

A study on impact of leadership on organizational culture to employee development: An empirical analysis

Sadaf Khan *

Shikha Mishra †

Department of Human Resource

Amity Business School

Amity University

Noida

Uttar Pradesh

India

Abstract

This study aims to find the impact of leadership on organizational culture and its subsequent effect on employee development. A quantitative research approach was employed, and data were collected through a survey questionnaire from a sample of employees working in various organizations. The study used correlation analysis to examine the relationship between leadership, organizational culture, and employee development. The result of the study revealed a positive and significant relationship between leadership and organizational culture. Also, the study found that organizational culture has a significant impact on employee development.

Subject Classification: 90C99.

Keywords: M12, Personnel management, Leadership, Organization culture, Employee development, Correlation analysis, Survey questionnaire.

Introduction

A competitive business environment and significant changes to the business environment, as well as significant changes and advances in the service sector, are challenges for today's businesses as they attempt to gain an advantage in this era of globalization. Prior studies have shown that a company's increased success is frequently reliant on the productivity of

*E-mail: sadafkhan.au94@gmail.com (Corresponding Author)

† E-mail: smishra2@amity.edu

its fully devoted staff. Employees who are dedicated put in more effort to ensure the organization's goals are met. These workers are committed and devoted to the organizations. As a result, there is still a lot of anxiety about how organizations are perceived to be committed.

The literature indicates that a key step in the organizational commitment process is leadership. Leadership is also necessary for the growth and transformation of organizational culture as well as for the effectiveness of the organization. There hasn't been any prior research that looks at the connections between leadership philosophies, organizational cultures, and organizational commitment in the framework. The theoretical underpinning of this essay is found in the discussion of how organizational commitment, leadership style, and organizational culture interact in the setting of the service industry. The purpose of this study is to look into how leadership affects organizational commitment and how organizational culture plays a mediating role in gaining a competitive edge by assuring employees' consistent performance within this framework.

1. Leadership

Leadership style is a crucial factor in determining the success or failure of an organization. Different leadership styles have been identified by scholars and researchers over the years. In this literature review, we will explore some of the key leadership styles that have been studied in the literature.

1.1 Transformational Leadership

Transformational leadership is a style of leadership that focuses on inspiring and motivating followers to achieve their full potential. This leadership style is often characterized by a leader who is charismatic, visionary, and able to inspire followers to achieve great things. The relationship between organizational citizenship behavior (OCB) and transformational leadership (TL), as mediated by job satisfaction (JS), is examined in this study. (Sumarmi, Saptaningsih, Tri Winarni, & Murti Sumarni, 2022). According to Avolio et. al. (1999), transformational leaders can create a shared vision and communicate it effectively to their followers. This leadership style is effective in improving employee motivation, job satisfaction, and organizational performance (Bass & Riggio, 2006). A company's human resources (HR) are crucial and need to be well-governed. The global COVID-19 outbreak has taught organisations valuable lessons about managing human resources.

1.2 *Transactional Leadership*

Transactional leadership is a style of leadership that focuses on the exchange of rewards and punishments for performance. Leaders who adopt this style are often more concerned with maintaining the status quo and achieving short-term goals rather than inspiring and motivating their followers to achieve their full potential (Bass & Riggio, 2006). Transactional leaders use a variety of techniques, such as contingency rewards.

Leadership that is transformational affects employee engagement. Employee perceptions of meaning and work, however, modulate this (Notgrass, 2014). Task complexity and encouragement of innovation serve as moderators, which have a substantial impact on how engaged employees are in the creative process under transformational leadership (Mahmood et. al., 2019). Innovation and worker performance are impacted by transformative leadership. Organizational citizenship behavior is increased by transformational leadership. They also foster innovatory in followers (Boerner et. al., 2007). According to Afsar and Umrani (2019), transformational leadership has a favorable effect on employees' innovative work behavior through a motivation to learn.

