

Impact of Organizational Culture and Leadership on How Decisions Are Made For A Business

MUSTAFA, Biola Robertson

*Department of Business Administration, Cyprus International University, Haspolat, TRNC Via Mersin 10
Turkey.*

ABSTRACT

Organizational culture and leadership have significant effects on the decision-making process that is then reflected in the performance of the organization. Organizational culture involves all the surroundings in a certain organization that controls relationships and interactions between employees. While leadership is all the different styles leaders adopt in order to manage the team and accomplish their missions. Those leaders or managers have to take decisions in order to perform different job tasks. All these elements affect the managers, the employees, and all the stakeholders working in the company. Several studies were concerned with this area of research considering the great impact it has on businesses. This study looks at the possible impacts of organizational culture and leadership on how decisions are made within organizations. Data from various sources is collected and analyzed to identify this impact and how in the end it may improve the performance of the organizations.

Keywords: *Organizational culture, leadership, decision-making*

Date of Submission: 28-05-2022

Date of Acceptance: 10-06-2022

I. Introduction

Decision making is an important skill for all employees not only managers. Correct decisions will lead to more productivity and better performance. Managers bear the most important part of the decision-making process as decision-making is a critical part of management (Jaradat, 2018). There are different factors that may affect the decision-making process for any business. These important factors include organizational culture and leadership.

The organizational culture is what distinguishes a certain organization from the other. It involves the values, norms, beliefs, way of work, and interactions among other factors (Jalal, 2017). When different people from different cultures work together, they bring about these differences that may affect the performance of the organization in the end (Oberföll, 2018). This effect may be positive or negative according to the ability of the employees to adapt themselves to different cultures. In addition, the organizational culture may impact the decision-making process according to the effectiveness of this culture and how strong or weak this culture is.

The organizational culture also affects the leadership style of the organization. Some organizational cultures allow the managers to experience their leadership in their own way, others will let them take decisions to a certain extent. One of the problems faced by many organizations is the mismatch between the new leaders in the way they lead and their background organizational culture and the existing culture of the organization they are newly hired in. This may lead to low performance of the employees.

For organizations to be successful and achieve their objectives and goals, they must have a clearly defined culture for all the employees and managers. This culture should have a certain kind of adaptability, so different people working in the organization from different perspectives can cope with the culture. Moreover, managers should determine the best leadership style consistent with the culture. These two elements will together contribute to a better decision-making process which is the main job of managers Abood & Thabet (2017).

II. Literature Review

Organizational culture

Organizational culture was defined in several ways by several scholars. One of the definitions includes the following elements as the main components of organizational culture: rules of the organization, values, and norms, behavior of the staff and all people working, interactions inside and outside the organization with several stakeholders (Xhelili, 2016).

Jalal (2017) also mentioned that organizational culture involves diversity, communication, teamwork, encouraging learning and development of staff, and transparency. Organizational culture is affected by the culture of people working there. So, organizations with heterogeneous people should have a culture that promotes diversity. This is important for solving any conflicts that may arise as a reason for different perspectives (Jaradat, 2018).

Leadership

Leadership styles have been studied throughout the years in different business sectors. Leadership is directing a team to achieve the goals and objectives of the organization. Communication with the employees and building relationships with them are the key features of leadership (Jalal, 2017). Leadership is a basic skill for managers. Managers should take the responsibility of taking decisions and also take responsibility for the outcomes (Abood & Thabet, 2017).

As noted by Al-Tameemi & Alshawi (2014), Leadership and organizational culture are related. Employees who perceive their leaders as good performing leaders also perceive the culture of their organizations as adaptive and involving culture. Some researchers believe that leaders can shape the culture of the organization, while others believe that leaders may adapt to the current circumstances (Xhelili, 2016).

Decision-making

While making decisions, managers should take into consideration how their decisions might affect the employees and their performance. This is important as managerial decisions are usually the indicators of good business performance (Abood & Thabet, 2017). Jomah (2016) also mentioned that the performance of the organization is influenced by the perception of both employees and managers of the decision-making process. In other words, how the employees see their managers and their ability to make decisions affects the way they work. Thus, managers should strive to make the right decisions and at the same time should work on conveying a clear image of the decision-making process to the employees.

