2nd International Conference on Leadership, Technology and Innovation Management

Impacts of organizational culture and leadership on business performance: A case study on acquisitions

Nihan Yıldırım[a] , Seda Birinci [b] , a*

[a] Istanbul Technical University, Maçka İstanbul, Turkey
[b] Bahcesehir University, Istanbul, Turkey

Abstract

Transformational leadership and culture are identified as providing a ground for long-term organizational success during organizational changes. In literature, corporate culture and leadership come up as major factors in success of organizational transformation process in mergers and acquisitions as they have great influence on organizational structures, processes and hence performance of companies. In this context, this study aims to find out the organizational cultural and leadership characteristics of a high-tech telecommunication company in Turkey, that had been successful in protecting its competitive position and business performance despite the challenges of cultural and organizational change that are brought by a acquisition phase. In the research, elements of leadership and culture have been identified with relevance to transformational leadership and culture through surveys conducted within the company; they're described in detail considering advantages and disadvantages of such elements during organizational restructuring. This case study points out that transformational culture and transformational leadership stand as critical strengths for achieving the desired business performance during major organizational changes such as merger and acquisitions.

Keywords: Transformational Culture, Merger and Acquisition, Business Performance, Transformational Leadership

1. Introduction

Business is changing pace and the reflections can clearly be seen in high – tech and telecommunications markets. Turkish telecommunication market along with global shareholders had a sharp rise during the last 10 years. An important element in developing a more competitive and dynamic telecommunication sector has been Turkey's long-standing desire to become a member of the European Union (EU). Telecommunications companies in Turkey, especially the vendor companies providing service to wireline and wireless operators, had gone through many changes in order to serve best for their customers. Eventually, the changes in strategy brought organizational changes with it.

* Corresponding author. Tel. + 90-216-533-1644

E-mail address: nihany70@yahoo.com

Companies have lived through mergers and acquisition, organic and inorganic growth or decline, depending on how successful the strategies and organization structuring are. Therefore the sector is fruitful when it comes to examining factors that effect business performance during organization restructuring periods.

On the other hand, organizational leadership and culture have been studied for many years. All studies reveal the common finding that there is a strong correlation between leadership and culture; to go further leadership creates and/or enforces organizational culture. Another common result is that culture affects business performance. The effective role of managers and leaders in radical changes and transformations is unavoidable in the organizations. Leadership and management are not identical. To influence over others, management is depended on formal power while leadership is resulted from a social influence process. Leaders make cultures and their fundamental role is affecting others. In other words, leaders try to make changes that increase organizational efficacy and performance. These are changes that cause higher aim and expectations to the organization. The last finding is difficult to extract, since business performance is linked to many other factors; both internal and external. However literature search provides researches that prove the linkage between organizational culture and business performance (mostly through leadership style).

The most significant leadership and culture models that drives successful business results through change are transformational leadership and transformation culture. Transformational leaders are defined as increasing their followers' creativity, motivation and spirituality while transactional leaders address to personal and future interests of their followers. Transformational leaders emphasize on what you can do for your company while transactional leaders focus on what the company can do for you. Transformational leaders change their followers, empower them to develop and create new needs, tendencies and values because that their requirements are met. Therefore, the followers may grow, develop and change to leaders.

In this context, this study aims to find out the organizational cultural and leadership characteristics of a high-tech telecommunication company which went through a restructuring as a result of acquisition of its main shares by a different company. The company has continued growth on order and revenues through the acquisition period, a result which carried the company above its competitors in ranking despite the challenges of cultural and organizational change that are brought by a acquisition phase. In the research, elements of leadership and culture have been identified with relevance to transformational leadership and culture through surveys conducted within the company; they're described in detail considering advantages and disadvantages of such elements during organizational restructuring. The organizational culture elements are identified whether the company has a transformational or a transactional culture.

In the second section, theoretical background and information on organizational culture, leadership and their effects on business performance are presented. This section also includes highlights on present literature on transformational leadership and its linkages and effects on organizational culture. Methodology of study is presented in the third section including the leadership assessment, employee satisfaction surveys of the studied company. The content of this section is linked to the theoretical issues that are presented in second and third section. Fourth section presents the analyses and findings of the case study on corporate culture and leadership analysis that are provided in the end of the assessments and surveys that are given in the third section. Last section is the conclusion of the study that discusses the findings in the light of research goal.

