ORGANIZATIONAL CULTURE, LEADERSHIP STYLE AND EFFECTIVENESS: A CASE STUDY OF MIDDLE EASTERN CONSTRUCTION CLIENTS

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During the last few decades, organizational effectiveness has received a great deal of attention in many industrial sectors. As a result, a variety of models have been formulated which measure organizational performance. In the construction industry, two factors have subsequently captured the imagination and interest of researchers and practitioners alike: the culture of the organization and the leadership style of project managers. This focus places a requirement upon construction organizations to recognize and understand their organizational culture, and equally, to clearly communicate it to their employees as part of their capitalist drive of constantly improving performance, productivity and profit. Traditional ways of conducting construction business require a sound understanding of the technical and managerial demands of executing projects, which in turn, places an increased emphasis upon the management and leadership competencies of individual project managers. The purpose of the research is to explore the relationship between organizational culture, authentic leadership style and effectiveness within the context of a case study investigation centred on Middle Eastern construction clients and their project managers. The outcomes of the investigation, which include the presentation of an explanatory model, indicate that organizational culture is directly and positively related to performance and effectiveness, while project managers' leadership style has an indirect relationship to effectiveness. A strong organizational culture is therefore deemed critical to organizational performance.

Keywords: construction industry, organizational culture, leadership style, organizational effectiveness.

INTRODUCTION

Researchers and practitioners, regardless of their industry focus, have offered a variety of factors that determine effectiveness within an organization: many of which fall beyond the scope of leadership or the culture of the organization (CIOB, 2010; Coffey, 2010). Zehir et al. (2011) state that organizational culture and leadership have received notable attention, in management literature, in terms of their relations to various organizational outcomes; e.g., effectiveness, competitive advantage, financial performance or individuals’ performance. However, studies that integrate both factors with organizational performance are particularly few.

The construction industry is widely acknowledged as being unstable in its output as a result of its relationship to global economic activity (Ofori, 1990). However, several studies, e.g., Fergusson and Langford (2006), Toor and Ofori (2008), Kefela (2010), have tried to investigate and propose remedies to help alleviate this tendency. Yet, unexpected circumstances continue to emerge and influence construction productivity and output. During the last few decades, the construction industry has moved towards a more globalized mode of operation and, as a result, has had to change its procedures and practices to accommodate its dynamic and fast changing multinational environment. This has led the

mode of operation and, as a result, has had to change its procedures and practices to accommodate its dynamic and fast changing multinational environment. This has led the industry to pay particular attention to several influencing factors. The current business dynamics of construction companies have driven them to depend more than ever on the concept of organizational culture (Low and Shi, 2001). Traditional ways of conducting construction business depends upon the technical and managerial features of its projects, which require management and leadership skills. Various researchers have shown more interest in leadership studies within the construction industry than other aspects of interest. They have concentrated their efforts on developing an appropriate leadership style for different business contexts, due to the significant influence of leadership on project outcomes, followers and the entire organizational outcomes in the long-term.

The level of organizational culture is associated with the extent that organizations show in four traits, i.e., adaptability, mission, consistency and involvement, and whether they are obvious and understandable for both managers and followers. Several models have evolved to measure the effectiveness of organizational culture (Lewin and Minton, 1986; Smart and John, 1996). In particular, the study focuses its attention on the organizational culture model known as the Denison model (Denison Consulting, 2007). The primary focus of the Denison module is the leadership style of managers and its critical role in helping to influence organizational culture, including the process by which this is transferred to subordinates.

ORGANIZATIONAL CULTURE AND LEADERSHIP

Organizational Culture

Organizational culture and leadership have a significant influence on performance. Influencing people’s ideas and understandings, and also dealing with organization’s technical issues, is a crucial aspect of a manager’s role (Alvesson, 2013). The concept of culture is linked to group environment, where certain things are shared or held in common. For instance, norms, values, behaviour patterns, rituals, traditions, structural ability and integration all contribute to the establishment of an organization’s identity (Schein, 1992). Farrell (1993) suggested two conditions to develop organizational culture: formal/informal communication and interaction of values/beliefs/norms. He also emphasized that without verbal, physical or emotional communication and interaction, organizational culture is impossible to exist.

Organizational culture provides an overall image of an organization’s identity; this enables it to be categorized among different organization groups. However, an organization is also able to adopt different types of culture within its various departments, i.e., intra-organizational sub-culture. Culture plays a very important role in establishing a business framework and providing a foundation for organizational strategy (Alvesson, 2013). It can also influence management and leadership behaviour at all levels.

