

# **INTERACTIONS BETWEEN ORGANIZATIONAL CULTURE, LEADERSHIP AND PROJECT SUCCESS**

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## **ABSTRACT**

Due to the current globalization and the competition involved, companies are looking for being even more competitive and successful. In such a context, projects take on a particular and crucial importance in corporate strategy. Organizational culture is decisive as it influences the way people behave within the organization, their beliefs and values. It provides the general rules and norms as well as the interaction patterns: some cultures can be more performance-oriented while others can harm the project proceedings. In addition, it matters that employees know and understand their organizational culture. From then on, project leaders assume greater significance as they are in charge of conveying these patterns to their team members. Communication is thus a crucial element: they have to communicate regularly on the project progress, ask for feedback in order to implement corrective actions as soon as possible. A good communication ensures team members understand what they have to do, when and why they need to do it. They also should reward and recognize the work being done by their teams. By doing so, the leader makes sure the working environment is favorable to cooperation and enhances team performance and effectiveness. They hence need to build and strengthen trustful relationships, by first clarifying the conditions of the project – defining rules of conduct and the mutual objectives of such cooperation – by fostering collaboration between team members to make them gain experience. Therefore, organizational culture influences leadership style – and vice-versa – which will impact on project outcomes. Both leaders' attributes and personality as well as corporate culture are decisive in running a successful project.

**Key words:** Project management, Organizational culture, Leadership

**JEL Classification:** D21, M12, M14, M16

## **INTRODUCTION**

The concept of organizational culture is not new. Indeed, culture influences organization as it shapes its decision patterns, leads its actions and impacts individual behaviour. Culture can be ambivalent as on one side it can provide stability but it can also erect barriers preventing the company to get the results expected and to remain competitive. And this is very challenging for project leaders who have to understand and adapt to different behaviours and norms across the organization. They need to be flexible, effective and adaptable in order to run successful projects.

The purpose of this paper is to understand the links between organizational culture, leadership and project success. In other words, how does culture influence leadership and impact a project success? We will firstly try to explain what organizational culture is and its implications on project success. Then we will focus on leadership style and on their role in running projects. And finally we will establish the link between strategy, culture and leaders.

### **1. ORGANIZATIONAL CULTURE**

Corporate culture is about the enterprise way of operating and its behavior norms. According to Thompson and Mc. Hugh, culture as a management instrument “mobilizes combinations of values, language, rituals and myths, is seen as the key factor in unlocking commitment and enthusiasm of employees” (Choueke and Armstrong, 2000).

#### **1. Organizational cultures that enhance performance**

Organizational culture is shaped by powerful internal – the vision, mission and strategy of the company – and external – environmental concerns, political trends, religion forces – which also impact projects. For instance, Southwest Airline's employees know precisely their company's strategy which greatly impact on the success of the group's culture and performance. Moreover, structures play a significant role since

formal, rigid and control structures – for instance – can favor the promotion of functional efficiency while harming collaboration and projects. Finally, as we will more deeply stress it in the next part, leadership actions are decisive because they communicate what really matters for the company, such as values, beliefs and assumptions. And all of these elements affect the employees' perception of the organizational and how they behave. (Suda, 2007)

Organizational culture thus plays a crucial role in the success of a project. Indeed, it is more likely to meet expectations when the company rewards change and innovation, makes sure the project is not too big and remains manageable, selects a dedicated project team, supports the project from the start to the end, and communicates on project progress. As well, corporate culture has to recognize team members' work and treat them fairly in order to make them understand what they need to do to make the project successful. Besides, a strong pervaded culture creates social ideals that influence individual behavior and generates commitment to the values of the company. (Suda, 2007).

Hence, strong organizational cultures can enable the enterprise to strengthen its performance and to adapt to changing environments. In addition, it is crucial to understand the organizational culture to run successful projects. Indeed this one is ubiquitous as it influence the way people perform and relate to each other.

