

Analysis of leadership style on organizational climate and culture (Case study in ARD GROUP)

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Abstract

This research aims to determine the forming of organizational climate and culture due to the leadership style applied in ARD GROUP that engaged in Corporate and Marketing Communication. By using the type of qualitative research, data collection is done by conducting direct observation and interviews with selected informants with purposive sampling method. The results show that the leadership style of ARD GROUP that embraces Theory Y, employee oriented style and participating style create organizational climate and culture in interrelated way. Organizational climate of ARD GROUP can be seen as having high degree of responsibility, high expectation about the quality of work done, recognition and reward while doing good work, friendly and good team spirit, also environment that gives employees its freedom yet still holds responsibility. Meanwhile the organizational culture is implemented based on “work hard, work sincere and work smart” and the existence of weekly gathering as rituals, also fun and informal practices.

Keywords: leadership style; leadership; organizational culture; organizational climate

1. Introduction

Human resources plays an important role, not only to enhance company's performance in facing rapid global competition, but also to improve work environment to be more conducive and comfortable for all employees, starting from top management to staff level. In order to do so, a leader figure is very essential for the organization. It is needed not only to unify the vision and mission of the organization, but to play an important role to enliven the atmosphere of the organization and the relationship between employees and the leader. Leader sets an example for their employees in carrying out their responsibilities and looking at things. As Bass et al. (2003), Locander et al. (2002), and Yammarino et al. (1993) suggest that the important factors that determine employees' performance and organizational ability to adapt to environmental change are leadership (cited in Salain, P. & Wardana, M., 2014). This means that leadership has a significant effect to all employees and scope of organization in order to achieve the company's goals and expectations.

Leader must pay attention in applying certain leadership style that is suitable for the organization. Leadership style is various behaviors applied by the leader in the process of directing and influencing workers (Stoner and Freeman, 1996). Meanwhile, according to Hersey and Blanchard (1982), a person's leadership style is a pattern of behavior performed by the leader at the time of an attempt to influence the activities of others as seen by others (cited in Doloksaribu, E., 2010). Thus leadership style is how a leader interacts with the employees in certain ways. It is very vary in every organization and must be applied in which way is more effective since it has different meaning and effect either for the employees or the organization itself.

Leadership style applied by the leader is based on several assumptions about humans and what motivates them (Pace & Faules, 1998). There are several theories related to leadership style. One of them is revealed by McGregor (1967) that there are two types of assumptions: Theory X & Theory Y that tend to be used by leaders about others (cited in Pace & Faules, 1998). A leader who holds the Theory X considers his employees as means of production, motivated by the power of punishment or the need for money and security, while the Theory Y argues that humans grow, develop, and control over themselves so that leaders realize that

their duties are to manage and organize the employees and its organization to reach shared goals.

In addition, Stoner assumes that there are two leadership styles used by leaders in directing employees, which are task oriented style and employee oriented style. Task oriented style emphasizes that the task must be well implemented through strict direction and control over subordinates/ employees, while employee oriented style focuses on giving motivation to subordinates in performing their duties by involving these subordinates in the decision-making process related to their duties as well as developing friendly relations, mutual trust, and mutual respect among group members (Gitosudarmo & Sudito: 2000, cited in Doloksaribu, E., 2010).

Meanwhile, according to Hersey and Blanchard (1974, 1977) in Situational Leadership Theory (SLT) divides leadership styles into four dimensions, which are: telling (characterized by one-way communication), selling (two way communication, yet control is still held by the leader), participating (leader and his employees work and collaborate together in decision making), and delegating (leader let his subordinates to make a decision and be responsible) (Pace & Faules, 1998).

These different leadership styles shape various organizational climate and culture. According to Owens (1991), organizational culture refers to the norms of behavior, assumptions, and beliefs of an organization, while the organizational climate refers to the perceptions of people in the organization that reflect the norms, assumptions and beliefs (cited in Mishry, H., 2012). In other words, organizational climates can be understood by gaining employees' perception of the organization, like autonomy and atmosphere around provided to workers. On the other hand, beliefs and values held by all members in the organization are seen as organizational culture.

