

Correlation of Leadership Style and Culture Type for Public Accounting

Nathan Hickey

Rest Assured Financial Advisers, New Zealand

Adrian France

Waikato Institute of Technology (Wintec), New Zealand

Organisational success has been considered dependent on leadership style and organisational culture, especially with the increase in firms collapsing throughout the recent recession. Literature has found that the success of organizations indicated with sustained profits, performance indicators and high financial returns are achieved using superior leadership. This research evaluates the impact leadership style has on culture within an organisation. This research uses two well-used surveys to find the link between an organisation's leadership style and culture within an accounting firm. Results indicate that the local accounting firm has a dominant leadership style of Democratic and a dominant culture of Hierarchy followed closely by Market. Further work is needed to identify if these styles persist in other accounting firms.

Keywords: leadership, culture, accounting, survey, regression

Introduction

Organisation failure can be attributed to a variety of causes. A particular reason for failure can be neglect of the organisation culture. Organisation culture is considered to have a significant impact on organisation performance and long-term effectiveness (Sears, 2005). Organisation effectiveness can be obtained with the right culture (Denison & Mishra, 1995; Sears, 2005). Competitive advantage and innovation can be obtained from a particular culture (Barney, 1986), and successful organisation outcomes can be obtained (Buckmaster, 1999). Though the particular culture required to achieve outcomes has been debated.

Organisation culture has been found to be correlated to leadership style in prior research (Sarros, Cooper, & Santora, 2011). Sustained profits, achieving performance targets, and financial returns are achievable with the culture developed from leadership (Donaldson, 2001; Milite, 1992). Organisational literature suggests that leaders are able to create and maintain particular cultures (Ogbonna & Harris, 2000) with disagreement on whether organisational culture can be intentionally changed (Ogbonna, 1992). Despite the importance of organisation culture and leadership style impacting on organisation performance, Ogbonna and Harris (2000) suggested that little attention has been devoted to understanding the links between the two concepts and the research that reports on the relationship has been inconclusive. In addition, the correlation between culture and

Nathan Hickey, Registered Financial Adviser, Rest Assured Financial Advisers. Email: nathan@restadvisers.co.nz.

Adrian France, Principal Lecturer, Centre for Business Information Technology and Enterprise, Waikato Institute of Technology (Wintec).

leadership has been limited to a few situations and not applied to the accounting context. This current study investigates the leadership styles and organisation cultures existing within an accounting context, to then provide empirical evidence of the links between management's leadership style and organisation culture in the case of a public accounting organisation. The results of this study will provide greater understanding of leadership styles and organisation cultures that exist in an accounting context that can be utilised by managers.

Literature Review

Leadership styles vary, and the literature also varies as to the most suitable style. The most appropriate leadership styles suggested by Burke and Collins (2001) include transformational, management by exception, and contingent reward. Transformational leadership has been found to contain principles of integrity, self-awareness, collaborative agendas, intentionality, followership emphasis, cultural competence, and future orientation (Osula & Ng, 2015).

An original questionnaire has been developed by Clark (2002) to define the leadership style that is typically used by the manager. Leadership styles include Autocratic, Democratic, and Delegative. Autocratic leadership is displayed with managers instructing what and how something is to be done repetitively. Democratic leadership style is displayed with employees participating in the decision-making processes. The Delegative leadership style is displayed with employees given the opportunity to make decisions.

The questionnaire classifies the respondent possessing the leadership styles described above. More than one leadership style can be dominant and two leadership styles are typically dominant during work (Clark, 2002). Leadership styles are not permanent so transition between dominant styles can occur that exhibits more than a single dominant style. Successful leadership style has been suggested to be democratic with the other styles used when required (Clark, 2002).

The productivity of a team and the team culture can be adjusted by the leader. The change in leadership style from an open approach to an authoritarian approach is considered to impact on culture (Milite, 1992). Open leadership styles are suggested to gain more feedback from employees than an authoritarian approach that is directed and controlling from management. A leader can alter the team culture and thus productivity of the team. Milite (1992) highlighted the belief that leaders influence their followers and do so by altering their leadership style. Leadership style impacts on organisational performance, mediated by organisation culture (Ogboon & Harris, 2000). Organisation culture and the direction and impact of the manipulation are dependent on the skills and abilities of the leader.

