Impact of Organisational Culture on Strategic Leadership Development with Special Reference to Nalco

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Abstract: In today’s dynamic business environment leadership development plays a critical role in enabling organisational growth and transformation. Perhaps the most critical challenge facing executives and senior executives in global scenario is to develop a new generation of strategic leaders who will continue and extend the strategic reach of the organisations they currently head or about to head. This process can be referred to as the strategic leadership development or development of strategists and is becoming need of the hour. One of the underlying principles of strategic leadership development is linking leadership culture to business strategy. This paper aims at explaining the role and impact of organisational culture in strategic leadership development. It further explores and explains that certain organisational cultural variables or elements (Involvement, consistency, adaptability and mission) facilitate the strategic leadership development process. The research work is an empirical study done in NALCO. The author(s) attempt to assess the organisational cultural elements and judge the effectiveness of the existing culture towards the development of strategic leaders in the organisation. For the purpose of the study primary data has been collected using a structured questionnaire administered among the executives in corporate office at Bhubaneswar, Orissa. Data are also collected from secondary sources like official websites, annual report etc.

Keywords: Strategic Leadership development, Succession planning, Employee Involvement, Organizational Culture.

I. INTRODUCTION

As economies and industries become more global, employees are increasingly dealing with individuals who are dissimilar to them. Likewise, as organisations increasingly create business alliances with organisations whose cultures are dissimilar, employees may work with others who hold different perceptions of what constitutes effective functioning in an organisation, and what relationships exist between organisational factors and workplace effectiveness (Kwantes and Boglarsky, 2007). Increasingly, executives are being called upon to be strategic leaders and navigate their organisation into an unknown and increasingly complex future. Shortage of CEOs and senior managers is a perennial challenge faced not only by India but by countries all over the world. The present position in India of acute shortages is owing to several reasons: the fast growing economy is creating higher demand for senior managers; attrition at the senior and
middle levels dries up the reservoir that provides senior managers and many senior managers decide to take early retirements to become entrepreneurs. Previous conceptions of leadership and organisations as mechanistic and stable no longer apply in the reality of social, political and economic flux. Recent events in the global financial markets highlight how the world is now a highly integrated and complex system. A manager’s leadership behaviour is what makes the difference between effective and ineffective organisation. Effectiveness results from tapping the potential of human beings in a useful way. These tapped leaders will be the future strategic leaders. Given the importance of leadership in contemporary organisations, it is not surprising that leadership development gets the largest percentage allocation from training and development budgets of most organisations. The role that organisational culture plays in the development of leaders is crucial but often overlooked. One reason for this is that managers in charge of leadership development efforts are so embedded in their own cultures that those cultures are practically invisible to them (Ogbonna & Harris, 2011). Organisational leaders influence the behaviour of subordinates so that they willingly and enthusiastically work towards the achievement of organisational objectives. Strategic leadership is the ability to lead an organisation towards the achievement of its objectives. In the present scenario strategic leaders play different roles to strategically manage the business. They have to play the role of a CEO, the role of senior managers, role of Business-level executives, and role of functional and operational managers. Thus, one of the responsibilities of the board of directors and top management of an organisation is to oversee the development of Strategists’. So, it’s necessary to create a work culture that is strategy-supportive and facilities the process of strategic leadership development. It is in this backdrop, the present study has been designed to assess the organisational culture prevailing in Nalco and cultural variables which effectively influence the strategic leadership development process in the organization.

II. REVIEW OF EXISTING LITERATURE

1.1. Organizational Culture

Corporate culture shapes the way people act and interact and strongly influences how things get done. It encompasses the organization's goals, behavioural norms, and dominant ideologies. Oftentimes, two cultures clash because people from different organizations perceive things differently. They can blame their counterpart if failure occurs because they regard the other as incompetent. The best thing managers and CEOs can do to avoid this scenario is to introduce a different culture for the company or at least make their employees aware of what they should expect. This will minimize the adverse effects of mergers on the morale of the employees and ensure a smoother flow of operations.

