How Does Leadership Make Difference to Organisational Culture and Effectiveness?

An overview for the public sector
**Intended Audience**

This paper is for managers and leaders curious about the impact of their own behaviour on organisational performance, and for those seeking to develop leadership capacity and capability in their organisations/ systems.

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Introduction

Despite managers and leaders desire to know:
  • What impact does leadership have on organisational effectiveness?
  • How does leadership impact on culture and visa versa?
  • What are the characteristics of well-led organisations?
there is little real evidence in the literature to help answer these questions.

This paper works with some of the current literature and thinking, primarily using complex systems ideas, to look at these questions, so that you can begin to think about what leadership works in your context. It is not a comprehensive review; rather it attempts to cover the territory in a way that pulls out some key ideas to help your thinking.

Context

There is a proliferation of courses and programmes that make the basic assumption that leadership changes culture, and offer the solutions to the question ‘ how?’ Many are based on the premise that understanding self is a critical part of a leader’s repertoire. Many programmes have been designed to meet the need generated by a systems wide view that a critical part of modernising the public sector is finding the right leaders and the right chief executives. The ‘right man at the top’ answer emerges frequently in our society.

Meindl et al (1985) argue that it will be hard for research to overcome the myths about the power of leaders to change organisational outcomes, because leadership has become so romanticised in our society. Moreover their studies demonstrate that the interest in organizational leaders and their characteristics has been highest “when business performance or performance of the national economy has reached very high or low levels”. Success or failure looking for individuals to reward or blame. Certainly there is a belief at the policy centre of public service that in order for the public sector to improve, its leadership needs to improve (PIU 2000).

The public sector has been the subject of multiple attempts to define the competence of these leaders, and to provide programmes that equip leaders with these competencies. The emphasis remains on the need to skill up the leader at the top, rather than developing leadership capability within the organisation or system in order to lead together collectively (see the section on distributed leadership).
It is widely held that leaders form, shape and embed culture; and are themselves formed by culture. In order to understand any organisation we tend to look at its ‘culture’ – its customs, rituals, language, symbols, ideology, behavioural norms – how things are done round here. The more pressing and difficult question is what impact does all this have on organisational performance and effectiveness? Meindl et al (1985) argue that it is overestimated how much leaders can control organizational outcomes.

You may have read some of the more popular ‘Heathrow library’ books on the characteristics of what makes organisations successful and how their leaders behave, and noticed how these become so quickly out of date as their cases studies collapse as time passes.

The difficulty is that “organizational effectiveness is one of the intractable and controversial constructs in the behavioural and social sciences” (Coulter 1979......) – how you define effectiveness depends what you think is effective, and that depends on your view of the world. This, or course, alongside the difficulty in multiple variables, make it hard to relate organisational effectiveness to leadership. A review of the research of the role of the headteacher (principal) in student’s outcomes, could find little evidence of any link (Hallinger and Heck 1996). Though the meta-evaluation of the Local Government Modernisation Agenda which was commissioned by the OPDM to identify the initiatives that have been key enablers of desired policy changes, reported that “leadership by officers and executive members has been important in driving improvements in CPA scores and is positively associated with improvements in service quality, value for money, and responsiveness to service users.” (Martin and Bovaird 2005 p 14).

There is a common hypothesis that if an organisation possess’ a ‘strong culture’ by exhibiting a well integrated and effective set of specific values, beliefs, and behaviour patterns, then it will perform at a higher level of productivity (Dennison 1984). However researchers have not identified the variables in culture that affect performance, or how leaders should intervene effectively in an organisation’s culture (Marcoulides & Heck 1993). There are two distinct views about organisational culture. One is that culture is something the organisation ‘is’ (it’s a way of describing the organisation); the other is that it is something the organisation ‘has’ (making it possible to create, shape, change) (Davies et al 2000). This obviously determines the relationship with leadership.

Many studies of the relationship between sustainable organisations and variables such as culture, and organisational dynamics, are not clear at the outset about their theory of organisation, and yet these issues are not ‘theory free’. What we look for in terms of evidence of effectiveness, sustainability, performance is inextricably tied to our own theories/models of how organisations work. This is compounded by research approaches that ask the system what’s effective in that system – without making that system’s identity and current norms evident. For instance, many studies of
the NHS ask NHS managers what they think makes an effective leader/organisation –essentially a blinkered view.

We can take as a starting point then, that there is a relationship between culture and organisational effectiveness. Though what we mean by effectiveness is yet to be defined.