2. **Organizational culture**

It refers to the shared values, beliefs, assumptions, and practices that shape the behavior and attitudes of individuals within an organization. In this literature review, we will explore some of the key ideas and themes that have emerged in the study of organizational culture. The study's conclusions demonstrate how organizational culture and marketing innovation benefit banks' performance. Additionally, it was discovered that the relationship between organizational culture and bank performance is partially mediated by marketing performance. Aboramadan, M. Albashiti & Zaidoune (2020). The study of organizational culture emerged in the 1980s as a way of understanding the impact of organizational values and norms on individual and organizational behavior. One of the earliest and most influential models of organizational culture was developed by Edgar Schein (1985), who defined culture as a set of shared assumptions and beliefs that are learned by a group as it solves problems of external adaptation and internal integration.

Researchers have identified numerous dimensions of organizational culture that can be used to describe and analyze different organizations. One of the most widely used models is the Competing Values Framework

(Cameron & Quinn, 2011), which identifies four different types of organizational culture: clan, adhocracy, market, and hierarchy. Each of these cultures has its own set of values and assumptions that influence how individuals within the organization behave. Organizational culture serves various important functions within an organization. These include providing a sense of identity and purpose, facilitating communication and coordination, and shaping behavior and attitudes (Ashkanasy et. al., 2011). Culture can also play a key role in attracting and retaining employees, as well as influencing customer and stakeholder perceptions of the organization.

According to Kesa et. al. (2019), organizational power and culture have a substantial impact on organizational cohesion on an individual level as well as on the relationship between organizational power and organizational cohesiveness. Experiences developed as a result of workplace culture may either stimulate higher results or lead to tiredness (Catling et. al., 2017).

3. Employee Development:

An attempt to boost the employee's capacity to work in a variety of occupations is termed - employee development (Mathis & Jackson, 2006). In his book Human Resource Management, Hasibuan (2009) noted that employee development is an effort to enhance the technical and theoretical, conceptual, and moral competencies in line with job and role requirements through training and education.

When investment in the development of employees refers to equipping employees with knowledge and skills development, the present study portrays Employee Development as an evaluation of an organization's present and future commitment to facilitating employees in recognizing and acquiring new skills and abilities. The core tenet of the concept is to provide such an environment to employees where they get assurance that their contributions are being valued and that their employability is being taken care of by the organization (Lee & Bruvold, 2003). The results deepen our comprehension of how organizational development processes have been impacted by the COVID-19 pandemic. The findings show that employees want new topics to further their growth in addition to the change in the format and approach of employee training brought on by the epidemic. The adoption of numerous online development efforts was also associated with decreasing employee engagement and increased weariness. Mikolajczyk, K. (2022).

4. Relationship between Organizational Culture, Leadership, and Employee development

The hypothesis of transformational leadership, leading to or developing an organizational culture, is well supported by a wealth of empirical literature. However, there is additional literature that supports organizational cultures that support transformational leadership. The study question, "What is the relationship between transformational leadership style and organizational culture?" was formulated because, in the researcher's perspective, it is the leaders of the organization that most frequently decide the culture that is present within the organization. From it, the goal is derived. Organizational culture is influenced by leadership (Block, 2003). Leader behavior is more control-oriented in bureaucratic cultures and more flexible in innovative cultures (Taormina, 2008). Therefore, culture affects leadership style as well. Cultural values and charismatic leadership styles are closely related (Sharma & Sharma, 2010). Learning organizations benefit from both transformational leadership and an adaptive culture (Rijal, 2016). In determining leadership styles and behavior, intelligence is a key factor. According to research by Vivian Tang, Yin, and Nelson (2010), leadership and emotional intelligence are causally associated. Leadership is crucial for enhancing organizational performance and defining organizational culture. The success of a leader is also greatly influenced by intelligence. Strong organizational culture does not increase performance (Subroto, 2011). Transformative leadership and organizational culture have a direct impact on employee performance (Sinaga et. al., 2018).

II. Objectives of the study:

1. To determine the relationship between Leadership and Organization Culture.
2. To determine the relationship between Organization Culture and Employee Development

III. Hypothesis of the study:

H1₁: There is a significant relationship between Leadership and Organizational culture.