The theory of cultural perspective suggests a linkage between leadership and organizational culture. Leader of an organization can instill, develop or even change the existing organizational culture in accordance with its leadership style within the organization. Thus it can be said that between leadership and organizational culture is interrelated because there is no leader regardless of culture (Robbins & Coultner, 1999). The study conducted by Tsang (2007); Xenikou and Simosi (2006); Kuchinke (2004), found out that the role of leader can strengthen organizational culture; the higher the values of leadership, the stronger the organizational culture (cited in Nurwati, et al, 2012). Leadership and organizational culture is interrelated, if a manager lives in different cultures, then he is instrumental in managing and developing culture, therefore one of the manager's duties is to understand what is faced and what to do if he tries to manage the culture, while the obligation of leader is to create a culture (Schein, 1991 cited in Nurwati, et al., 2012).

Similarly, leadership style as the norm of behavior used to try to influence the behavior of his subordinates can influence organizational climate with the effort to align their perceptions of the organization. Leadership style of the organization that is suitable with employees' perception may create positive effect. Playing the role of *cause*, a properly applied leadership style creates a favorable climate for organization activity, otherwise, when the leadership style is inappropriate, the first element affected will be the climate, by the general discontent among people (Novac & Bratanov, 2014).

The forming of organizational culture and climate as the impact of leadership style applied can be analyzed in an organization facing industrial competition, one of them is *ARD GROUP*. *ARD GROUP*, engaged in Corporate and Marketing Communication, is the main of two related companies, namely *Ardency Adprom* and *Lima Digit*. *Ardency Adprom* handles offline services which are Event Organizers (EO), Billboard-Outdoor-Indoor-Signage Transit (BOIST), as well as Creative, while *Lima Digit* is more about technology and online digital advertising. Located in Jakarta and Tangerang, *ARD GROUP* shares the same vision and mission: "supporting work program to achieve optimal results through smart work, hard work and good work, in a solid and creative way". *ARD GROUP* has been established since 1978 with the same (CEO) leader. Thus, how the leadership style applied in *ARD GROUP* that forms organizational climate and culture in such a way is interested to examine further.

2. Method

2.1. Type of Research

This research uses qualitative type of research by using case study as a research method. By using this method, the answers of "how" and "why" related to leadership styles as the cause of the organizational culture and climate in *ARD GROUP* can be elaborated more descriptively and explorative.

2.2. Subject & Object of Research

Subject of this research is ARD GROUP and the object of the research is leadership style and the forming of organizational climate and culture occurred in ARD GROUP.

2.3. Data Collection

The data was collected by using observation technique, which observed the symptoms appeared on the research object directly since the research was conducted. It is also used the interview technique by using purposive sampling method to select/choose the informant. The selected informants have several criteria which are the longest working employee (more than five years) and new employee (less than a year). Thus the interview was conducted on two informants of 32 ARD GROUP employees, by taking into account the level / status of position in the organization, who are Lead of Creative Division as senior employee with the longest working status in the company (Informant 1) and a Graphic Designer who is recent employee in the company (Informant 2).

2.4. Data Analysis

In analyzing the data, the simplification of collected data is conducted. First thing to do is collecting the data from observations and interviews. Then the data was organized and analyzed using the existing theoretical framework. Finally, the conclusion is conducted.

3. Result and discussion

3.1. Leadership Style

A leadership style applied at ARD GROUP refers to McGregor's theory (1967) that leaders tend to stick to Theory Y. It assumes that individual goals and organizational goals can work in harmony as long as the leader and its subordinates can work together by encouraging employees to participate in decision making processes to achieve the organizational goals (cited in Pace & Faules, 1998). Theory Y is based on five assumptions. The assumptions are: working is a fun thing to do, each employees has self-control in handling the job, employees are motivated to to be accepted in the environment, get recognition, and get achievement, employees want to have responsibilities after getting direction, and they have the ability to solve organizational problems creatively (cited in Pace & Faules, 1998). The assumptions are reflected in the observations and interviews with selected participants, as follows:

“He (the leader) realizes that our works are a fun thing to do since we engaged in doing creativity work. He lets us (the employees) to speak our minds while we do brainstorming about events or jobs that we handle. And for me, I feel like I get a quite good recognition”. – Informant 1

“Talking about the leadership style, since I have only been working here for less than a year, all I can say is that he (the leader) understands what I need as a designer. He lets me hold a responsibility and trust me while making a creative design as long as I have a clear justification. All he does is just guiding me what the client needs and his preference. It makes me feel like I have to do a good or even better job since he believes in me, even though I am just a newbie here”. – Informant 2

Furthermore, the leadership style used by the leader at ARD GROUP, according to Stoner, is an employee oriented style. This leadership style involves subordinates in the decision-making process to develop friendly, trusting, and respectful relationships among group members (Gitosudarmo & Sudito, 2000, cited in Doloksaribu, 2010). Other than engaging employees in the decision making process, based on the observation, the leader often provides motivation to all employees to work well and better. The motivation is provided either through chat or directly when the leader supervises and guides the employees while doing their works. Leaders even regularly provide motivational quotes to employees through chat group every week. This activity is done because employees who work in creative industry are required to always and willing to give creative ideas without limitation.