Within construction management literature, the publication of cultural-related papers has significantly increased after 1990. Hillebrant (2000) highlighted three main factors for this trend: globalization of construction markets, dynamic environments, and the unique nature of construction business. Changing environments, obstacles and uncertainties have driven organizations to improve their overall organizational performance, but they have faced many challenges along the way. Maloney and Federle (1993) offered poor organizational culture and lack of assessment as the reasoning behind organizational low performance and related difficulties. Later, Harmann (2006) questioned whether organizational culture was indeed capable of influencing the development of the industry in such a manner. However, Brown (1998), somewhat earlier, had provided evidence that some performance factors did attribute
to organizational culture; reduced uncertainty and conflict; provide competitive advantages, coordination, control, commitment, involvement and dedication. It is generally agreed by all parties, that organizational culture helps to clarify and establish behaviour (Steers et al., 1996).

**Organizational Culture and Effectiveness – The Link Between Them**

There are various dimensions to organizational culture. The main focus within these dimensions is effectiveness measurement, which determines the value/effectiveness of an organization (Cameron and Quinn, 2006). Various indicators for organizational effectiveness have been proposed; e.g., Campbell's (1974) thirty-nine indicators list for all possible measures of effectiveness. Cameron and Quinn (2006) determined two major dimensions: the first dimension distinguishes between effectiveness criteria that are concerned with flexibility and discretion, and criteria that emphasize stability and control; while the second distinguishes between the concept of internal orientation, integration and unity at one side, and on the other, external orientation, differentiation and rivalry. These dimensions are combined to form four quadrants where each one represents organizational effectiveness indicators, which represent an organization’s operating features and the approach it believes is most appropriate to its operation. Cameron and Quinn (2006) identified four types of organizational culture: the clan culture, the hierarchy culture, the adhocracy culture and the market culture.

Organizational culture has a strong relationship with organizational performance. It is suggested that it is a key feature in attaining success (Newstrom and Davis, 1993). It has also been linked to several organizational elements, such as high levels of management agreement, employees’ productivity attainment, commitment and awareness. Newstrom and Davis (1993) also state that organizational culture determines organizational success. In contrast, Bryman (1984) and Oqbonna and Harris (2000) have mentioned that a strong and coherent culture might negatively affect an organization. Amongst others, they cite the example of dealing with it as a separate concept and disregarding other organizational dimensions may reduce its value in enhancing performance. Difficulties associated with power and politics may prevent the culture of an organization remaining at the same level. The downside of this view is that culture is not easy to change. Thus, strong culture, widely and effectively shared, is not enough to provide effective performance; it must also contain unique qualities, such as flexibility.

Alvesson (2013) states that studies on the relationship between organizational culture and effectiveness are limited by the lack of agreement on the appropriate measurement criteria for effectiveness. Kotter and Heskett (1992) emphasized the importance of adaptability and the fit between an organization and its adopted culture type. Denison Consulting (2007) expanded on this view by exploring four different cultural traits that are associated with several effectiveness criteria (see Table 1 below), where adequate attention must be paid to the internal and external business, long- and short-terms, and factors that provide flexibility and focus. Hence, among different organizational culture types, when an organization is strong in these culture traits, including its leaders and employees at all managerial levels, effective and efficient performance is expected to occur within its business operation.
Table 1: Denison model’s cultural traits and effectiveness criteria

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<th>Profitability</th>
<th>Innovation &amp; customer satisfaction</th>
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<td>External Focus</td>
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Leadership

Yukl (2010) raises several controversial leadership issues. For example, why do some leaders perform well-perform in certain organizations while not in others. Also, can a good leader positively influence business operations? As a result, several leadership theories appeared examining leaders-followers relationships, leadership dimensions and evaluation (Daft, 2008). Leaders and managers are essential within organizations: they must effectively coordinate and communicate together in order to achieve organizational goals and visions (Northouse, 2010). Limsila and Ogunlana (2008) explained that organizational effectiveness, subordinates satisfaction and extra working effort were to be expected from good leadership and management practices, which are the key theories behind most leadership models. Over the years, several attempts have been made to develop various leadership theories that tried to explain the relationship between particular styles in different contexts and explore the most effective or appropriate style. Regrettably, this is an apparent lack of lack of empirical evidence which focuses on project-based industries (Giritli and Oraz, 2003).

Debates have emerged about the ability to create leaders that can make a real change and deal with construction culture, multinational members, cultural backgrounds, globalization, changing environment and economic growth (CIOB, 2010). Studies have identified that construction firms and educational institutions continue to produce leaders or managers which lack the required leadership skills for such a complex environment (Toor and Ofori, 2008). This has led to a general misunderstanding of the construction industry requirements in terms of leadership and its impact on performance.