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## **2. Organizational culture : a missing perspective**

Choueke and Armstrong (2000) make a distinction between the formal culture – which is managed and recognized by the senior management – and the informal one – which is a result of both job-related and social interaction. Culture is an organic process since workers learn about and adapt to the senior management's view of business, but at the same time they combine their work experience with it to make informal and formal cultures of work-group evolve. Their study reveals that people in organization are rather

aware of the interactions between the culture and the project success. For them culture is driven by the managers who run the business and set the norms, standards and behavior patterns. Moreover, the more organizational culture favors learning cycles (learn from the mistakes made, continuous development and training), the more successful the project is likely to be.

Work atmosphere also matters: culture should foster cooperation among team project. So workers seem to have a clear understanding of what the corporate culture is and they recognize its uniqueness. Hence, a challenge for the project managers is to move to a collaborative approach in order to put workers aspirations at the heart of the company preoccupations and to provide a positive work environment. And as we will see in the next part, this role can gear business growth and make project more successful.

### **1. Knowing your organizational culture: a way to create an effective project team culture**

Assessing and understanding the company's culture can create the difference between failure and success in our current changing economic environment. And they are leaders who have the responsibility to provide this culture to their team members. As a result, the biggest indicator of corporate culture is reflected in what project managers pay attention to and reward: it gives an insight into the true organizational culture and it underlies its real beliefs and values. Indeed, what a company wants to be can be totally different from the values and norms expressed in its daily practices.

Moreover, William Schneider created a model – the four core cultures – to identify systematic processes that project leaders use to make sense of their environment. He underlines for each of the four cultures on what they focus on and how they make decisions (see Exhibit 1).

*Source: Extracted from: Suda, L. (2007). Linking strategy, leadership and organization culture for project success. Available at “Linking strategy, leadership and organization culture for project success”. PM World Today, Volume 9, Issue 9,*

We obtain the four core cultures by combining the two axes with one another. The horizontal axis stresses the decision-making process of the company while the vertical one focuses on what it pays attention to. First, the Control Core Culture can be compared to militaristic model as it aims at ensuring predictability, certainty, safety and accuracy. Secondly, the Competence one concentrates on gaining distinction and achievement and is about uniqueness. Then the Collaboration Core Culture relies on family, teams and affiliation and looks for synergy. It deals with ensuring close connections and unity and pays a particular attention to tangible and concrete reality, actual experience and utility. Yet, it adopts a people driven and informal decision-making process. Finally the Cultivation Core Culture is about enrichment through meaningfulness, religion and self-actualization. It is concerned about potential, beliefs, creativity and aspirations by applying an open-minded, people driven and subjective decision-making method. (Suda, 2007)

In more than transmitting the organizational beliefs and values to the team members, the project leader creates a team culture too. It aims at developing group norms (how to make decision, how to solve conflicts and build trust, how to communicate etc.) and project objectives and goals. So the project leader can help his/her team to reach high performance levels in particular by protecting his/her team, communicating directly about the organizational values and expectations and developing strategies to overcome potential issues. For instance, when a project manager is leading a high competence core culture team whereas the organizational core culture is about collaboration, he/she has to deal with behaviors frontally opposed as values of both cultures are incongruent. Consequently, he/she has the responsibility to promote better working relationships by making sure the team understands the strengths and nature of the corporate culture. In addition, to favor high performance, he/she needs to ensure the project team get how each of the members must approach tasks and relate to each other as well as their manager's particular leadership style and their view of success. The same goes for the leaders who have to appreciate the company's beliefs and values to be able to adapt their behavior and

to develop more effective strategy to make their projects successful.

## **2. LEADERSHIP**

Management literature has usually emphasized on a strong connection and interaction between culture and leadership styles. The GLOBE project defines organizational leadership as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members” (House et al., 2003)

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### **1. Implement an harmonious environment**

Project leaders need to pay a particular attention to the people involved in the projects since fostering harmonious teamwork positively impacts the enterprise performance. Dr. Parviz F. Rad, PE CCE, and Dr. Vittal S. Anantatmula (2009) show that synergy can occur in well running teams which leads to better results and productive learning. So the role of the manager is to create cohesion which is more dependent on the corporate culture than on the project. In other words, team culture is minimally affected by the missions as the organizational culture is more pervasive. As a result leaders must determine how team members should cooperate and relate to each other by clearly defining the missions related to the project – behavioral (conflict management, communication) and performance (duties) norms. They also have to select the people with the desirable attributes to favor performance such as dedication, trust, commitment etc.