Employee oriented leader is also concerned about their employees' needs. Thus, selected employees are asked to participate in several training based on each needs. As the informant 1 stated that, "As an art director, the leader pays his attention to me to improve my productivity, so that he asked me to attend several training, for example like UX & UI design". It means that the leader understands what their subordinates interests and necessities to handle the job, and realizes that by investing to the workers means he invests to the organization itself as a whole to reach the shared goals.

This is also in line with participating leadership style. It considers employees as human resources capable of contributing to the effectiveness of the realization plans that have been prepared (Hersey & Blanchard, 1982, cited in Doloksaribu, 2010). This is in accordance with the interviews from the informants, as follows:

"I have been working here since 2012, and I have always been invited to participate in producing ideas or opinions in brainstorming, regroup, or even internal meetings. He (the leader) always asks all employees while in the meeting about their opinions or even what they think about the work that we are talking about. In fact, each person has to at least speak one word. Once the ideas of each person are expressed, he will definitely invite us to decide what to do". -Informant 1

"Actually, I am not that kind of person who wants to speak my mind. But, he always encourages me to just give my opinion no matter what. One day, while we were brainstorming about a concept of an event, it turns out my opinion was taken seriously, and chosen as a final decision after the agreement of others too. It feels like he wants me and others not to be afraid of telling our ideas". -Informant 2

Based on the statements above, it can be said that by applying participating style, the leaders of ARD GROUP bring two way communications along the way, and let others engage in giving ideas, while at the end taking decision together. As Pace & Faules (1998) stated that the leader who applies participating style is more involved in providing convenience because his subordinates have the ability to complete the task.

3.2. Organizational Climate

Climate and leadership styles are in a close interdependence relationship (Bass & Riggio, 2006, cited in Novac & Bratanov, 2014). The way the members of the organization have certain behaviors and express different perception is based on the ability of the leader to implement certain leadership style. As an existing perception of organization members, the organizational climate, according to Liwin & Stringer (cited in Goldhaber, 1993), have four set of dimensions which are responsibility, standards, reward, friendly and team spirit. Based on the set of dimensions, the organizational climate of ARD GROUP as the effect of leadership styles applied can be observed.

First is based on the responsibility. Since the leader applies participating style, each employee feels like they are given certain degree of delegations in accordance with their job titles by the leader. For example, there is only one content strategist staff in ARD GROUP. However, since she is the only staff in her division, she feels like she is given a high degree of responsibility in handling her works though she is not the manager/lead of division. Next, employees also have certain expectation about the quality of work done by other employees, as informant 2 stated that as a junior, he feels like he has to reach high expectation from his senior or others related to his work in design. Employees also want to be recognized and get rewards if they do good work. This is also based on the assumption hold by leadership style of Theory Y and participating style. Employees, as the informant 1 stated, receive praise from the supervisors and others when they solve a problem. Also, if one of the employees does a good work, the others will usually treat him food. Last but not least, organizational climate in ARD GROUP is friendly and has a good team spirit.

Employees of ARD GROUP feel that they receive support and warmth by other workers, including the leader itself. In other word, life experienced by members of ARD GRUP influence their behaviors to be good fellowship and can trust each other. As informant 1 stated that:

“The leader gives more support to all employees. For example, there are 3 employees here who are given flexible working time because they are required to work and study at the same time, one is in Jakarta and other is in Central Java. They are given fully support as long as they do good work. I also feel like the people here are all so friendly and we can work things out perfectly”. -Informant 1

Furthermore, as Goldhaber (1993) stated that, "organizational climate can also be studied by observing the amount of individual autonomy and freedom experienced by individuals, the degree and clarity of structure imposed upon workers and positions, the organization's reward orientation, and the amount of consideration, warmth and support provided to all workers". Based on this statement, the leadership style applied in ARD GROUP creates an organizational climate that tends to be free but still holds responsibility. In other words, employees feel that they are given freedom to express and give opinions about things. As the informant 2 stated that one of the employees even has the courage to oppose the superior's opinion due to different understanding while at the meeting as long the employee has clear justification. More than that, employees also hold the perception that their working hours are very flexible as long as the deadline of work is fulfilled, though it is stated in employment agreement that the working hours agreed from 08:00 am to 17:00 pm. It means they experience freedom in the working environment.