2. Literature Review And Hypotheses

2.1. Organizational culture: definition and effects on business performance

Culture forms the basis of group identity and shared thought, belief, and feeling, one of the most decisive and important functions of leaders—particularly the founders of a company—is the creation and management of its culture (Christensen, 2006). Edgar Schein (1988) defines culture as a property of an independently defined social unit—a unit whose members share a significant number of common experiences in successfully addressing external and internal problems. Because of these common experiences, over time this group of people will have formed a shared view of the way that the world surrounding them works, and of the methods for problem solving that will be effective in that world. This shared view of the world has led to the formation of basic assumptions and beliefs that have worked well enough and long enough to be taken for granted. One of the best summaries for defining culture is that culture is the glue that holds the organization together as a source of identity and distinctive competence (Bass, 1991). On the other hand, the general manager's dilemma is that while culture is a powerful tool for consistently pursuing a particular set

of goals, culture can constitute a disability at times when change is critical to addressing new competitive or technological challenges from unexpected directions (Christensen, 1997).

Most academicians who study organization and other observers recognize that organizational culture has a powerful effect on the performance and long-term effectiveness of organizations. It was not until the beginning of the 1980s that organizational scholars began paying serious attention to the concept of culture. This is one of the few areas, in fact, in which observers led practicing managers in identifying a crucial factor affecting organizational performance. Organizational culture has been an area in which conceptual work and scholarship have provided guidance for managers as they have searched for ways to improve the effectiveness of their organizations. Of course, there are many kinds or levels of culture that affect individual and organizational behaviour. Researchers such as Hofstede (1980), Aiken and Bacharach (1979), and Trompenaars (1992) have reported marked differences between continents and countries based on certain key dimensions.

Literature search identifies several definitions and segmentations for culture. However this research will focus on identification of transactional and transformational culture through leadership.

One of the most referred definitions on culture is from Bernard M. Bass and Bruce J. Avolio (1993). Bass and Avolio derive transformational culture from 4 I's of transformational leadership (Avolio, Waldman and Yammariono, 1991). The four factors are idealized influence, inspirational motivation intellectual stimulation and individualized consideration. Transformational leaders integrate creative insight, persistence and energy, intuition and sensitivity to the needs of others to forge strategy – culture alloy for their organizations. (as stated also by Bromley & Kirschner-Bromley, 2007 : Boerner, Eisenbeiss, Griesser, 2007; Mannarelli, 2006). On the other hand, transactional leaders are characterized by contingent reward and management-by-exception styles of leadership.

Bass and Avolio state several cultural differences for transformational and transactional culture. For example, in a highly innovative and satisfying organizational culture, we are likely to see transformational leaders who build on assumptions such as: people are trustworthy and purposeful, everyone has a unique contribution to make, and complex problems are handled at the lowest level possible (Bass and Avolio, 1993).

2.2. Transformational leadership and effects on culture

Schein (1992) stated that organizational culture and leadership are intertwined. Bass and Avolio (1993) mirror the argument of Schein (1992) by suggesting that the relationship between the two concepts represents an ongoing interplay in which the leader shapes the culture and is in turn shaped by the resulting culture. Bass (1985) demonstrates the relationship between leadership and culture by examining the impact of different styles of leadership on culture. He argues that transactional leaders tend to operate within the con. nes and limits of the existing culture, while transformational leaders frequently work towards changing the organizational culture in line with their vision.

Some other definitions regarding leadership are as it is "the art of mobilizing others to want to struggle for shared aspirations"(Kouzes and Posner, 1997);:"the process of persuasion or example by which an individual or leadership team induces a group to pursue objectives held by the leader and his or her followers" (Gardner, 1990); "an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes" (Rost, 1991); leading, influencing, and coaching others to help them achieve desired results (McLagan, 1983); "process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task" (Chemers, 1997).

Clifford and Cavanagh (1985) state "Business success is far more than the science of managing scale and cutting costs. It is the art of leading people, nurturing them, and challenging the creativity so they will figure out what customers really need and want". Leadership is very significant for an organization to achieve organizational effectiveness (Moorhead & Griffin 1986). Moorhead & Griffin (1986) defines leadership as both a process and a property. In process side, leadership refers to the usage of non-coercive influence in order to direct and coordinate the activities of group members. In property side, leadership refers to the attribution of the characteristics who perceived as a leader. Since leadership has a powerful influence on individual or group behavior, the importance of leadership is noticed at organizational viewpoint.