Bresnen et al. (1986) justified that the construction project cycle plays an important role in changing the leadership styles of managers and leaders: for example, from people to task-oriented. Leaders may have a dominant leadership style but it should be adjusted or be combined with elements of different styles over the development of a project: in other words, a transformational approach. Rowlinson et al., (1993) agreed and offered supportive and directive styles for pre- and construction stages, respectively. Project managers are often blamed when projects encounter obstacles or problems. Indeed, some organizations have leaders that are incompetent or have insufficient leadership styles that do not help them in dealing with followers (Limsila and Ogunlana, 2008). This emphasizes the need for a leader to adopt an appropriate style and cope with unexpected circumstances, e.g., the contingency approach. The CIOB (2010) argued that leaders’ traits and qualities required in the construction industry are different when compared with other industries. They suggested a re-assessment of leadership style, along with leaders’ qualities and skills are required in order for the industry and organizations to succeed. It also emphasized that greater focus on particular traits is needed, such as relationship management, emotional factors and develop working cultures.

Authentic Leadership Style in Construction

Leadership in construction is facing more challenges than ever before, along with increasing demands of new and future leadership styles. Indeed, the traditional construction focus tends
to be on authority and power. This is due to the managerial and technical features and complexities of construction projects. However, modern construction conditions and their associated challenges – fast changing and unstable environments – place an increasing emphasis upon changing the traditional perception of the leadership styles, abilities, competencies and behaviours for project managers. Suffering from poor record achievement, moral and ethical practices, poor social image is a perpetual industry concern (Toor and Ofori, 2008). Accordingly, a unique leadership style is needed for the construction industry: managers/leaders need to have a coherent style with their own traits, personalities, values, visions and motivations. Several leadership researchers, e.g., Avolio and Gardner (2005), George (2003), George and Sims (2007), Toor and Ofori (2008), offered the authentic approach as a new leadership style for the new environment and solution for various challenges, crisis and issues. Authenticity study has aimed to increase awareness, significantly enhance organizational behaviour and develop authentic leaders who are not only skilled but also lead projects by authenticity traits.

Authentic leaders have unique characteristic and traits, which include morality and self-discipline, personal integrity, positive energy, transparency, confidence, clear purpose. This enables them to lead with concern about others and to establish connected relationships (George, 2003; Toor and Ofori, 2008). Gardner et al. (2005) note that there are no individuals who are completely authentic or inauthentic, but they are more or less authentic or inauthentic. Toor and Ofori (2008) found several studies that show a relation between authenticity principles and organizational performance and outcomes, whereby the more evident the authentic leadership is, the better employees’ performance will be. Authentic leaders have the ability to influence and inspire their followers in order to follow organizational goals and visions, along with motivating them to attain an effective working environment.

The Relationship Between Leadership and Organizational Culture

Numerous studies have investigated the link between leadership or organizational culture and organizational effectiveness. However, few studies have examined them together (Giritli et al., 2013; Ogbonna and Harris, 2000). The relationship between leaders and their organizational and environmental context has almost been ignored by past researchers. Instead, attention has been paid to the relationship between leaders and their subordinates. Indeed, leadership style and organizational culture play a crucial role in determining effectiveness: they are therefore dependent upon each other (Giritli et al., 2013). In contrast, they highlight the view that culture has not been permanently related to leadership, particularly in the context of contingency leadership theories. Kefela (2010) states that effective leadership processes start from influencing others in terms of skills, knowledge, ethics, values and beliefs in order to accomplish missions and goals. It is these dimensions that create the culture of an organization.

RESEARCH THEORETICAL MODEL

Due to globalization, massive changes and difficulties that relate to the current condition of the construction industry, multicultural environment have increased significantly (Akiner and Akiner, 2009). Employees and industry practitioners are now working within a diverse culture in terms of its main traits, attitudes, beliefs, values, roles and different relationship perceptions. Accordingly, they need strong organizational culture, along with an appropriate style of leadership and leaders that fit the nature of this culture. A review of the literature, which draws from different agenda evident in management research, (along with the evaluation of the current cultural and organizational leadership demands in the construction industry) enables a conceptual model to be formulated (see Figure 1 below). The model is
comprised of two fields: organizational culture and authentic leadership characteristics. Its development leads to two main observations: firstly, organizational culture and authentic leaders should interact with individuals and project processes, in which those skilled and competent leaders understand their culture and effectively deliver its strategies to subordinates; and secondly, the interaction of these variables provides an effective working environment that will enhance chances of success (see Figure 2).