Organizational climate in such a way can enhance relationships and mutual benefits among members of the organization. As happened in ARD GROUP, with the applied leadership style, each member of the organization is able to generate trust and good relationships between superiors and subordinates. The study conducted by Campbell et al concluded that "the more positive the organizational climate, the more positive organizational productivity" (cited in Goldhaber, 1993).

3.3. Organizational Culture

Organizational climate and culture is also related to one another due to the effect of the leadership style applied. While culture is a long term and rooted in deeply held values, climate is often the short term and depends on the current management of an organization (cited in Goldhaber, 1993). As a set of values that become the guidance for workers in behaving and performing obligations in an organization, organizational culture is also formed based on the applied leadership style, just like in ARD GROUP.

The characteristics and orientation taken by a leader in the organization will influence the culture adopted in the organization he leads (Robbins & Coulter, 1999, cited in Nurwati, et al, 2012). The point is that the way leaders look at things will serve as a milestone for workers to believe in the same thing. Taken as the example is the mission brought by the organization. The leader of ARD GROUP, based on observations and interviews, embraced a system of “work hard, work sincere and work smart”. This then becomes the mindset for the employees while doing the work. As the informant 1 stated that:

“Working in an agency, is more about pitching system. Sometimes you get the job, sometimes you do not. So, when we have worked so hard to get the job while competing with other agencies, yet we lose, we do not get sad since we hold the “work sincere”. – Informant 1.

Furthermore, based on the results of research conducted by Kuchinke (2004), it is concluded that leadership style can predict cultural values exist in an organization or company (cited in Nurwati, et al, 2012). There are several indicators to uncover organizational culture in ARD GROUP based on Pacanowsky & Trujillo (cited in Goldhaber, 1993). One of them is by explaining the rites and rituals held by members of ARD GROUP and serve as occasions.

The leadership style of ARD GROUP which refers to Theory Y and employee oriented style that the leader is aware of the workers’ diverse needs so that he wishes to manage well and motivate them, the leader regularly organizes weekly joint gathering or fun meeting to exchange ideas about activities outside the office. This is similar to the statement of the interview with informant 2.

“Every Monday morning, we are often invited to gather just for sharing things in one room. It usually begins with praying and then asks each other what they do on the weekend. And we also have lunch together in the living room and share each other meal”. -Informant 2

Through sharing activities, employees are also invited to take a lesson on what knowledge they can learn from each other stories. The leader's mindset is that ideas and knowledge can be learnt either from formal activities or informal activities. In fact, if there are employees who will soon resign, the leader holds a gathering, as easy as having a simple farewell party. Employee oriented leader assumes that in this way workers can motivate each other in the affairs of work and create good kinship that becomes the leader's orientation.

Moreover, practices can also be set as the indicator to understand the culture. Based on the assumption of Theory Y that people have the ability to work creatively in the organization, ARD GROUP members accomplish their organizational activities in such a fun way and expressed informally by the leader or even others. Usually, the leader asks the subordinates to do the works through chat via WhatsApp or Music Application. Then the employees are getting the job done in fun way and also by asking each other opinion and ideas.

4. Conclusion

At the time of forming and developing the organizational climate and culture, the leader first implements the vision and mission of the company and builds such relationships among employees through a leadership style applied to subordinates. Thus, the leadership style in ARD GROUP that is oriented to Theory Y, employee oriented style, and participating style forms the organizational climate and culture in such interrelated way. Organizational climate in ARD GROUP can be seen through high degree of responsibility, high expectation about the quality of work done, recognition and reward while doing good work, friendly and good team spirit, also environment that gives employees its freedom yet still holds responsibility. Meanwhile the organizational culture is implemented based on “work hard, work sincere and work smart” and the existence of weekly gathering as rituals, also fun and informal practices. That way, the organizational culture in ARD GROUP is in line with the organizational climate formed by certain leadership style.

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