Because of their unique traits, leaders influence the organization and society overall. Transformational leadership has become a necessity in the post-industrial world of work (Bass, 1997). It has been specified as an important mechanism for introducing organizational change and has received substantial research attention over the last two decades. In the organizations, transformational leaders could be a competitive advantage to increase the efficiency and performance of such organizations. These organizations have to pose some changes in order to adopt themselves with environment. These changes could be occurred in areas such as human resources, aims, strategies, structures, etc.

sometimes, the need to radical and fundamental changes is felt in the organizations. In such cases, transformational leadership is required to make radical changes. It should be noted that radical changes are not only prescribe to treat internal problems but also this approach could be applicable for successful organizations in order to achieve higher performance and using present and future environmental chances is effective and inspirational. The effective role of managers and leaders in radical changes and transformations is unavoidable in the organizations. Leadership and management are not identical (Jandaghi, Matin and Farjami, 2009). To influence over others, management is depended on formal power while leadership is resulted from a social influence process. Leaders make cultures and their fundamental role is affecting others. In other words, transformational leaders try to make changes that increase organizational efficacy and performance. These are changes that cause higher aim and expectations to the organization.

One of the results of transformational leaders is organizational performance improvement. Transformational leader provides a ground for long-term organizational changes which facilitate the access of organizational system to higher objectives (Jandaghi, Matin and Farjami, 2009). Regarding the necessity of making fundamental changes in the organizations and the effective role of organizational leadership and management in such changes, it is necessary to do some researches in this field.

The initial concept of transformational leadership was provided by Burns in his researches about political leaders. According to Burns (2006), transformational leadership is a process in which leaders and followers promote each other to higher levels of morality and motivation. Transformational leaders are referred to those ones who try to show the organizations a new route for improvement and progress by generating new ideas and perspectives (Jandaghi, Matin and Farjami, 2009). They also mobilize the organization by motivating managers, employees and members of the organizations to radical changes, transforming organizational pillars to achieve necessary readiness and capabilities to move in this new route as well as achieving higher levels of idealized performance. Transformational leaders change their followers, empower them to develop and create new needs, tendencies and values because that their requirements are met (Jandaghi, Matin and Farjami, 2009). Therefore, the followers may grow, develop and change to leaders. Transformational leaders are facing with values, ethics, standards and long-term aims and focus on their followers' performance and development in order to increase their capabilities. Often, transformational leaders have strong internal ideals and values. Paul Hersey, Kenneth Blanchard and Johnson Dewey defines transformational leadership as an informed influence process in individuals or groups to create discontinuous changes in current conditions and organizational performance as a whole. Burns (2006) emphasizes that transformational leaders have a vision and challenge others to do extraordinary works. He believes that transformational leaders are able to draw new necessary routes for modern organizations because that they are the source of changes.

Burns believes that transformational leadership is mainly superior to transactional leadership (2006). He believes that transformational leadership is motivational, supreme and ethical in which human behavior and leaders/followers' ethical tendencies will grow up.

On the other hand, transactional leadership with its own static traits will cause the self-attraction and controlling over subordinates. It tries to meet follower's lower needs. Transformational leadership tries to satisfy Maslow () high needs hierarchy. Jandaghi, Matin, and Farjami (2009) in their article "Comparing Transformational Leadership in Successful and Unsuccessful Companies" found correlation between company success and transformational leadership / culture. The research identifies that transformational leadership aspects in successful companies is higher than less successful ones. By comparing successful and less successful companies, one can observe that the effect of transformational leadership on organizational success and performance in undeniable (Jandaghi, Matin and Farjami, 2009). Therefore, it is suggested that managers of such firms, pay attention to transformational leadership factors quickly in order to make behavioral and structural changes in organizational behavior and structure, to survive and to vie in a competitive environment. Furthermore, they are proposed to take following measure in order to enhance and promote this aspect:

1. Allowing individuals to perform specialized works in order to grow their talent and creativity.
2. Enforcing them to observe the issues from different views.
3. Using suggestions in the company and valuing others' suggestions.
4. Inspiring employees' self-confidence to perform the works.

Literature search provides that there is strict correlation between company success through change and transformational leadership and culture. This correlation will be examined in a telecommunication company, which has recently gone through an acquisition period, operating for long periods of time in Turkish ICT market.