**Figure 1: The effectiveness model of construction firm**

**Figure 2: Components and mechanism of the model**

**RESEARCH METHOD**

**Sampling and Data Collection**

The study centered on a large construction Middle East-based organization and randomly selected employees holding various managerial positions. A total of 120 respondents from 6 different construction projects participated in the investigation; this gave a response rate of 66%. The work experience of the participants (22 at line, 26 at middle and 12 at senior management level) typically ranged between 2 to 10 years, with a few holding over 10 years’ experience. Almost half of the respondents had 6 to 9 years’ experience. The sample was divided into six categories: A to F, each representing specific construction project and client.

A mixed method approach was used to elicit data from respondents through two sets of structured questionnaire surveys. This provided data to enable an investigation of the level of organizational culture and the identification of leaders’ roles in relation to their organizational culture within each project environment.
Organizational Culture Measures

There are various models which propose different classifications and measures of organizational culture. Giritli and associates (2013) have explained that they each provide insight into an overall understanding of organizational culture. However, as mentioned above, the research adopted model during this study was the Denison Culture Model (Denison Consulting, 2007). This model involves the collection of data via a questionnaire consisting of four different clusters of questions. These are relevant to the key cultural dimensions of the theoretical model: involvement, consistency, adaptability and mission. These traits break down into 12 indices: 3 indices for each trait. Each cluster of questions has 12 statements: four for each index, making a total of 48 questions. The model is divided into horizontal and vertical axes: internal/external focuses and stability/flexibility respectively.

A closed statement tool, based on four-point Likert scale structure, was adopted to design the questionnaires. Respondents were asked to select the most appropriate category, i.e., strongly agree, agree, disagree and strongly disagree; for each statement. Calculating the average score of the participants’ responses derived the overall cultural profile of each project. The organization’s cultural profile was obtained by calculating the average score of all respondents within each organization.

Authentic Leadership Measures

The research included items from Toor and Ofori’s (2007) study on leadership ethic and authenticity. It is potentially the largest study on authentic leadership development within construction project professionals. Respondents were asked to evaluate their leaders using 16 statements based on a four-point Likert scale structure. A score of 1-4 was assigned, where 1= strongly agree and 4=strongly disagree. The statements were designed to measure each organization’s level of adoption of the authentic leadership principle. The mean score of the respondents was derived as a measure of the level of project leadership authenticity.

Findings

Research findings were derived following two inter-related stages of data handling: firstly, descriptive data were collated and presented for each variable; and secondly, the relationship between organizational culture and leadership was evaluated using this collated data to highlight correlations between key themes within the analysis matrix for each project. Project data were analysed independently in order to evaluate the individual context; followed by cross-project case analysis, which involved both organizational culture and leadership traits.

The analysis reported strong levels of organizational culture associated with projects A, E and F, and their leaders’ authenticity practices increased accordingly. The results for projects C and D contrasted dramatically: they indicated very low levels of culture and authenticity practices. Project B, on the other hand, received a low level of organizational culture with a high level of employees’ satisfaction toward their leaders’ authenticity. Figure 2 and 3 illustrate the overall organizational culture scores and the mean scores and standard deviations for organization authentic leadership style, respectively. The overall level of culture within the organization is medium, with a low level of adoption of the authenticity principle among its leaders.
Discussion and Conclusion

Existing theory suggested that organizational culture and leadership style are the major dimensions of effectiveness within the construction industry: in particular, strong organizational culture and authentic leadership style. Although the investigation was undertaken within the same context, i.e. the Middle-Eastern construction company, the traits and norms and level of organizational culture varied from project to project. The strong influence of organizational culture on authenticity level was obvious in the five projects studied. Respondents appeared to be dissatisfied with the authenticity practice of their leaders. This seems to be consistent with earlier research undertaken by Weese (1996).
Ogbonna and Harris (2000) and Kefela (2010), in which appropriate leadership within an organization is not directly related to its effectiveness but needs strong organizational culture that is widely shared in order to achieve high performance and employees’ satisfaction.

The study has indicated that construction leaders tend to perform using a wide range of leadership behaviour, even within the same organizational environment. Thus, organizational culture and its various traits are directly linked to organizational performance, where positive cultural change in a single division will obviously influence that unit and have impacts on its effectiveness and efficiency. The research has suggested that organizational culture is a key to firm performance regardless of the organization’s appropriate style of leadership. Organizations should pay an adequate attention to their culture in order to achieve positive outcomes. Meanwhile, leadership has to receive its importance.

Some caution must be noted, however: this study is limited to a specific Middle Eastern construction firm; furthermore, although the Denison culture model is generally well-supported, it may well lack a comprehensive understanding of all cultural components in relation to Middle-Eastern culture.

REFERENCES