Organisational culture has been defined as relatively stable beliefs, attitudes, and values that are held in common among organisational members (Williams, Dobson, & Walters, 1993), shared normative beliefs and shared behavioural expectations (Cooke & Szumal, 2000), or a particular set of values, beliefs, and behaviours that characterizes the way individuals and groups interact in progressing toward a common goal. As such, these definitions refer to what is basically a group-level phenomenon. However, culture also encompasses individual-level phenomena, and more specifically, reflects how individuals within a given culture try to make sense of how the organisation operates (Van den Berg & Wilderom, 2004). This sense making that employees in organisations engage in refers to how individuals within an organisation give meaning to what they experience at work (Weick, 1995), and therefore reflects
individuals' interpretations of events and situations in organisations (Peterson & Smith, 2000).

Weick, Sutcliffe and Obstfeld (2005) point out that, individuals’ perceptions of situations, and the concomitant sense-making that individuals engage in are central to both individual identity and individual choice of action. Organisational culture, viewed as shared behavioural norms, and built on individual interpretations of experience, may be seen as the result of these cognitive activities - an individual-level phenomenon (Fiske & Taylor, 1991) becoming an organisational-level phenomenon.

The role of organisational culture is strongly associated with a firm’s competitive performance. Many leaders are aware that performance comes from interdependent behaviour like cooperation, knowledge sharing, and mutual assistance. Given the importance of leadership in contemporary organisations, it is not surprising that leadership development gets the largest percentage allocation from training and development budgets of most organisations (Rivera & Paradise, 2006), and is among the most popular areas of human resource development (HRD) practice and academic research. An examination of the literature in the fields of organisational culture and leadership finds that the two areas have been independently linked to organisational performance. For example, researchers have examined the links between leadership styles and performance.

However, despite the implicit and explicit linking of leadership and culture in many parts of organisation theory, little critical research attention has been devoted to understanding the links between the two concepts and the impact that such an association might have on organisational performance. The absence of critical literature exploring the performance implications of the links between organisational culture and leadership is surprising given the numerous references to the importance of the two concepts in the functioning of organisations (Schein, 1992).

Most organisations have stressed leadership as a key factor in resolving internecine conflicts and leading the organisation to success. Leadership is exhibited in the process of influencing members to move toward organisational success. Namely, it is the ability to lead members to work voluntarily and cooperatively for organisation success (Kim et al, 2011). Leadership is a very important factor for accomplishing organisational goals because it can positively affect organisational effectiveness thus contributing to the effective operation of the organisation as a whole. Also, it should be kept in mind that the organisational effectiveness of the members may differ according to the types of leadership.

Organisational culture, as much as leadership can affect not only the commitment, loyalty, job motivation and job performance of members but also overall organisational effectiveness including leadership (Kim et al, 2011). Organisational culture, which is learned by new members as the correct way for solving organisational problems and defined as the set of basic principles underlying organisational activities performed according to certain patterns, extends its effect to the entire phenomena across the organisation. Especially, a variety of characteristics of organisational culture, such as social desirability of organisational culture, can influence organisational effectiveness (Schein, 1992). In general, organisational culture is formed as a result of a series of interactions between the leader and members of the organisation as they try to adjust themselves to the external environment.

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often overlooked. One reason for this is that managers in charge of leadership development efforts are so embedded in their own cultures that those cultures are practically invisible to them (James & Connolly, 2009). But there are ways to get a better picture of your own culture and determine how it might be supporting or hindering the development of leaders. Organisational culture is an organisation’s values, beliefs, practices, rites, rituals, and stories—all of which combine to make an organisation unique. These cultural features often derive from the strategic business drivers of the organisation—elements such as quality, innovation, results, speed, and agility (Bal and Quinn, 2001). These business drivers affect policies and procedures throughout the organisation, thus creating its culture.

Companies pursuing internal stability such as large government bureaucracies are likely to seek to instil respect for order and rule following as appropriate behaviours in their employees in order to facilitate functioning on complex tasks (Leavitt, 2003; Thompson & Wildavsky, 1986). Ouchi (1981) juxtaposed the traditional American and Japanese organizational culture styles and suggested that management through commitment and cohesiveness seems to be the success formula in Japan.