H2₁: There is a significant relationship between Organizational Culture and Employee Development.

IV. *Research Methodology:*

In this research paper researcher need to study the relationship between leadership, organizational culture, and employee development, to test the research objective and hypothesis, quantitative research design would be used, for the descriptive type of research authors used the administering survey to a sample of leaders and employees to collect data on organizational culture and employee development in the banking sector, Simple random sampling used to the data collection, data collected using the interview and survey method and questionnaire, The SEM approach is used to analyze the structural relationship between the measured (observed) variables and their constructs using the PLS-SEM technique. The PLS-SEM technique follows a multistage process, which involves: (1) the specification of the conceptual structural model and hypotheses to be tested, (2) data collection, (3) model validation (4) estimation and evaluation of the results. The structural model, also known as the path model, specifies the relationship between the observed qualitative variables and the latent constructs using a statistical method (smart PLS) to analyze the data and identify relationships between organizational culture and employee development scale.

For data collection, following were the scales with three different variables.

We used the following scales.

1. **Leadership Behavior** - Harris and Ogbonna (2001)
2. **Organization Culture Index (OCI)** - Wallach's (1983)
3. **Employee Development** - Kuvaas & Dsvik, 2010

V. *Data Analysis and Results.*

1. **Reliability test:**

To test the reliability analysis author tested Cronbach Alpha, following are the reliability tests for leadership, organizational culture and employee development. Henceforth, ED is used for the Employee Development, L is used for the Leadership and OC is used for the Organisational Culture Table 1.

Table 1

	Cronbach's Alpha	Composite Reliability
ED	0.869	0.900
L	0.896	0.914
OC	0.920	0.907

2. Descriptive Stat:

Descriptive statistics provide a basic understanding of the distribution of each variable and the degree of variability in the data: variables named; Employee Development, Leadership, and Organizational Culture (Table 2).

Table 2

	Mean	Median	Min	Max	Std Dev	Kurtosis	Skewness
ED	0.000	-0.408	-1.188	1.855	1.000	-0.780	0.681
L	0.000	-0.409	-1.103	2.163	1.000	-0.226	1.063
OC	0.000	0.352	-2.776	1.379	1.000	1.165	-1.201
Total	100	100	100	100	100	100	100

3. Correlation:

Table 3

ED	L	OC
1.000	0.629	-0.272
0.629	1.000	0.211
-0.272	0.211	1.000

Table 3 shows the correlation coefficient between employee development (ED) and Leadership(L) is 0.629, indicating a moderately strong positive correlation between the two variables. It shows the correlation coefficient between ED and OC is 0.272, indicating a weak negative correlation between the two variables. The correlation coefficient between leadership and OC is 0.211, indicating a weak positive correlation between the two variables.

4. Path coefficient:

The path coefficients represent the standardized regression coefficient for the relationship between the variables in the model. The Table 4 shows the following path coefficients.

Table 4

	ED	L	OC
ED			
LB	0.719		0.211
OC	-0.424		

The path coefficient from ED to L is 0.719, indicating that there is a strong positive relationship between ED and Leadership. L to OC is 0.211, indicating that there is a weak positive relationship between leadership and OC. The path coefficient from ED to OC is -0.424, indicating that there is a moderate negative relationship between employee development and organizational culture.

5. Total Effect:

The total path coefficients for the relationships between the variables in the structural equation model are as follows (Table 5).

Table 5

	ED	L	OC
ED			
L	0.629		0.211
OC	-0.424		

The total path coefficient from ED to L to OC is 0.133, indicating a weak positive relationship between employee development and organizational culture through the mediating variable of leadership. And the total path coefficient from ED to OC is -0.424, indicating a moderate negative relationship between employee development and organizational culture.

6. Specific Effect:

Special indirect effect shows the mediating effect of the variables. The Table 6 shows the following.