Desired organisation results are considered to be achieved with the organisation culture matched with the processes and structure of the organisation (Donaldson, 2001). Culture can be represented as fitting into four quadrants (Cameron & Quinn, 2006). These cultures are Clan, Adhocracy, Market, and Hierarchy. The Clan Culture is defined as an organisation that focuses on internal maintenance with genuine concern for people and sensitivity to customers. The Adhocracy Culture is known for its flexibility and individuality. The Hierarchy Culture has a main focus on internal maintenance and the need for stability and control. The Market Culture is the organisation that focuses on their external position with needs of stability and control.

Cameron and Quinn (2006) have found in their research that the results of more than 80% of the organisations research have developed a dominant culture style. The organisations that do not have a dominant culture style either tend to be unclear about their culture or emphasize the most highly rated styles equally.

Jeacle (2009) suggested that most large accounting firms have the broadest level of a large organisation global culture and further research needs to be conducted of accountants. Few studies have explored leadership and culture within accounting firms.

Current Study

The current study adds to the general body of knowledge regarding knowledge workers by investigating how management leadership style impacts on organisational culture in a local accounting firm. This research will use both the Clark (2002) leadership style survey and Cameron and Quinn (2006) organisational culture assessment survey. This study will determine what combination of leadership is associated with a particular culture. This study will examine different teams within a local accounting organisation of knowledge workers to identify different management leadership styles and cultures. The results will determine correlations between the leadership style and the different cultures within the organisation. The research should provide results to determine that if management were to use a specific leadership style, they would be able to create the sought after team culture.

Method

Subjects

The subjects in this study included a sample of accounting firm managers of each team within the firm. This will include management from each different service line within the organisation. These service lines are: accounting and advisory, auditing, operations management, taxation and human resources. The sample includes a mix of both long service managers and management that is new to the organisation to give a range of experience within the study. The sample includes both male and female management with an average age of 35-40 years old.

The sample size of 12 accounting managers is large in proportion to the population of 16 managers in the accounting firm. The data gained from the study were the responses from the accounting firm management including Leadership Style and Team Organisational Culture surveys. Other relevant information included informal discussions with management and employees regarding their team culture and how the organisational management leadership has affected the current culture.

Questionnaire

The Leadership Style and Team Organisational Culture Assessment Survey was developed and adapted from two other original surveys to suit the current research. Clark (2002) developed a Leadership Style Survey to determine which one of three leadership styles is evident in a firm. The three leadership styles are authoritarian, participative, and delegative, as those identified by Lewin, Lippitt, and White (1939). The survey contains statements that a subject must represent how strongly they feel about the statement with a number scoring system of 1 (almost never true) to 5 (almost always true). The team organisational culture assessment survey has been created to diagnose an organisation culture by Cameron and Quinn (2006). The survey asks the subjects to rate the team culture on six key dimensions.

A sample of 12 accounting managers from the accounting firm from their different service lines responded to the study providing primary data. The survey was distributed to the management to be completed and returned for data analysis. The results from the questionnaires were then analysed using multiple regression to examine the relationship between the leadership styles and organisational culture.

The following equation shows the calculation when Y represents the desired culture for the organisation. When a_1 , a_2 , and a_3 represent the coefficients to adapt the leadership styles of Autocratic, Democratic, and Delegative respectively. b represents the equations intercept and the P values represent the statistical significance of the coefficient values.

The equations will be presented in the following way:

$$Y \text{ Culture} = a_1 \times X \text{ Autocratic} + a_2 \times X \text{ Democratic} + a_3 \times X \text{ Delegative} + b \quad (1)$$

(P Value) (P Value) (P Value) (P Value)

Results

Leadership style. The average score of responses and frequency of ranking is shown in Table 1. As the total score for the Democratic leadership is the highest of the three scores this is the leadership style used predominantly, followed by Delegative, and lastly Autocratic. There is small difference between the top score Democratic and the second highest Delegative score, meaning that different leaders could be using either one of the leadership styles or a combination of the two. Democratic was rated the highest leadership style by 10 of the 12 responses. Autocratic was rated the lowest leadership style by eight of the 12 responses.