Empirical studies

According to Jalal (2017), the organizational culture is the main effective element for how decisions are made for a business. Al-Tameemi et al. (2014) also mentioned that organizational culture and leadership are the main indicators for good performance. Naranjo et al. (2016) studied the effect of organizational culture on performance. The focus of the study was how organizational culture can encourage innovations and stimulate the innovative ideas which then affects the performance. Results showed a positive relationship between the organizational culture and the overall performance.

Consistent with the results of Naranjo's study, Langat & Lagat (2017) conducted another study measuring the relationship between the two concepts. They found that a significant positive relationship exists between the culture of the organization and the employee's performance. Oberföll et al. (2018) also found a relationship between organizational culture and business performance. The research studied correlations between several elements of organizational culture and business performance considering the decision-making process as part of the organizational culture which is affected by values, rules, and orientation of the culture.

Redwood & Holmstrom (2016) says that 69% of the managers around the world believe that the performance of the organization and its ability to achieve its mission and vision is affected by the organizational culture.

Jaradat (2018), in his study, found that organizational culture is an important factor affecting strategic thinking. Strategic thinking is a way that leads to correct decision making, thus organizational culture will affect the decision-making process in a certain way. Abood & Thabet (2017), in their study, on 73 managers from different managerial levels concluded that the leadership style has an impact on decision making.

Consistently, Jomah (2016), found that there is a relationship between leadership style and decision-making process. The study involved 80 participants who are employees of King Saud University and the focus was their perception of the leadership style of their managers and its relation to the decision-making process. The impact of organizational culture and leadership on the decision-making process of an organization is a topic worth investigating. The Decision-making process is reflected in the performance and productivity as teams with leaders able to make the right decisions will certainly have higher productivity.

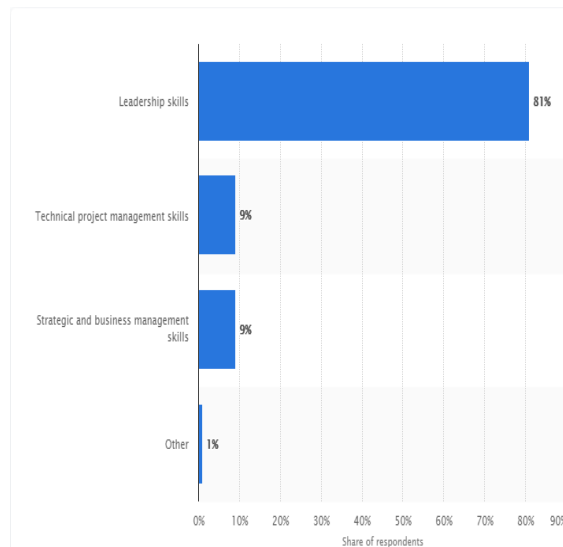
III. Variable Selection and Methodology

The main objective of the study is to analyze the impact of organizational culture and leadership on how decisions are made inside organizations. For the purpose of this study, an analysis of secondary data was done. This data is obtained from different online sources that conducted surveys on managers and employees of organizations and companies from different countries and working in different business sectors. A case from the World Bank is also analyzed in order to see the effect of adopting a new culture in such a big organization on

the decision-making process. The variables of the study are the organizational culture and leadership as independent variables and the decision-making process as a dependent variable. The Decision-making process is measured by the performance of the organization as high performance means the right decisions were taken.

Empirical results

Important skills for managers of highly complex projects (2013)



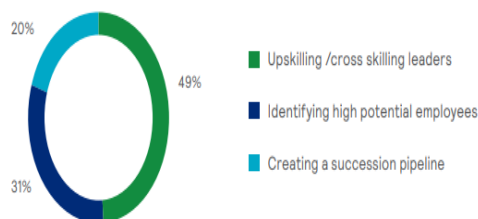
Source: <https://www.statista.com/statistics/293406/most-important-skills-for-managing-complex-projects-in-organizations-worldwide/>

The chart shows that the most important skills for managers are leadership skills and then comes other technical and business management skills by a great difference. This indicates the importance of leadership skills for managers to be able to take the proper decisions and thus lead to better performance within the whole team they are managing.

