovation.</td>
</tr>
<tr>
<td>7) In my organization, leadership is a result-oriented and competitive process.</td>
</tr>
<tr>
<td>8) In my organization, leadership is generally accepted as directing and inspecting employees.</td>
</tr>
<tr>
<td>9) Administration in my organization gives significance to communion and teamwork.</td>
</tr>
<tr>
<td>10) Management method in my organization gives importance to taking personal risk, innovation and freedom.</td>
</tr>
</tbody>
</table>
11) Management method in my organization gives importance to competitive structure, high demand and success.
12) Management method in my organization gives importance to the trust of employees and creation of balance in bilateral relations.
13) Commitment to innovation and development in my organization is a unifying power that holds my organization together.
14) Commitment to success and goals in my organization is a unifying power that holds my organization together.
15) Formal rules and policies are important in order to sustain the functionality of my organization.
16) My organization gives importance to the development of employees, high level of trust, transparency and participation.
17) My organization gives importance to reaching new resources, researching new fields of activities and taking new opportunities.
18) My organization is sustainability and balance oriented. Smoothness and productivity are significant.
19) Success of my organization is based on group work and employee loyalty.
20) Success of my organization is based on transforming of innovative thoughts to real-life projects.
21) Success of my organization is based on productivity and efficiency.

Performance

1) My organization’s sales increases.
2) My organization’s marketshare increases.
3) My organization’s customer complaints decrease.
4) My organization’s customer satisfaction rate increases.
5) My organization’s product-service quality increases.
6) I am satisfied with my job when I think about all of the conditions.
7) I enjoy doing my job.
8) I wouldn’t prefer this job if I knew what I know now.
9) I’d recommend my current job to others.
10) I can say that my current job is my dream job.