In the USA, on the other hand, tragic events such as September 11th have demonstrated that the courage, cooperation and cohesiveness of the rescue teams of firefighters and police officers was key for the successful management of this emergency situation. These examples reinforce the idea that fostering a specific culture is likely to be crucial for eliciting a variety of employee behaviours ranging from high individual achievement to cooperation and help, and from strict rule observance to innovation.

Culture can also be expressed through the organization's myths, heroes, legends, stories, jargon, rites, and rituals. 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 behaviour. Specifically, attempts at organizational change must consider three key features of organizational life: the firm's culture, the leadership of the change effort, and the existing network of power. Organizational culture facilitates the acceptable solutions for knowing the problems, which members learn, feel and set the principles, expectations, behavior, patterns, and norms that promote a high level of achievement (Marcoulides & Heck, 1993; Schein, 1992).

What is the significance of highlighting these “obvious” complexities and potential conflicts within a corporate culture? Put quite simply — organizational designs are culturally-bound paradigms for solutions; they are operations of cultural frames of reference that determine how problems are solved and relationships defined (Trompenaars, 1993); they guide strategy for organizational development. Prof. Geert Hofstede conducted perhaps the most comprehensive study of how values in the workplace are influenced by culture. These five Hofstede dimensions can also be found to correlate with other country and cultural paradigms.
In an early work on strategic leadership, Hosmer (1982) noted that contingency theories of leadership did not account for an organization’s competitive position in the industry. Hosmer proposed that the task of the leader was different from that of a manager because a leader must constantly consider the organizational strategy in relation to the external environment. In this way, leadership represents a higher order of capability that involves both developing strategy and influencing others to follow it. Hambrick and Mason (1984) built on this idea and proposed what was then known as upper echelon theory. The central assertion of upper echelon theory is that because leaders operate at a strategic level, organizations are reflections of the cognition and values of their top managers. The specific knowledge, experience, values, and preferences of top managers will influence their assessment of the external environment, and ultimately the choices they make about organizational strategy. Therefore, over time, the organization comes to reflect the top leader. This theory was adapted and expanded by subsequent authors, and eventually came to be known as strategic leadership theory (Finkelstein & Hambrick, 1996). A fundamental premise of strategic leadership theory is that a leader's field of vision and interpretation of information is influenced by that leader’s values, cognitions, and personality (Cannella & Monroe, 1997). Specific expressions of this underlying premise continue to be studied today. For example, Papenhausen (2006) recently found dispositional optimism in top level leaders to be correlated with their problem definition and problem solving activity. As the theory was refined by subsequent authors, strategic leadership theory grew to address the larger question of how a top-level leader contributes to organizational performance. Relying on the constructive development theory of Kegan (1982), Lewis and Jacobs (1992) argued that a leader's capacity to construct meaning of the organizational environment was more important than other factors such as values or leadership style. This theory was later linked with Jaques and Clement’s (1991) stratified systems theory, which asserted that the complexity of the leadership task escalates as one moves up the hierarchy. Taken together, these theories assert that in order to be effective, the developmental capacity of a strategic leader must be well matched to the complexity of the work (Lewis & Jacobs, 1992). More recently, authors in strategic leadership have described strategic leadership in broader terms. Ireland and Hitt (1999) proposed six components of effective strategic leadership: determining the organization’s purpose or vision; exploiting and maintaining core competencies; developing human capital; sustaining an effective organizational culture; emphasizing ethical practices; and establishing balanced organizational controls. When these elements are in place, they argue, the firm’s strategic leadership becomes a source of competitive advantage for an organization. In a similar effort focused on providing a broader, more integrative framework to explain how a top-level leader influences organizational outcomes, Boal and Hooijberg (2000) called for researchers to look beyond demographic variables and work instead to integrate research from other fields to describe the process whereby strategic leaders affect organizational outcomes. In keeping with this direction they proposed that at its core...
strategic leadership is about a leader’s ability to create and maintain three capacities within the organization: absorptive capacity (or the capacity to learn), the capacity to change, and the capacity for managerial wisdom.