Mercer mettl (2019) report

Mercer Mettl's (2019) report was based on a survey of 200 organizations working in different sectors. The organizations were of different sizes and from different regions all over the world. The survey was focusing on leadership development.

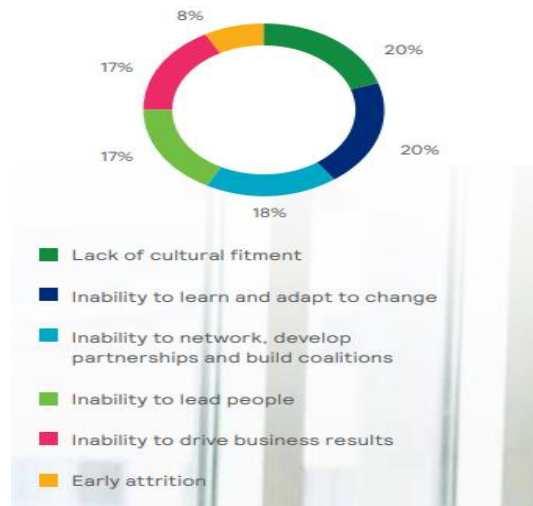
The objective of Leadership Development



Source: Mercer Mettl (2019) report, <https://www.mmc.com/content/dam/mmc-web/insights/publications/2019/sep/Leadership.Development.Trends.2019.pdf>

The above chart shows that most organizations conduct leadership skills development for upgrading the skills of the current leaders, then for the reason of identifying future leaders.

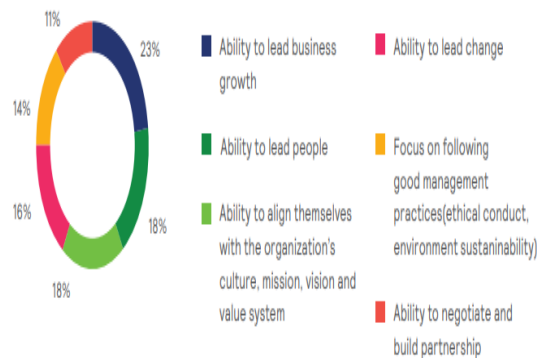
Challenges with New Leaders



Source: Mercer Mettl (2019) report, <https://www.mmc.com/content/dam/mmc-web/insights/publications/2019/sep/Leadership.Development.Trends.2019.pdf>

The chart shows that the main two problems that face leaders in a new organization are the inability to fit into the new organizational culture, and the inability to adapt.

Key Attributes Needed to be a Successful Leader



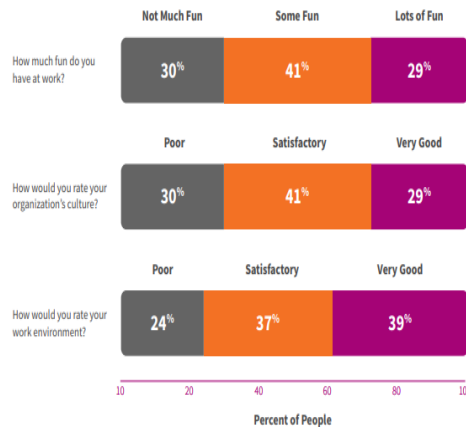
Source: Mercer Mettl (2019) report, <https://www.mmc.com/content/dam/mmc-web/insights/publications/2019/sep/Leadership.Development.Trends.2019.pdf>

The above chart indicates that the most important feature of leaders is the ability to lead the business and then the ability to lead people and fit in the organizational culture is of equal importance which indicates the importance and relation between leadership and the organizational culture.