3. Methodology

Literature search provides that there is strict correlation between company success through change and transformational leadership and culture. This correlation will be examined in a telecommunication company, which has recently gone through an acquisition period, operating for long periods of time in Turkish ICT market.

3.1. Brief Information on the Studied Company

The telecommunications company subject to research is quoted to Istanbul Stock Exchange, other primary shareholders being a private equity company and a Turkish company. Company's primary shareholder (a global telecommunications company owning over 50 percent of shares) has filed for bankruptcy to Canadian court back in 2009. The shareholder had gone through rough times with the global crisis and wrong business decisions led to shareholder's bankruptcy. The process lasted one and a half years, in which the shareholder's business lines were consolidated and acquired by different entities – all of them being global telecommunication and information technology companies. In the meantime, the company operated in an environment of uncertainty of how the shareholder structure would be. After the shareholder acquisition ended, the company's shares went through the same due diligence process and in the beginning of 2011; the shares were acquired by the private equity company.

The company has a long history in Turkey, it has been a key driver in the development and implementation of telecommunication networks over the last 40 years. Company continues to be well positioned to drive the evolution of next generation networking. The company works with major customers such as Aselsan, Türk Telekom, Vodafone, Avea, service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The company is also engaged in research and development and provides design and development services to foreign customers as well as to local customers. Despite the downsizing in 2009, the Turkish Information and Communications Technologies ("ICT") market in 2010 has recovered with a 7 percent growth and approached closer to 2008 level with a continuous growth trend in software and services segments. In this picture, the company has achieved its business objectives in 2010, revenue has grown by 30 percent and EBITDA margin has increased by 3.2 Million US Dollars year over year. The company has generated 22 Million US Dollars from its operation prior to dividend payments. The Company has paid 30 Million US Dollars dividend to its shareholders in 2010. Table 1 shows company's financial summary over the last 4 years.

Table 1 The company's financial summary over last 4 years

	2007	**2008**	**2009**	**2010**
Revenue (Million TL)	149	183	212	271
Gross Margin	7%	14%	12%	11%
Operating Expenses	14	10	11	12
Operating Margin	-2%	9%	7%	7%
EBITDA	5%	13%	11%	8%

The company is moving forward into 2011 and beyond with a new shareholding structure; adding another milestone to its successful 40 year old history. Moving in parallel with market evolution, the company focused on three areas with its powerhouse of knowledge, experience and competent human resources.Looking back at company's history before the shareholder change, there has been significant changes in operational structure and business model. The old shareholder, one of the major global telecommunications companies, had recently made the decision to use the company as a strategic hub for research and development activities as well as the technical support center for global clients. Following the decision, major research and development projects were transferred to Turkey in 2006, young Turkish engineers were recruited rapidly, and passed through an extensive training period lasting for approximately 4 months. The shareholder managed this transfer via know how transfer and investment on lab facilities in Turkey. Know how transfer was performed majorly through expatriate assignments lasting for eighteen months on average. Expatriates had been in different roles, some in leadership roles, to manage the transfer of work and to ensure continued quality service to clients; while the others in subject matter expert roles, to provide extensive classroom and on the job trainings for the engineer group. In the meantime, some of the research and development laboratories were transferred to Turkey, in order to provide ease for test phase of new products or upgrades for the existing products. With this transfer, Turkey has been the second biggest research and development facility of the shareholder, following the facility in China.

The organization structure was changed in order to provide flexibility and integrity to all groups involved in the new technology transfer as well as existing engineering group. All groups from technical support to research and

development were combined under one big organization called the "Technology Group". The group enabled a unification of the total process for customers, starting from research and development of product for the customer, ending in technical support of any problems arising within the product after implementation. There had been a strong feedback mechanism between the groups enabling the continuous improvement in problem resolutions, development and upgrades of the products. The organizational hierarchy formed as flat; involving the long term decision making, a three layer structure was formed, managers reporting to directors and directors reporting to technology group leaders. However, for project deliverables, the decision making mechanism was simplified and flattened. For example, within the customer support teams, each engineer had the sole responsibility for working on the solution within the quality and timeline targets; directly interfacing the customer; engineers could only escalate the problem to managers only if they felt that one of the targets were to be missed. They all directly communicated with subject matter experts that the problem is related with, trying to find the right solution at the specified time. The mechanism for information flow was critical. Although there were different teams and managers for the technical support and development groups, they worked together during the development of new products or major customer problems. The information flow between different departments is therefore supported via on line tools and also periodical meetings. The growing organization required new leaders as well. As expatriate leaders started to repatriate to their home county, new leaders from within the organization and also from other companies were positioned into the open positions during 2008. New leadership team comprised of young and energetic members as well as experienced leaders of the company who had been in position in the previous years.