Table 1

Leadership Style Survey Results

Subject	Autocratic	Democratic	Delegative
Subject 1	2.5 [#]	3.7 [*]	3.1 ^{**}
Subject 2	2.6 [#]	3.5 [*]	3 ^{**}
Subject 3	3.2 ^{**}	3.8 [*]	3.1 [#]
Subject 4	2.6 [#]	3.7 [*]	3.1 ^{**}
Subject 5	2.1 [#]	3.6 [*]	2.9 ^{**}
Subject 6	3.2 ^{**}	4 [*]	3.1 [#]
Subject 7	3 [#]	4.1 [*]	3.6 ^{**}
Subject 8	3 [*]	2.7 ^{**}	2.2 [#]
Subject 9	2.5 [#]	3 ^{**}	3.4 [*]
Subject 10	2.3 [#]	4.4 [*]	3.8 ^{**}
Subject 11	3.3 ^{**}	3.4 [*]	3.1 [#]
Subject 12	2.6 [#]	4.2 [*]	3.2 ^{**}
Total	32.9	44.1	37.6
Average	2.7	3.7	3.1
Frequency of highest score	1	10	1
Frequency of second highest score	3	2	7
Frequency of lowest score	8	0	4

Note. ^{*}: Highest score per subject; ^{**}: Second highest score per subject; [#]: Lowest score per subject.

Team cultures. The average score of responses and frequency of ranking for the different team cultures is shown in Table 2 below. The most dominant team culture represented by the highest total of scores is Hierarchy, followed closely by Market. As these two culture scores are so close together, the teams within the firm could be mixed using one or the other or a combination of the two. The lowest total team culture score is Adhocracy, which is the least used within the local accounting firm. Hierarchy and Market were most often rated the highest culture. Adhocracy was most often rated the lowest culture.

Table 2

Team Culture Survey Results

Subject	A - Clan	B - Adhocracy	C - Market	D - Hierarchy
Subject 1	14	13 [#]	37 [*]	36 ^{**}
Subject 2	33 [*]	8 [#]	25	33 [*]
Subject 3	17 [#]	22 ^{**}	43 [*]	18
Subject 4	14	8 [#]	29 ^{**}	48 [*]
Subject 5	31 ^{**}	8 [#]	33 [*]	28
Subject 6	33 ^{**}	9 [#]	38 [*]	21
Subject 7	32 ^{**}	13 [#]	16	39 [*]
Subject 8	27 ^{**}	11 [#]	20	43 [*]
Subject 9	36 [*]	5 [#]	23	36 [*]
Subject 10	33 [*]	30 ^{**}	16 [#]	21
Subject 11	10 [#]	16	50 [*]	24 ^{**}
Subject 12	14	13 [#]	37 [*]	36 ^{**}
Total	293	158	367	383
Average	24	13	31	32
Frequency of highest score	3	0	6	5
Frequency of second highest score	4	2	1	3
Frequency of lowest score	2	9	1	0

Note. *: Highest score per subject; **: Second highest score per subject; #: Lowest score per subject.

Team culture equations. The following section presents the results of the four regression equations. From the resulting equations below, the different combinations of leadership style correlate with the different cultures. Clan culture correlates positively with autocratic and delegative leadership, adhocracy correlates positively with autocratic and democratic, market culture correlates positively with democratic, and hierarchy correlates positively with delegative leadership culture. An increase in autocratic leadership style increases the likelihood of the clan and adhocracy cultures. An increase in the democratic leadership style increases the likelihood of adhocracy and market cultures, and an increase in delegative leadership style increases the likelihood of clan and hierarchy cultures.

$$Y \text{ Clan} = 1.187 \times X \text{ Autocratic} - 9.084 \times X \text{ Democratic} + 9.784 \times X \text{ Delegative} + 25.451 \quad (2)$$

(0.912) (0.440) (0.468) (0.556)

$$Y \text{ Adhocracy} = 5.832 \times X \text{ Autocratic} + 4.510 \times X \text{ Democratic} - 2.943 \times X \text{ Delegative} - 12.175 \quad (3)$$