In addition, project managers can create a charter to describe how team members should participate in the decision making process as well as how they should perform to meet project expectations. This team charter needs to include guidelines and processes of communicative procedures and patterns of cooperative in order to foresee conflicts. The

objective of such a policy is to favor a friendly-to-project organizational culture which will enable these projects to succeed. So leaders should take into account these topics – of attitudinal and performance attributes – when it comes to hire new people.

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## 2. Communicate to enhance project effectiveness

Effective leaders articulate clear messages by ensuring a good and frequent two-way communication – top-down and down-to-top – with their team about schedule, costs and scopes of the project. They also should favor direct communication style such as face-to-face or voice-to-voice to be sure everything is clear and to get direct feedback on what is said. It is a way to enhance free exchanges on progress, concerns and opinions of the team and it will result in an even more cooperative and synergistic work climate. Indeed, such a communication can foster intellectual diversity and thus the team project will be able to capitalize on it to find better and more appropriate ideas and solutions. It is also a way to create a sense of mutual purpose (Ryan, 2008). Therefore, the better quality communication, the more conflict can be resolved and anticipated through negotiation and compromise. (Rad et al., 2009)

Spending time listening and speaking to employees convey a meaningful message. In addition some leaders provide rewards and incentives, foster group and individual competition and favor synergic and collaborative relationships in order to make the project they run succeed.

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### 3. Leadership style as a success factor in projects

Six main schools about leadership theory were established over the last seventy years. Here we will only focus on three theories. The Behavioral School (1940s-1960s) assumes that leaders are not born but can be made since they can acquire behaviors favorable to project management. Indeed a good leader must be concerned for production and people issues, and involve his/her team in decision-making and taking processes. The Contingency trends added to the previous theory that leader effectiveness depends also on the situation. The path-goal theory stands this view: the manager must help team members find the path to their goals. As well it stresses leaders need to match environmental – authority system, task structures, work group – and contingency – experience, locus of control, perceived ability – factors. Fiedler (1967) identified three main variables which affect leader's influence and role: the task structure (clearness of the instructions), manager-member relations (the leader should be liked and trust), and position of power. Finally the Visionary School distinguishes the transactional – the manager rewards workers for meeting performance targets and manages by exception – and the transformational – the manager needs to have charisma, to convey a vision and to motivate workers through high expectations – leaders. Keegan and Den Hartog (2004) conclude that a significant correlation exists between employees' commitment and manager leadership style. In addition, Dulewicz and Higgs (2003) identify three competences that explain managerial performance: intellectual competence – counts for 27% of the performance – managerial competence – counts for 16% – and emotional competence – 36%. (Turner and Muller, 2005)

Therefore the working environment has a significant impact on the success of a project; as a consequence the project manager has an important leadership role in fusing and developing characteristics of the team. His/her leadership style is thus decisive in the organization performance. Indeed the results of Fortune 500 firms survey show that having competent leaders is the most important factor for business, and thus project success (House et al., 2004).

## **1. IMPACT ON PROJECT SUCCESS – LINK BETWEEN CULTURE,**

## **STRATEGY AND LEADERSHIP**

We saw that organizational culture and leadership style are strongly correlated and are influenced one by the other. Now we will discuss the impact of such a relationship on project success.

### **1. How to measure a project success**

Over time the ways project managers measure project performance have evolved. In the 1970s, they were focused on measuring time, implementation, functionality and cost improvements, delivery (project completed on time).

Whereas, in the 1980s-1990s, the quality of the hand-over and the planning prevailed over technical aspects. During this period, stakeholder and organizational perspectives were also considered as Critical Success Factors (CSF).