1.2. Strategic leadership and organisational culture

The strategic leaders give proper direction to the organisation, the communication system and the organisational structure. Figure 1 represents the three contributions of strategic leaders into seven themes which are as follows:

![Diagram](image)

**Fig 1: J.L. Thompson, Strategic Management,ITBP,Kent,1997**

Culture is a system of shared values and beliefs that produce norms of behaviour values and beliefs interact to cause. Culture gives people a sense of how to behave and what they ought to be doing. Culture gives people a sense of how to behave and what they ought to be doing. Strategic leader can influence the culture of a company significantly. In fact every company reflects the character and personality of its leader. If he has majored in finance, he might be fascinated by financial analysis, targets and put emphasis on improving financial issues. If he has a marketing background he may propagate street –smart tactics in place of traditional ways of improving results. Thus, the beliefs and values of leaders have a strong bearing on how employees behave and react to situations on a daily basis.

1.3. Impact of Culture on Strategic Leadership Development

The fact that organisations may have strong or healthy culture affects their ability to perform strategic management. Culture affects not only the way managers behave within an organisation but also the decisions they make about the organisation’s relationship with its environment and its strategy. Culture is a strength that can also be a weakness (D.F. Abell, 1990). When corporate culture acts as strength, it can facilitate communication, decision making and control and create cooperation and commitment. An organisation’s culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicating to the employees and which values are shared widely across the organisation (T.M. Jones & D.F. Abell, 1991).

When the corporate culture is a weakness, it may obstruct the smooth implementation of...
a strategy by creating or augmenting resistance to change. An organisations culture could be characterised as weak when many subcultures exist within, few values and behavioural norms are shared and traditions are rare. In such organisations, employees do not have a high sense of commitment, loyalty and sense of identity. Rather than being members of organisation, they are merely wage-earners. There are several traits exhibited by organisations that have an unhealthy culture.

III. OBJECTIVES OF STUDY

The main research objectives are:

- To assess the organisational culture prevailing in NALCO
- To critically analyse and explore the impact of organizational culture on strategic leadership development.

IV. HYPOTHESIS FORMULATION

The hypothesis put forward for the purpose of research is as follows:

H1: There is absence of organizational culture for development of strategic leadership in NALCO.

V. RESEARCH METHODOLOGY

The instrument for primary data collection includes a structured questionnaire and interviews with the executives and the secondary data includes –internet, official websites, company news letter, magazines etc. Data were collected through a survey questionnaire administered among the executives of the company in its corporate office. The executives were selected by means of snowball sampling across its various departments. The quantitative data obtained was analysed using statistical methods such as mean, standard deviation and one-sample t-test with the help of SPSS 16 software. For the purpose of primary data collection the authors used a validated and reliable questionnaire for organisational culture developed by Hee-Jae Cho, 2000. The questionnaire comprises of 12 elements/items/dimensions of culture (Empowerment(E), Team orientation(T), Capability development(C), Core values(CO), Agreement(A), Coordination and integration(COO), Creating change(CR), Customer focus(CU), Organizational learning(O), Strategic direction and intent(S), Goals and objectives(G), Vision(V) spread across 4 indices i.e involvement, consistency, adaptability and mission. The model followed for the purpose of study is as represented in fig2 below:

Fig 2: The best fit model for organisational culture, Hee-Jae Cho, 2000.
VI. ANALYSIS AND INTERPRETATION

The descriptive statistics table reveals the mean score and standard deviation obtained by the respondents on each dimension. Since a five-point scale was used for each of the item in the questionnaire, score of 1 indicates strongly disagree, score of 2 indicates disagree, score of 3 indicates neutral score of 4 indicates agree and score of 5 indicates strongly agree. The mean scores obtained for all the sampling units across each of the twelve dimensions is interpreted in the following table. The neutral response of 3 would indicate absence of an organizational culture for development of strategic leadership. For analysis, a value of 12 or 15 (depending upon whether the dimension has 4 items or 5 items) is considered to be a situation of neutral response. In the backdrop of organizational culture theory, this score of 12 or 15 (neutral response towards organizational culture) would indicate a situation of indifference towards the concept of organizational culture. In other words, it would indicate lack of existence of shared beliefs, values and customs in the organization. As can be seen from the Table-I that the mean score for these twelve elements is above the respective neutral response value. It suggests that there exist a positive culture across these elements/dimensions in the organisation thus facilitating the process of development of strategic leaders.