Tinypulse report (2018)

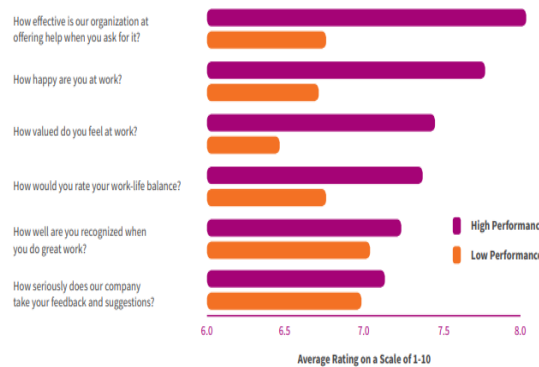
Tinypulse (2018) research provides data from nearly 25,000 employees from over 1000 companies working in different sectors in America, Europe, Asia, and Australia. The report mentioned that 43% of the participants are ready to leave their job for a 10% increase in salary. A similar survey was conducted last year and it showed that 25% of participants will leave for a 10% salary increase. The participants' main reason for that is their companies don't have a strong organizational culture and thus they don't feel loyal to where they are working. The report also mentioned that one of the 10 biggest problems employees face is bad leadership which is reflected in wrong decisions.

Organizational culture



Source: Tinypulse report (2018), <https://www.tinypulse.com/hubfs/EE%20Report%202019.pdf>
 29% only of the participants believe that their organizational culture is very good. The participants also mentioned that a strong organizational culture is one of the most important elements that lead to better performance.

Difference between high performers and low performers



Source: Tinypulse report (2018), <https://www.tinypulse.com/hubfs/EE%20Report%202019.pdf>
 The chart shows that high performers are better than low performers in terms of being satisfied with work, feeling valued, recognized, and enjoying a work-life balance.

Case study of the world bank

In 2006, the World Bank adopted a new staff learning framework with a new organizational structure, it has certain objectives as promoting the culture of learning in alignment with the business trends. The organizational structure of the new framework includes the Chief learning officer (CLO) as the head of the new structure, the Knowledge and learning board direct by the CLO, a learning support group for designing and creating learning and development projects, and monitors for quality management.

The surveys and interviews conducted with the staff and employees indicate that the culture inside the organization was changed to be focused more on the learning and development of staff. The new organizational structure was tailored to ensure that the leadership starting from the CLO and the learning board all have specific job responsibilities with prioritizing learning and development.

Results and evaluation of this new organizational structure and culture show that some of the employees actually utilized what they have learned in different job processes. They were able to make the right decisions related to performing work tasks thanks to what they have developed. The report also compared the World Bank with other organizations, it was above the estimated benchmark in terms of leadership and within average in terms of taking decisions in several work sections as budget allocation and expenditures.

IV. Discussion

Leadership skills are the most important skills needed for any manager as reported by several managers. Leadership is about communicating with the employees, managing the everyday work, and making

proper decisions. Companies focus on leadership skills development to improve the skills of the current leaders so they are able to perform better. Leaders are the ones responsible for taking decisions, so by upgrading their skills, they will have the potential to make the right decisions

As it appears from the survey conducted by Mercer Mettl (2019) and from the literature review, organizational culture and leadership are correlated. New leaders who are unable to fit into the organizational culture may have problems with their team performance. Organizational culture is a term that combines numerous elements, all of which are related to the working environment which affects the employees' performance in the end. As mentioned by Jalal (2017) the decision-making process and job performance are two interrelated terms. Right decisions lead to better performance and better performance is an indicator of the right decisions being taken either by managers of any managerial level or by employees in their day-to-day work.

A good organizational culture also promotes work-life balance, good communication, job satisfaction, and recognition. These factors are all reported to better for high performers and this adds to the evidence of the impact of organizational culture on being able to take the proper decisions.

The results of this study are consistent with what most of the studies found on the impact of organizational culture and leadership on decision-making. The case study of the World Bank shows how implementing an organizational culture in alignment with the business needs has improved the decision-making and the overall performance. Consistently, studies by Jalal (2017) and Jaradat (2018) found that organizational culture has a positive direct relationship with decision-making. Abood & Thabet (2017) and Jomah (2016) concluded that there is a relationship between leadership style and decision-making.

Other studies noted the effect of organizational culture and leadership on job performance as Naranjo et al. (2016), Langat & Lagat (2017), and Oberföll et al. (2018) which indicates the same relationship between organizational culture and leadership with decision-making as both decision-making and job performance are related. It is also important to note the fact that the three variables of this study are correlated. This means that organizational culture may affect leadership style and both of them affect decision-making.