**Do leaders shape organisations or do organisations shape leaders?**

As you might have guessed – it’s a bit of both! You may be able to think of leaders who have been really effective in one organisation, and branded as failures in another, where they worked at the same level. You’ll know yourself that in some teams you feel really effective, and some you struggle to make a useful contribution. Whilst there is an absence of cause and effect in the literature, there is enough in current theory to take the view that leaders shape culture, and culture shapes leadership behaviour.

You know that when looking for a new job, you try and work out if the way the organisation works fits the way you like to work. You look for symbols of the culture. When you start a new job, you look at what your boss pays attention too, and even more so, the chief executive. Over time as you work in any organisation you find yourself talking about how things are done round here. Leaders are both the architects and the product of organisational culture.

Systems approaches see organisations as having ‘identity’ the enduring distinctive character of the organisation (Luhmann 1986) reflected in values, traditions, symbols, practices, and the way the organisation translates/interprets its environment (Gioia & Thomas 1996). Leaders shape identity, how the organisation makes sense of its work and its environment, what relationships matter, what feedback counts, what information is available; and leaders view and behaviours are shaped by the organisation’s norms and boundaries.

Milton L & Westphal J (2005) report that “organizations that manage identity confirmation in work groups will be better able to achieve the cooperation they desire. When cooperative effort is aligned with organization goals, performance will tend to follow”.

Convergence around collective identity (the fluid but convergent beliefs and assumptions about the organisation’s distinctive attributes, and enduring way of making sense of internal and external perturbations), increases organisational commitment, strengthens organizational culture and mobilises cooperation. Collective identity is produced through discursive processes (language in use that embodies ‘we’) (Hardy et al 2005).

These and others (including Malby and Fischer 2006) suggest that organisations that enable collective adaptive identity are more likely to be
successful, and that identity is produced through collective sense-making, reflection, and language. The leadership role therefore is to focus organisational attention, create organisational space, and contribute to the process.

**How do leaders shape and embed culture or identity?**

If leaders do shape culture then how do they do it? Schein (1992) identifies these primary mechanisms for embedding culture

- What leaders pay attention to – measure, control
- Leaders reaction to critical incidents
- Criteria for resource allocation
- Role modelling, teaching, coaching
- Observed way of allocating rewards and status
- Observed criteria for recruitment, selection, promotion, retirement and excommunication.

If your starting point is organizational culture as the major determinant of organisational effectiveness, then leadership effectiveness will be congruent with the impact leaders have on symbol, language, ideology, belief, ritual and myth (Pettigrew 1979).

Using a complex systems view of culture we see that Systems leaders need to sustain processes that enable the system to make the most of its capacity and capability to adapt. In essence this approach requires persistent attention to identity, relationships and information (Wheatley and Rogers 1996).
Complex systems approaches suggest that culture is an emergent property of the interaction between:

- Diversity and multiple perspectives
- Conversations fit for purpose
- Conflict as source of energy
- Meaning – why we belong together
- How agents make sense and choose to act
- Rituals
- Language
- Access
- Open to new information
- Communication as the Co-ordination of behaviour
- Evidence-based decisions

Malby R & Fischer M 1996.

In this model, not only do leaders need to give their attention to the structure of identity (rituals, language) but also to the way identity shapes how members make sense of their context, their impact, their work together. The leaders task here is to question the underlying assumptions that shape decisions, interpretations; and to persistently expand the ‘lens’ through which the organisation interprets and makes sense of its environment and its own activities.

**What do leadership theories offer?**

Leadership theories tend to follow societal trends – as you look at how leadership theories have developed you will see they mirror societies views of organising, but of course there is a time delay between how society sees the world and a theory of leadership! So leadership themes have moved from: Great Man (1900s – and it really meant men) Behaviour – Traits (1960s) Charismatic – Strong leaders, weak followers (1970s) Contingency/ situational (1960s – 1980s) Transactional/contractual – Task focused, Vision (1980s) New paradigm leaders – post modern, personal mastery, knowledge creators (1990s) Systems leaders – creating meaning, fostering emergence (1990s).
In many ways the best way of exploring what leadership works is to have a conversation about your own experience, that surfaces your own views about what makes organisations or systems effective. Whilst the ‘right man in the right job’ seems to recur regularly, and the competency model is well utilised, here are some of the ideas currently in active use in the public sector in terms of leadership and organisational development.

**Transformational Leadership**

The 1980s and 1990s saw the wide acceptance of the need for Transformational Leadership. This theory hinges on motivational leaders articulating vision and direction, valuing and nurturing their staff, which it assumes generates commitment, strengthening culture, thereby improving performance (Bass and Avolio 1993). Its premise is to increase followership effectiveness. Critics argue that this only captures part of the leadership task in effective organisations.