The table below represents the information telecommunication market performance in Turkey. The sector has declined in 2009 due to global crisis, however gained strength again in 2010 with GSM investments.

Table 2. Turkish ICT Market Total Revenue by Year

	2006	2007	2008	2009	2010
IT Hardware	2.857.517	3.456.676	3.685.378	2.956.524	3.291.327
Software	880.387	1.260.356	1.491.701	1.575.708	1.690.686
Services	1.619.170	1.768.376	2.006.947	2.228.056	2.350.367
Other	169.055	210.753	225.075	245.092	265.092
Information Technologies	5.526.129	6.696.161	7.409.101	7.005.380	7.597.472
Telecoms Hardware	2.430.081	2.886.927	2.788.726	2.353.152	2.608.972
Carrier Services	12.995.600	16.209.361	17.908.087	15.210.476	18.361.895
Communication Technologies	15.425.681	19.096.288	20.696.813	17.563.628	20.970.867
Total	*20.951.810*	*25.792.449*	*28.105.914*	*24.569.008*	*28.568.339*

(Source: Argı, 2007; Argı, 2008; Argı, 2010)

Table 2 shows Turkey ICT market total revenue figures since 2006. The company's performance with respect to market is sustained fairly well. Table 4.3 represents company's ranking among other sector companies, in comparison with the two main competitors within the market segment.

Table 3. Companies ranking compared to close competitors according to sales revenue

Ranking according to sales revenue	2006	2007	2008	2009	2010
Company	42	41	33	34	29
Competitor 1*	27	21	18	22	30
Competitor 2*	11	14	14	13	12

(*Source: Argı, 2007; Argı, 2008; Argı, 2010)

It is apparent that the company has gone successfully through the acquisition following the long period of uncertainty of the main shareholder. The company has increased ranking over the years, increasing revenue share in the sector and also experiencing highest raise in ranking in comparison to competitors. The company has not only

refrained from revenue fall within the acquisition period, but also increased ranking. Business performance resulted in good numbers through the last years of uncertainty.

We mainly test the following hyphotheses.

H1: Transformational Leadership exists in a company that could get through the harsh times of acquisition with a business performance success.

H2: Transformational culture exists in a company that could get through the harsh times of acquisition with a business performance success.

3.2. Research Goal

The company subject to research has successfully gone through the acquisition period after the main shareholder filed for bankruptcy. Business performance had continuously improved compared to other competitors with Turkish market. Although we should be aware that there are different factors that would be advantageous to sustain performance, we also believe that company culture and leadership profile has strong effects in surviving through tough times. Hence we explored whether the transformational leadership and transformational culture exist in the studied company.

3.3. Sample and Data Collection

The research is conducted in head office of the Telecommunication Company. 900 employees responded to surveys and findings are derived from these responses. SPSS 13 is used to analyze the data that is derived from the systems. There are two main tools within the company that provides feedback on leadership and culture. These resources of information are main 360 feedback survey of company leaders and Employee satisfaction survey (ESAT).

i) 360 feedback survey of company leaders

360 feedback surveys assess the level of leadership competencies within the organization's leadership team. The survey provides direct information for assessment of leadership type, therefore becomes very useful in many researches. Research paper of Guangrong Dai, King Yii Tang and Kenneth P. De Meuse on leadership competencies (2011) across all levels can be given as an example. The leadership assessment is a tool designed solely for the company in 2005, with "extraordinary leadership competencies" defined for the organization. The "Extraordinary Leadership" competencies are based on cross-industry research conducted in the early 2000's. The research identified the behaviours that best differentiated between the best and the worst – what high performers did right and what the low performers did wrong. The assessment is run in case of organizational changes and provides a method for prioritizing development opportunities, both fixing "fatal flaws" and building leadership strengths. The assessment is performed through 360 degrees feedback, each leader is assessed by peers, direct reports, manager and other stakeholders contacted. Surveys are analyzed and statistical output is reported per competency. The Extraordinary Leadership competencies are listed below:

- Displaying High Integrity and Honesty
- Developing Others
- Championing Change
- Taking Responsibility for Outcomes / Initiative
- Collaboration and Teamwork
- Innovation
- Building Relationships
- Drive for Results
- Developing Strategic Perspective
- Business / Professional Expertise
- Solving Problems and Analyzing Issues
- Inspiring / Motivating Others to High Performance
- Communicating Powerfully and Prolifically
- Connects the Group to Outside World / Networking
- Self Development
- Establishing Stretch Goals
- Last survey on leadership team is run in 2009. For the purpose of this research, the last survey is analyzed.

ii) Employee satisfaction survey

Employee satisfaction surveys provide insight on how employees view the organisation, therefore many researchers have been using these surveys for various theses such as people – organization / culture fit to impacts of culture on job satisfaction. Examples might be Lund's article where he assessed organizational culture impacts on job satisfaction (2003) or O'Reilly, Chatman and Caldwell's article on profile comparison approach to assessing person – organization fit (1991). Employee satisfaction survey is one of the core human resources surveys, where employee satisfaction and also view of organization is assessed and follow up annually. The survey provides how employees feel about different aspects of organizations, from leadership to work environment, extensive analysis is held on each item and annual action plans are determined to work on weak spots. The why's of employee turnover are determined, therefore survey enlightens the attrition problems and provide the necessary input for employee retention. Survey consists of a questionnaire, in which employees are asked to answer different questions on a wide range of topics. The main topics are as listed:

- Accountability
- Balance/Flexibility
- Business Strategy
- Communication
- Compensation
- Executives
- Growth
- Inclusion
- Integrity
- My Manager
- Company
- Recognition
- Work Environment

Although many of the questions might be irrelevant to identifying culture within company, some are directly related to how employees feel about company culture. The questions / survey statements that feed information for culture are listed below. Employees rank these statements from 1 to 5 (5 being highest ranking of agreement) according to the value that they feel how the organization is related to the topic. The survey results provide percentage of employees rating 5 to 1 to each statement. Since the desired rating is 5, overall employee satisfaction survey results is the average of percentage of employees rated 5 for each statement. For example overall satisfaction result that came up in the latest survey is 67 percent, representing the average percentage of employees that rated 5 for statements.

In analyzing the elements of culture for this research, there are 7 statements that directly relate to identifying whether the company culture is transformational or transactional. The statements are listed below and the topics in parentheses are identified as verifying whether culture is transformational or transactional.

- I clearly understand the business objectives for which I am accountable. (All job assignments are explicitly spelled out)
  - I understand how my job contributes to company strategy. (All job assignments are explicitly spelled out)
  - There is a strong feeling of team spirit and cooperation in my organization. (Sense of purpose, feeling of family)
  - There is a person at work who encourages my development. (People development, superiors acting as mentors)
  - My manager collaborates effectively with other groups to achieve our objectives. (Team and group interest)
  - I am encouraged to come up with new and better ways of doing things. (Innovation)
  - I feel empowered to make decisions that are necessary in my job. (Empowerment)

The research performed and the results in this study are strictly limited to effects of transformational leadership and the culture on business performance through organizational change. While the measures are accepted as reliable and valid, additional insight can be gained through other differentiating models of culture. In addition, there are major external and internal factors that will also have effect on business performance. One of the major developments that should effect business performance is the selection of company as a strategic hub for technology development and the investment of know how transfer to the company. There is evidence that especially Foreign Direct Investment which involves participation in management, joint-venture, transfer of technology and expertise has positive effects both on sector and also the company itself in developing countries (Kandil, 2011). Although the method of investment differs in financial implications, it eventually has effects in business performance.

4. Analyses and Results

i) Leadership Analysis:

As a literature search outcome we see transformational culture is shaped by leaders having the same vision for success. The initial research has been performed in leadership level, whether the leadership possesses the competencies of transformational leaders. For leadership analysis, the results of 360 feed back for "Extrordinary Leadership" competency survey is analyzed. Table 4 below provides the average of leaders' rankings for each differentiating competency. Maximum ranking is 5 and scores around 4 are strengths of leaders. When highest rated competencies are analyzed, it is apparent that transformational leadership competencies are high within leadership of the company. Highest rated competencies reveal how the organization views leaders when they're asked to identify the strengths. It is not surprising that the highest rated competencies are in line with how transformational leaders are recognized within an organization. Referring back to literature search, transformational leaders are referred to those ones who try to show the organizations a new route for improvement and progress by generating new ideas and perspectives. Often, transformational leaders have strong internal ideals and values. The highest rated competency "Displaying high integrity and honesty reveals that the company's leadership is seen as carrying and reflecting strong sense of values and ethics.