(0.265) (0.404) (0.627) (0.538)

$$Y \text{ Market} = 2.082 \times X \text{ Autocratic} + 13.648 \times X \text{ Democratic} - 10.608 \times X \text{ Delegative} + 18.800 \quad (4)$$

(0.839) (0.246) (0.415) (0.647)

$$Y \text{ Hierarchy} = -4.937 \times X \text{ Autocratic} - 9.074 \times X \text{ Democratic} + 3.767 \times X \text{ Delegative} + 67.924 \quad (5)$$

(0.674) (0.476) (0.792) (0.182)

The *P* values are high (above 0.10) for the *x* coefficients. Thus, the coefficients are statistically insignificant. The *F* values significance is also high (above 0.10) for each of the four equations, thus rejecting the equations' reliability, though high *P*-values are expected in small sample management studies.

Discussion

The results show that some styles are more prominent and favoured than others. Table 1 shows that the overall leadership style of the firm is Democratic. As the results show that the accounting firm has a democratic leadership style, the subordinates are included in the decision-making process and have an influence on decisions as also found by Clark (2002). Rather than being directed, the employees at this accounting firm provide input into decisions. This case is of an accounting firm using Democratic style to manage knowledgeable workers.

The study expected that an organisation such as an accounting firm would have an autocratic leadership style to suit the procedural discipline of accounting. As an accounting firm is expected to be demanding and strict, it is expected that there is little discussion about how to do things and there is only one effective approach. However, the results from this research show that there is a dominant Democratic style of leadership throughout the accounting firm. This is perhaps because leaders require input as accounting is a large complicated profession and advice is needed from subordinates with specialist skills. This is not just because the management needs the advice, but also because they are managing professionals (Hawkins & Wright, 2009) that are knowledgeable confident and successful experts.

While over 80% of organisations have one dominant culture (Cameron & Quinn, 2006), this current research found two dominant cultures of Hierarchy and Market. Due to the oligopoly of accounting firms and market environment, the firm needs to be focused on their external position and long-term focus within the market to be able to maintain their market share, competitive actions and achieve their goals.

The correlation of leadership styles and culture was tested. The results of these correlation equations demonstrate that with various combinations of leadership style different cultures were provided. In this correlation case study of this accounting firm, the dominant leadership styles of Democratic, followed by Delegative and then Autocratic exhibited organisation cultures of Market and Hierarchy.

Conclusion

This correlational case study has provided results that Democratic leadership style gets used, and that Market and Hierarchy cultures arise in an accounting firm. Experienced, qualified, and knowledgeable accountants have been lead with the use of Democratic leadership. Rather than the type of work of employees determining leadership style, the type of employee has been demonstrated to determine leadership style. Organisations should consider adjusting the style of leadership according to the type of employee.

Particular cultures could be determined from combination of leadership styles, though there was little statistical significance. Other factors such as market structure and competition appear to influence culture omitting significant observable differences in results. Notwithstanding control of extraneous influences, there is some demonstration that organisation culture can be influenced with leadership style. This study supports the rationalist approach that culture may be determined. However, this study also finds that multiple cultures exist within an organisation, and factors other than leadership influence culture results significantly. This research recommends a social constructivist approach of exercising caution in the ability to determine culture from leadership.

Limitation

The small sample size and only one case study are limitations of this research that prevent from generalising to other accounting firms and the wider context of other organisations. As there were only 16 managers who are able to participate in this research study of the accounting firm, there is a small sample size, though 12 respondents provide justifiable representation of this accounting firm.

This study was limited to the leadership and culture styles of Clark (2002) and Cameron and Quinn (2006). There are more leadership styles and culture types than presented in this study, though the styles included in this research are the most widely acknowledged.

The research surveys are only completed by the leaders/management of the team in the study. They do not include any subordinates about the leadership style or culture within the team. The views of subordinates could be different from how management views the organisation.

Suggestions for Future Research

In future research, the study should be done with a larger sample size. This would require a larger accounting firm to be used to have enough managers to participate or for the research to be done over more than one firm or location. To increase the generalisability of the results, the study could be conducted within the same accounting firm nationally or in another accounting firm.

In further research, subordinates as well as managers could be participants in the research. Views from all levels within the organisation would be gained. These results could then be compared and contrasted to find any differences between managers and subordinates.

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