**Collective and Distributed Leadership**

“If we are to start developing our collective leadership then we also need to start ditching the recipe-approach to leadership: there are no “seven-ways-to-guaranteed-success” because there are no guarantees, and there are no guarantees because no one individual can determine the outcome of collective efforts. Leadership is not like following a cooking recipe because the ingredients that leaders use are not dead but live, not compliant but resistant.” Keith Grint. Times, 8 March 2005

Distributed leadership does not negate the impact or requirement of leadership at the top, but requires this leadership as part of a wider leadership capability, where the social capital of the organisation is harnessed. Distributed leadership is leadership in practice ‘stretched over the social and situational contexts’ (Spillaine et al 2004 p5) of the organisation. It is a model where the leadership effort is a product of the context, the people and leaders thinking and behaviour (Spillaine et al 2004). Bell at al (2002) found that the leaders impact (Head-teacher) was mediated by others – in other words leadership was distributed through staff, parents, the wider community, and in that distribution, it impacted on students’ performance. It recognises that powerful leadership is where the leader at the top relinquishes power to others in the system (Gold and Harries 2003) and where interdependency is recognised.

This model of leadership is widely explored in the education sector, and is beginning to influence the public sector more widely (the Northern Leadership Academy itself is based on a notion of distributed leadership in the region).
**Systems Leadership**

“A system is a perceived whole whose elements ‘hang together’ because they continually affect each other over time and operate towards a common purpose” Senge 2001.

Systems leadership takes us out of the realms of organisational boundaries, into leadership that takes place in multiple systems. So any organisational member is a member of that system (the organisation) and possibly a member of systems within that organisation (e.g. the parks and leisure services) and possibly a member of systems that runs across organisations (the system for caring for older people in their own homes; or a community safety system). Leadership is exercised in systems in different ways depending on the complexity of the system’s work.

Living systems offer us a very different perspective of how systems are organised. Some prefer to use these ideas as metaphors; some believe these ideas do translate across to social systems. Many of you will have heard of complex adaptive systems. These ideas, based on the new sciences, argue that order comes for free, that our persistent desire to control the uncontrollable makes us more and more ineffective as leaders. This perspective says that for some things – where cause and effect are linear, where if you do x, y happens (always) – you can control the outcome. But this is not the stuff of most of organisational life. Most of the complex issues that leaders are dealing with are ones where if you do x, then a, b, d or z could happen, where cause and effect are distant, where actions have multiple consequences. This is the world of complex systems where as leaders you are helping your system to develop adaptive capacity. It purports that system’s performance for complex work is dependent on its adaptive capacity and capability.

So in systems, you can have linear (tame) work requiring hierarchical / project management processes; and you can have complex (wicked) work requiring adaptive behaviours.

Malby and Fischer (2006 p 36 – 40) offer the following summary of what to look for in terms of an organisation’s capacity to be adaptive (to work on the complex issues) and what that means for systems leadership:

“When looking at organisations in terms of their capacity as complex systems, what do these ideas suggest that we need to look for? Here are a number of areas that you would focus on:

- **Identity** – clear identity evident throughout the system. Evidenced in ‘system’ stories; common language; clarity of vision and purpose and member’s identification with those in practice.

- **Clarity of direction and how the system works to get there.**
- Multiple perspectives encouraged and valued. Conflict seen as creative. Difference nurtured where it is creative.

- Clear, accessible, understood, used, and current principles for how things are done round here (rules of thumb).

- Open access to information.

- The system seeks and uses feedback about its impact internally and externally.

- Reflexive – spends time in conversations for understanding, possibility and change. Looks for patterns of system behaviour.

- Boundaries clear for all members, and clarity in expectations, responsibility and accountability of members and of the whole.

- Sustainability – looks for change in the long term. Manages anxiety about the time for change, and for things looking worse in the middle.

- Effective mature relationships across the organisation.

**What this means for systems leadership**

Working with these ideas shifts systems leaders away from the need to control and fix the system. These ideas suggest that leaders of dynamic systems (at whatever level these exist) are required to:

- Provide **clarity of purpose and expectations**, leading from ambiguity and managing personal and system anxiety.

- Lead decisions that are **congruent and consistent** with this purpose and the articulated values of the system.

  This congruence is found in the simple rules used to govern the system (that provide the framework for action and for holding players in the system to account) and the structure (what gets rewarded etc – see section on Systems).