Table 6

	Specific Indirect Effects
L -> OC -> ED	-0.090

The Table 6 shows value of the specific indirect effect of the relationship between L and ED through the mediating variable OC. This suggests that the indirect effect of L on ED through the OC is negative and has a magnitude of -0.090.

7. Smart PLS Run:

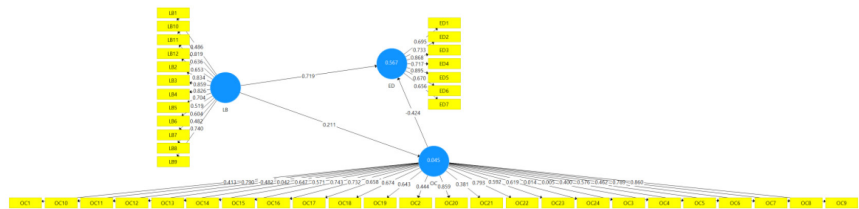


Figure 1

8. Bootstrap:

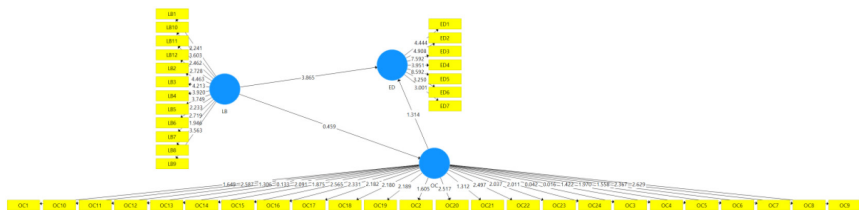


Figure 2

Figure 1: This figure shows the direct and indirect relationship between three variables leadership, organizational culture, and employment development, also shows the indicators or degrees of the relationships of the variables.

Figure 2: This figure shows the bootstrapping of sub-samples of the scales, bootstrapping has been done based on 5000 sub-samples by default. This figure also denotes the negative and positive values of the statements.

VI. Conclusion

Results suggest that there is a moderately strong positive relationship between ED and Leadership, but only a weak negative relationship between ED and OC, and a weak positive relationship between Leadership and OC. However, it is important to note that the correlation coefficient only measures the strength and direction of the linear relationship between variables, and cannot establish or identify other potential factors that may be

influencing the relationships between these three variables. It is important to note that the specific indirect effect is calculated by multiplying the path coefficients for the path connecting the independent variable Leadership to the mediator OC and the mediator to the dependent variable ED. This effect represents the extent to which the mediator OC transmits the effect of the independent variable L to the dependent variable ED.

However, it is also important to consider the overall model fit and other measures of effect size and significance.

VII. Suggestions and Future Recommendations:

Based on the result and discussions or research questions some recommendations are as follows:

1. Investigate the mediating role of leadership in the relationship between organizational culture and employee development. This could involve testing a model in which organizational culture predicts leadership behavior, which in turn predicts employee development outcomes.
2. Explore the role of specific dimensions or components of leadership and organization culture in the relationship between these constructs.
3. Consider the impact of contextual factors, such as industry or organizational size on the relationship between leadership, organizational culture, and employee development. It may be useful to examine how these relationships vary across different types of organizations and work settings.
4. Use longitudinal or experimental designs to examine the causal relationships between leadership, organizational culture, and employee development. This could involve testing interventions or manipulations designed to improve leadership or organization culture and examining their effects on employee development outcomes over time.

Overall, future research on the relationship between Leadership, Organizational Culture, and Employee Development should aim to build on and extend the existing literature by addressing these and other important research questions in a rigorously and systematically.