Table 4. Leadership 360 Feedback Average Scores

Competency	Average Score
Displaying High Integrity and Honesty	4,05
Developing Others	4,05
Championing Change	4,04
Taking Responsibility for Outcomes / Initiative	3,99
Collaboration and Teamwork	3,98
Innovation	3,93
Building Relationships	3,91
Drive for Results	3,91
Developing Strategic Perspective	3,87
Business / Professional Expertise	3,83
Solving Problems and Analyzing Issues	3,81
Inspiring / Motivating Others to High Performance	3,79
Communicating Powerfully and Prolifically	3,73
Connects the Group to Outside World / Networking	3,68
Self Development	3,66
Establishing Stretch Goals	3,64

According to 4 I's of transformational leadership (Avolio, Waldman and Yammariono, 1991), effective utilization of transformational leaders' skills will indicate following traits of these leaders:
- Creativity
- Team-orientation
- Appreciation of others
- Teaching (learning)
- Responsibility

Transformational leaders increase their followers' creativity, motivation and spirituality while transactional leaders address to personal and future interests of their followers. The competencies "Championing change" and "Innovation" reveal that the company's leaders support new and innovative ways of doing business, therefore guiding employees to being creative in decision making.

Transformational leaders are facing with values, ethics, standards and long-term aims and focus on their followers' performance and development in order to increase their capabilities. The competency "Developing others" reveals that the company leadership is capable of developing and focusing on employee's performance to provide the necessary plans for them to become leaders.

Transformational leaders will also foster team environment, which is also one of the highest rated competency in the 360 feedback as "Collaboration and Teamwork".

In short, leadership assessment results give us the hints that transformational leadership aspects are embodied within the company.

ii) Culture Analysis:

In the second phase, cultural elements are analyzed within the company. As shown in Table 5, the results of the latest ESAT survey (2009) are analyzed and the results show statistical proof that company culture embodies more transformational culture elements than transactional culture. The analysis is focused on the below sentences that employees ranked according to how they feel the statement is present within the company.

First statement is "I clearly understand the business objectives for which I am accountable". This statement shows relevance to a transactional culture element that is "all job assignments being explicitly spelled out". The percentage of employees that rated 5 to this statement is 88 in the last survey. This is a very high percentage compared to overall rating of ESAT survey, which is 67 percent. The answers to this statement show that indeed all job assignments are explicitly spelled out and employees are mostly aware of their contribution to organization via their roles.

Table 5. ESAT Survey Results and Their Relationships with Transformational Culture Elements

ESAT survey questions	The percentage of employees that rated 5	Related characteristic of transformational culture
I clearly understand the business objectives for which I am accountable	88	all job assignments being explicitly spelled out
I understand how my job contributes to company strategy	90	all job assignments being explicitly spelled out
There is a strong feeling of team spirit and cooperation in my organization	76	there is a sense of purpose and a feeling of family within the organization
There is a person at work who encourages my development	64	people development is essential and superiors act as mentors within the organization
My manager collaborates effectively with other groups to achieve objectives	85	team and group interest is held above self interest
I am encouraged to come up with new and better ways of doing things	75	company culture supports innovative and creative thinking
I feel empowered to make decisions that are necessary in my job	80	empowerment employees are given within the company

The second statement is "I understand how my job contributes to company strategy". The percentage of employees that rated 5 to this statement is even higher than first statement: 90 percent. The answers to this statement is again directly related with all job assignments being explicitly spelled out.

The third statement is "There is a strong feeling of team spirit and cooperation in my organization". This statement carries the characteristics of a transformational culture where there is a sense of purpose and a feeling of family within the organization. The percentage of employee that rated 5 to this statement is 76 percent, again exceeding the overall ESAT. This statement is harder to provide high ratings than the first two statements, as the first two statements are related with documentation and structured feedback on job description while this statement should come through an exposure to of group of people within a long period of time.

The fourth statement is "There is a person at work who encourages my development". This statement again carries the characteristic of a transformational culture where people development is essential and superiors act as mentors within the organization. The percentage of employee that rated 5 to this statement is 64 percent, surprisingly lower than overall ESAT percentage. The results are also contradictory with leadership survey, where one of the strongest competencies is "Developing Others". Therefore it is not possible to come to a conclusion for this statement.