V. Conclusion

The study showed evidence of the effect of organizational culture and leadership styles on the decision-making process. This significance shed the light on the importance of considering the culture and the leadership style when assessing the performance of a certain organization and how decisions are made. This is actually an important significance for managers and leaders when working in any organization, especially for newly hired managers how already have a certain leadership style and come from a different organizational background. Managers should identify the proper style and adapt to the organization they are working in. Yet, managers can have their effect as well taking into consideration the employees and how they will be affected by different decisions.

Moreover, managers and leaders should focus on the performance and the outcomes of their decisions. Decision-making is the most important element in determining the performance of a company. However, several factors may also affect the decision-making process. Further studies are needed in this area to investigate individual elements as investigating different organizational cultures and how they affect the overall performance. Elements of organizational culture as the degree of communication, learning and development perception, diversity, ability to work in teams, and other elements are also correlated and may have different degrees of effect on the decision-making process.

Similarly, different leadership styles can affect the decision-making process differently. These different effects need research noting that many leaders and managers now adopt a transformational leadership style which means the ability to adapt to different situations.

References

- [1]. Abood, S.A. & Thabet, M. (2017). Impact of Leadership Styles on Decision Making Styles among Nurses' Managerial Levels, *Journal of Nursing and Health Science*, 6(5), 71-78, DOI: 10.9790/1959-0605037178
- [2]. Al-Tameemi, K. S. & Alshawi, M. (2014). The Impact of Organizational Culture and Leadership on Performance Improvement in Iraq, *The Built & Human Environment Review*, 7, available at <http://usir.salford.ac.uk/38507/>
- [3]. Jaradat, Y. (2018). The impact of organizational culture on the relationship between information quality and its use, Master's thesis, University of Ljubljana Faculty of economics.
- [4]. Jomah, N. (2016). Perceptions of Employees in the Effects of Decision-Making and Leadership Styles on Relationships and Perceived Effectiveness in King Saud University Development Context, *International Education Studies*, 10(1), 197 -210, doi:10.5539/ies.v10n1p197
- [5]. Langat, E. & Lagat, C. (2017). Effect of Organizational Ownership and Culture on Employee Performance Among Selected Banks in Kenya. *European Scientific Journal*, 13 (13), 409-425.
- [6]. Naranjo, J., Jiménez, D. y Sanz, R. (2016). Studying the links between organizational culture, innovation, and performance in Spanish companies. *Revista Latinoamericana de Psicología*, 48, 30-41.
- [7]. Oberföll, K., Camarena Adame, M.E. & Saavedra García, M.L. (2018) Relationship between organizational culture and performance among German multinational companies in Mexico. *Journal of Business*, 10(2): 24-47
- [8]. Redwood, S. & Holmstrom, M. (2016). Transitioning to the future of work and the workplace embracing digital culture, tools, and approaches. Deloitte Consulting LLP.

- [9]. Xhelili, D. (2016). Organizational culture and leadership: A qualitative study assessing the impact of leaders on organizational culture, School of Health Science, Jönköping University.
- [10]. Jalal, A. (2017). Impacts of Organizational Culture on Leadership's Decision- Making, *Journal of Advances in Management Sciences & Information Systems*, 3, 1-8, DOI:10.6000/2371-1647.2017.03.01
- [11]. Mercer Mettl (2019), Leadership development trends, <https://www.mmc.com/content/dam/mmc-web/insights/publications/2019/sep/Leadership.Development.Trends.2019.pdf>
- [12]. Roberts (2006). Review of the World Bank Group's Staff Learning Framework, WBI Evaluation Studies (No. EG06 112), <http://documents1.worldbank.org/curated/en/465091468781748955/pdf/402250EG0611121g1Framework01PUBLIC1.pdf>
- [13]. Statista (2019) <https://www.statista.com/statistics/293406/most-important-skills-for-managing-complex-projects-in-organizations-worldwide>

MUSTAFA BIOLA ROBERTSON. "Impact of Organizational Culture and Leadership on How Decisions Are Made For A Business." *IOSR Journal of Business and Management (IOSR-JBM)*, 24(06), 2022, pp. 01-07