References

- [1] Erez, M., Lisak, A., Harush, R., Glikson, E., Nouri, R., & Shokef, E. Going global: Developing management students' cultural intelligence and global identity in culturally diverse virtual teams. *Academy of Management Learning & Education*, 12(3), 330-355 (2013).
- [2] Ahl, H. Why research on women entrepreneurs needs new directions. *Entrepreneurship theory and practice*, 30(5), 595-621 (2006).
- [3] Antonakis, J., Bendahan, S., Jacquart, P., & Lalive, R. On making causal claims: A review and recommendations. *The leadership quarterly*, 21(6), 1086-1120 (2010).
- [4] Nembhard, I. M., & Edmondson, A. C. Making it safe: The effects of leader inclusiveness and professional status on psychological safety and improvement efforts in health care teams. *Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior*, 27(7), 941-966 (2006).
- [5] Aboramadan, M., Albashiti, B., Alharazin, H., & Zaidoune, S. Organizational culture, innovation, and performance: a study from a non-western context. *Journal of Management Development*, 39(4), 437-451 (2020).
- [6] Afsar, B. & Umrani, W. Transformational leadership and innovative work behavior: The role of motivation to learn, task complexity and innovation climate. *European Journal of Innovation Management*, 23(3), 402-428 (2019).
- [7] Ashkanasy, N. M., Wilderom, C. P. M., & Peterson, M. F. Handbook of organizational culture and climate. SAGE Publications (2011).
- [8] Deepshikha Seth, Priyanka Agarwal, Anubha Vashisht, Deepak Bansal & Priti Verma. A study on the role of millennials in changing workplace dynamics: How millennials can help businesses move ahead in the post COVID-19 world, *Journal of Information and Optimization Sciences*, 44:1, 9-23 (2023). DOI: 10.47974/JIOS-1292.
- [9] Mikołajczyk, K. Changes in the approach to employee development in organisations because of the COVID-19 pandemic. *European Journal of Training and Development*, 46(5/6), 544-562 (2022).
- [10] Sumarmi, Saptaningsih, Tri Winarni, and Murti Sumarni. "Transformational Leadership and Organizational Citizenship Behavior in the COVID-19 Era: Mediating Analysis." *KnE Social Sciences* : 855-867 (2022).

- [11] Avolio, B. J., Bass, B. M., & Jung, D. I. Re-examining the components of transformational and transactional leadership using the multifactor leadership. *Journal of occupational and organizational psychology*, 72(4), 441-462 (1999).
- [12] Bass, B. M., & Riggio, R. E. Transformational leadership. Psychology Press (2006).
- [13] Block, L. The leadership-culture connection: An exploratory investigation. *Leadership & Organization Development Journal*. 24 (6), 318-334 (2003).
- [14] Boerner, S., Eisenbeiss, S. A., & Griesser, D. Follower behavior and organizational performance: The impact of transformational leaders. *Journal of Leadership & Organizational Studies*, 13(3), 15-26 (2007). <https://doi.org/10.1177/10717919070130030201>.
- [15] Cameron, K. S., & Quinn, R. E. Diagnosing and changing organizational culture: Based on the competing values framework. John Wiley & Sons (2011).
- [16] Catling, C. J., Reid, F., & Hunter, B. Australian midwives' experiences of their workplace culture. *Women and Birth*, 30(2), 137-145 (2017). doi.org/10.1016/j.wombi.2016.10.001.
- [17] Kesa, D. D., Wu, M., & Ko, C. J. Organizational Power, Cohesiveness and Culture of Taiwan's Cosmetology Industry. *AJBA*, 12(2), 211-232 (2019).
- [18] Mahmood, M., Uddin, M. and Fan, L. The influence of transformational leadership on employees' creative process engagement: A multi-level analysis, *Management Decision*, Vol. 57 No. 3, pp. 741-764 (2019).
- [19] Notgrass, D. The relationship between followers' perceived quality of relationship and preferred leadership style. *Leadership & Organization Development Journal*, 35(7), 605-621 (2014).
- [20] Rijal, S. Leadership style and organizational culture in learning organization: A comparative study. *International Journal of Management & Information System*, 14(5), 17-26 (2010).
- [21] Schein, E. H. Organizational culture and leadership. Jossey-Bass (1985).
- [22] Sharma, G. and Sharma, P. Importance of Soft Skills Development in 21st Century Curriculum. *International Journal of Education & Allied Sciences*, 2, 39-44 (2010).