- Be clear about the system’s **boundaries**, and the **expectations** of the whole systems and individual member’s performance and behaviour. Clearly articulated responsibilities and accountability processes.

- **Contextualise** – help the system make sense of the context in which it works. This includes spotting patterns in both the external world and within the system itself (the trends over time in how the system acts). This also includes seeing options all the way through, working all the time with multiple scenarios.
• **Question underlying assumptions** that govern the system’s actions – in effect persistently question the sense the system makes of data it gathers from the external world and from its internal workings. This includes surfacing **patterns**. In doing so, the systems leader can ask how the system’s assumptions help and/or hinder its work, and uncover the systems’ underlying operating principles (simple rules above).

• Systems leaders **connect the system to itself** through dialogue and feedback processes.

• Systems leaders need to sustain **processes that enable the system to make the most of its capacity and capability to adapt**. In essence this requires persistent attention to identity, relationships and information (Wheatley and Rogers 1996).”

Each of these current theories in use are based on ideas about what makes organisations/ systems effective and the requirements of leadership.

**What’s known about leadership and organisational performance?**

Earlier we explored the relationship between leadership and culture. But what else is written about leadership and organisational performance?

Buchanan et al 2005 review of the literature on sustaining organizational change (the assumption being that this improves performance) reviewed studies that included the leadership issues as:

• Is the vision clear? (Kotter 1995)
• Are goals clear, consistent, stable and challenging? (Jacobs 2002)
• Do senior figures enjoy staff confidence owing to their success, consistent and durable priorities?
• Do senior figures enjoy staff confidence owing to their success, consistent and durable priorities? (Dale et al 1995)

As part of a major study of the NHS (Mannion et al 2004), looked at managers in Primary Care Trusts, and found that there were two distinct and polarised styles of management – facilitative (empowering, engaging) and directive (challenging clinicians, performance focused), and suggested that the NHS requires managers and leaders to strike a balance.

Pettigrew et al (1999) conducted a study of organisational performance in the NHS. They found that the internal factors believed to effect performance are:

• Good leadership and management skills, including willingness to experiment
• Clear organisational objectives and a shared vision of how they are to be achieved
• The need for good ‘fit’ between organisational objectives, the external environment and the chosen strategy.
• The ability to manage the process of organisational change and to customise it to fit local conditions
• An organisational culture that is receptive to change and with good working relations among key actors, such as those between doctors and managers; or the CEO, the Chairman and the Board.
• Good relations among the separate parts of the NHS network organisation, such as PCGs, HAs and Trusts, with clear understanding of ‘who does what’.
• Willingness to use performance measurement and management techniques to help drive change, including the use of benchmarking, league tables and rewards/sanctions to overcome resistance
• Good information systems to support performance measurement and management
• A recognition that ‘good performance’ in multidimensional and that good service quality need not undermine financial results but may instead underpin them
• The ability to handle multiple initiatives and the complementarities among them simultaneously

The obvious disadvantage of this work is that it uses the opinions of people in/ closely related to the NHS – so those who already have a story about what makes effective organisations.

The complex systems theories offer these perspectives for leaders thinking about how they impact organisational performance:

(a) What you see determines what you do – the system’s identity creates the lens through which data from the external world is translated and interpreted in the system. So we know that organisations receiving the same instruction from the centre – a policy or executive letter, interpret the words on the page differently in terms of their importance to the organisation and what needs to happen. This holds internally too. What the system chooses to pay attention to gets amplified, and what it chooses to pay attention to is a product of its identity (see earlier).

(b) Feedback is catalytic to behavioural/ organisational change. So it is only in seeking and making sense of feedback about the consequences of our actions, we can choose how to continue to act.

In terms of performance one of the most powerful acts of the leader is to shape what the organisation or system pays attention to – what counts round here. The organisation will be performing well, depending on what counts as well-performing – i.e. what measures you use.
However, there are inherent dangers in this too. So, as a leadership team you can determine the performance measures for your system/ organisation. These are based on what you consider success would look like for your organisations, and your beliefs about organising and change. But, this has the potential to become rigid, and in complex systems thinking, we know that organisations and systems need to adapt. Rigid categories become problematic, as they can themselves stop performance improvement – by paying attention to unhelpful or untimely categories (Wheatley & Kellner-Rogers 1998). Finally the leader’s task is to use the measures as part of the assessment about performance, not the whole answer. Some things don’t lend themselves to measurement, and because of that can get excluded. In any measurement system you need:

(a) the opportunity to take in new information and adapt the categories
(b) time to make sense of the performance measures as a whole and over time (the patterns)
(c) measures that don’t dominate sense-making but leave room for how the place ‘feels’ – the tacit intuitive knowledge about how well the system is working. In any sense making the system needs to visit the stories that are being told within it, as an indicator.