More recently, success in project seems to be more stakeholder-dependent and to consider staff development and growth as well as the environment issue. Scholars estimate that in a closed future, CSF will also take into account the significance of the project leaders' perception of success, their leadership style and their competences. Indeed, project managers have to be competent and chosen rather on their managerial skills than on their technical skills since they must make sure things are well done. So people, including management and leadership, do appear as success factors. (Turner and Muller, 2005).

### **1. Make the project more effective**

To realize more of their project potential, companies have to create links between planning and execution in order to objectively evaluate any performance shortfalls and to determine where it stems from (the execution, the plan, the strategy, capabilities) which will allow them to prevent these deficits the next time.

So first, the project leader has to keep it simple and make it concrete by

explaining the goals of the project and why it is headed by making the link between the company strategy and performance. Barclays uses this approach to keep every employee in the same direction. By communicating the objectives of the project, the top managers can build trust between his/her team members which will remove barriers to effective and fast execution.

In addition, they must forecast well in advance the resources they need to run and execute the project as well as clearly identify the priorities to enable the team members to know where to direct their efforts. The next step is to monitor the team performance by using continuous feedback since real time information can enable managers to remedy shortfalls in execution and flaws in the initial plan. Eventually, leaders should reward their staff to motivate and involve them.

Therefore, it seems that the more leaders turn their projects into great performance, the more they become confident in their capabilities, the more likely they are to commit themselves: a virtuous circle is then implemented. (Mankins and Steele, 2009)

## **1. Implications for the project leaders**

As we have shown, projects can have profound impacts on the organization and people within it since they can transform some parts of the organization. Therefore, project managers must be able to interact with numerous sub-cultural elements: they need to be aware of cultural differences (in values, assumptions etc.) in order to avoid misunderstanding and unproductive conflicts. In addition they have to make an effort to listen and speak in ways that take these cultural specificities into account. To make the project succeed, it thus seems to matter to see the company as a living social system, to assess its core culture, to link the project with the organization strategy, to be aware of the main culture as well as sub-cultures.

As well, the project leader is in charge of implementing a trustful working environment to enable team members to cooperate efficiently and this is a vital factor of economic success. Indeed, building trust within workers enhances cooperation and

information sharing which affect task performance and enable to save time – as Jarvenpaa et al. (Schilcher et al., 2011) underline it – and thus it optimizes the success of the project.

Project leaders must manage trust in cooperation projects since a high level of trust can speed up the processes development while reducing costs. Schewe (2008) and Sprenger (2007) think mutual trust can cut transaction costs and limit extensive processes of regulation and controlling and at the same time it fosters creativity. Besides, in their empirical study, Schilcher et al. (2011) showed the main challenge in building such cooperation “lies in the coordination of interests among [...] partners”. So it is up to the project manager to face potential problems concerning loyalties and to enhance every member's commitment by focusing all the team on common objectives and by emphasizing on the advantages one can benefit from such a team work.

Therefore project leaders need to meet their colleagues in person in order to better know them at the beginning of the project, they also have to communicate the strategies and the perspectives of the project. They can organize workshops for instance to enlighten the main goals and benefits of the project.

So to build and strengthen trustful relationships, they should first clarify the conditions of the project by defining rules of conduct and the mutual objectives of such cooperation. Then they should foster collaboration between team members to make them gain experience.

## **CONCLUSION**

It seems obvious that managers' leadership style and competences are key to successful performance in projects. In addition, organizational culture strongly impacts on leaders' behaviors and attributes which will, in their turn, influence the project outcomes. There is thus a significant relationship between a leader's personality and his/her perception of success. As a result, his/her leadership style is likely to play a major role in his/her ability to deliver a project effectively and successfully. Besides, the transformational leadership theory popularity is growing: it states that managers who dispose of high authority can change their organizations by inspiring a new vision. They

succeed in implementing projects thanks to their ability to foster positive relationships between team members and to a regular communication on the process and purposes of the project. As a result the more project managers succeed in communicating, the more team members follow their visions and trust them. Hence organizational culture influences leadership style and vice versa which strongly impact on the failure or success of a project.

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