Table 1: Descriptive statistics

<table>
<thead>
<tr>
<th>Element</th>
<th>No. of items</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>4</td>
<td>48</td>
<td>14.3333</td>
<td>3.13072</td>
</tr>
<tr>
<td>T</td>
<td>4</td>
<td>50</td>
<td>14.6200</td>
<td>2.96159</td>
</tr>
<tr>
<td>C</td>
<td>4</td>
<td>50</td>
<td>13.9400</td>
<td>2.96517</td>
</tr>
<tr>
<td>CO</td>
<td>4</td>
<td>48</td>
<td>14.2917</td>
<td>2.94603</td>
</tr>
<tr>
<td>A</td>
<td>4</td>
<td>46</td>
<td>13.4348</td>
<td>2.00723</td>
</tr>
<tr>
<td>COO</td>
<td>5</td>
<td>50</td>
<td>17.9000</td>
<td>2.53345</td>
</tr>
<tr>
<td>CR</td>
<td>4</td>
<td>50</td>
<td>13.3200</td>
<td>2.69118</td>
</tr>
<tr>
<td>CU</td>
<td>5</td>
<td>47</td>
<td>16.7021</td>
<td>2.96292</td>
</tr>
<tr>
<td>O</td>
<td>4</td>
<td>49</td>
<td>14.7551</td>
<td>3.54454</td>
</tr>
<tr>
<td>S</td>
<td>5</td>
<td>48</td>
<td>18.6875</td>
<td>3.31442</td>
</tr>
<tr>
<td>G</td>
<td>4</td>
<td>48</td>
<td>14.9583</td>
<td>3.31956</td>
</tr>
<tr>
<td>V</td>
<td>4</td>
<td>49</td>
<td>13.7959</td>
<td>3.36638</td>
</tr>
</tbody>
</table>

The purpose of carrying out this test was to investigate the significance of the difference between the response obtained and the hypothesised population value on different dimensions of Organizational Culture. The analysis is based on the premise that a significantly positive or negative response from that of the neutral response (absence of Organizational Culture) would indicate existence of a positive or negative Organizational Culture for development of strategic leadership in NALCO, respectively.

Table 2: One-Sample Test (T-Test)

<table>
<thead>
<tr>
<th>Element</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>E</td>
<td>5.164</td>
<td>47</td>
<td>.000</td>
<td>2.3333</td>
<td>1.4243</td>
</tr>
</tbody>
</table>
The statistic value was compared against the hypothesised value at 1% level of significance. The analysis of Table-2 suggested that in respect of all the twelve dimensions there is a significantly positive Organizational Culture for development of strategic leadership in NALCO. Hence, the hypothesis H1 is rejected.

VII. CONCLUSION

A strong and positive culture is very significant for the development of strategic leadership in an organisation. The choice of future strategic leaders, career planning and development and succession planning can largely take care of the task of the development of strategic leaders. But the real test of leadership development lies in making an ongoing process and practices to guide the organisation in the right direction. Among the many areas of exhibiting leadership the functions of strategic leaders is to shape the corporate culture for future leaders to come up by encouraging team work, showing common understanding of values, empowering people, facilitating change process, better customer understanding, widespread agreement of goals, transparency of appraisal system, career development opportunities, having a clear vision and continuously investing in skills of employees. The culture at NALCO is significantly positive across all the dimensions of organisational culture taken into consideration in the study. Thus, it can be concluded that this positive culture existing in the organisation is supportive for the development of future strategic leaders who are the key catalysts for consistent organizational performance of PSUs like Nalco.

REFERENCES