**Social Capital and Organisational Effectiveness**

Another view about organisational effectiveness comes out of the literature on social capital, which in turn is beginning to shape views about leadership.

Social capital is defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet and Ghoshal 1998). Social capital identifies the importance of networks of social relationships and is comprised of three dimensions:

- Relational (trust, social norms of behaviour and obligations)
- Cognitive (shared responsibilities, language and narratives)
- Structural (formal organisational structures, personal social networks)

Improved social capital is likely to lead to improved social outcomes which in turn lead to improved operational outcomes, such as greater creativity, innovation and collaboration (Cohen and Prusak, 2001; Hatzakis et al 2005).

In effect this is similar to the systems leadership perspective – relationships matter. In order to improve organisational outcomes, leaders need to connect the system to itself, focus on identity, and create opportunities for shared learning.

**Innovation**

Innovation is the current buzz word in organisational language (possibly signalling a move away from the dominance of ‘vision’). It is widely accepted as critical to organisational performance, and a key concern for leaders.
“It is widely accepted that an organisation’s ability to innovate is closely tied to its intellectual capital, or its ability to utilize its knowledge source.” Subramaniam & Youndt, 2005.

In their study of 93 organisations, they classified innovative capability as:
(a) Incremental innovative capability – capability to reinforce and extend its current expertise and service lines.
(b) Radical innovative capability – capability to make current services obsolete.

The factors that most positively influenced radical innovation was the interaction of human (individual) capital and social (networks) capital – individual knowledge networked, shared, and channelled through relationships. Innovative organisations have as part of their design collaborative networks, interrelationships across the whole, processes to share and challenge knowledge.

Gary Hamel (2006) purports that “innovation in management principles and processes can create long-lasting advantage and produce dramatic shifts in competitive position.” He suggests ways of becoming a management innovator:
• Commit to a big management problem
• Search for new principles that illuminate new approaches
• Deconstruct your management orthodoxies
• Exploit the power of analogy that redefine what’s possible.

Again, leadership that fosters the conditions for innovation will be focusing on enabling collaboration, connections, learning across the whole system.

So what is required of leaders of modern public services?

Modern public services need to:
• Be adaptable to their changing environment, and aware of how they shape that environment.
• Engage as partners and co-designers with their local communities.
• Be innovative in their design and their services.
• Demonstrate public value.

From the ideas and approaches presented above it seems that how you intervene as a leader is dependent on your views of how systems/organisations work, and what you mean by effectiveness. However there are some commonalities across the approaches presented (though you can argue that these are a very selected group of ideas presented because they hang together). This offering concludes with some suggestions for leaders striving to contribute to organisational effectiveness.
The ideas presented suggest that leaders pay attention to the following:

1. Repeatedly reconnect the organisation to its purpose and the principles that determine how to act in the organisation.

2. Pay attention to your organisation’s identity – look to see how it’s serving your core purpose, find ways of connecting members to collective identity.

3. Seek to understand your context.

4. Pay attention to trends in your environment and to internal patterns of behaving – are they adapting over time?

5. Let go of the need to control your users/customers. Work with them in all aspects of service design.

6. Commission processes internally that are fit-for purpose. Utilise hierarchy appropriately; develop capacity for seeking possibilities and engaging across the whole for complex issues, persistently seek ways of working that connect the whole (e.g. shadowing, coaching, work groups)

7. Make the most of difference – listen for and hear multiple perspectives, challenge assumptions, and take time to utilise these in making sense.

8. Design feedback mechanisms that make the most of performance measures that are fit for your organisation’s purpose, but flexible enough to be just one tool for helping the organisation choose action.

9. Seek the big organisational challenges that will, by working on them, solve many of the smaller problems you are facing.

10. Give time and space (physical and mental) in the organisation for reflecting and learning collectively, find ways of connecting people in the organisation so ideas and knowledge can travel.

11. Open up information systems, so organisational members can find their own solutions and work out how to act for themselves.

12. Move away from the leader as expert to the leader as facilitator.

13. Practice what you preach – model behaviour you seek in the organisation. Seek personal feedback; debrief meetings; design work.

15. Know what you are responsible for and take the difficult decisions – act within your authority.

16. Use hierarchy appropriately – where the outcome is predictable.

References


Becky Malby, 2006.