The fifth statement is "My manager collaborates effectively with other groups to achieve objectives". This statement again carries the characteristic of a transformational culture where team and group interest is held above self interest. The percentage for this statement is 85 percent, significantly exceeding the overall ESAT score.

The sixth statement is "I am encouraged to come up with new and better ways of doing things". This statement leads to whether the company culture supports innovative and creative thinking, as can be seen in a transformational culture. The percentage for this statement is 75 percent, exceeding overall ESAT score once more.

The last statement is "I feel empowered to make decisions that are necessary in my job". This statement leads to hints of empowerment employees are given within the company, which is again a transformational culture characteristic. The percentage for this statement is 80 percent, again showing that most of the employees feel that they're empowered to make decisions.

To summarize this information in an easy representation, elements directly linked to transformational and transactional culture are identified and listed in the matrix below. The strong culture elements that employee satisfaction survey points out are also marked within the matrix.

Table 6 reveals that many of the transformational culture aspects are found within the ESAT survey answers. Employees feel the aspect of flexibility and creativity when they're doing daily business operations. They also feel empowered to make the decisions that are necessary doing their job.

Table 5. Comparative Matrix of Culture Elements

Culture Elements	Transactional	Transformational	Telecommunications Company
Flexibility		X	
Creativity		X	X
Innovation		X	
Self interest	X		
Team / Group interest		X	X
Empowerment		X	X
Risk - taking		X	
All job assignments explicitly spelled out	X		X
Sense of purpose feeling of family		X	X
Superiors as mentors and role models		X	
People Development	X	X	X

On the other hand there are some hints of transactional culture, where employees feel that all job assignments are explicitly spelled out and have clear opinion on how their jobs contribute to company's overall success. However, as Avolio and Bass (1993) stated, transactional cultures evolve to transformational cultures, therefore the main assumption is that the company with a long history in Turkish market has evolved its culture from transactional to transformational with the necessity to adapt to rapidly changing ICT market.

Results of ESAT survey and leadership feedback also provide similar feedback on how leadership and culture carry similar traits where innovation and creativity is fostered with strong emphasis on team work and collaboration.

5. Conclusion

The general manager's dilemma is that while culture is a powerful tool for consistently pursuing a particular set of goals, culture can constitute a disability at times when change is critical to addressing new competitive or technological challenges from unexpected directions (Christensen, 1997).

Most organizational scholars and observers by now recognize that organizational culture has a powerful effect on the performance and long-term effectiveness of organizations. In addition, culture has its roots from leadership style and competencies enforced in organizations.

In this research, linkage between leadership, culture and business performance is analysed taking a Turkish telecommunication company as a model. The model is fit for analysis, since it is one of the oldest companies operating in telecommunications sector in Turkey and lived through many organizational changes, one of the biggest in the last couple of years. The effect of organizational culture is crucial in major changes and concept of transformational leadership and culture developed is shown to improve or sustain business performance during harsh times. Research clearly shows that companies that have an organizational culture that has the characteristics of transformational culture together with the transformational leadership competencies can become advantageous during major organizational changes such as merger and acquisitions. Organizations that go through change will need to be concerned about organizational renewal; therefore leaders should foster creativity, team orientation, problem solving, risk taking and

experimentation. Transformational leaders carry the right competencies to drive these motives and shape the culture of innovation and creativity along with empowered employees having the sense of family and commitment among their groups.

The telecommunications company subject to research embodies a leadership team, who carry more than three of the distinctive competencies for the transformational leadership. Hence, the culture is shaped by leaders to foster the advantageous elements such as sense of purpose, creativity and empowerment. As conclusion, the study shows that culture and leadership are the factors for successful performance of the company.

References

Argı, A. 2007. Bilişim Pazarının Gelişimi, Eğilimler, Beklentiler, İlk 500 Bilişim Şirketi, s. 21, 29, 43.

Argı, A. 2008. Bilişim Pazarının Gelişimi, Eğilimler, Beklentiler, İlk 500 Bilişim Şirketi, s. 18, 36, 68.

Argı, A. 2010. Bilişim Pazarının Gelişimi, Eğilimler, Beklentiler, İlk 500 Bilişim Şirketi, s. 14, 24, 60.

Avolio, B. J., Waldman, D. A. and Yammarino F. J., 1991. The Four I's of Transformational Leadership. Journal of European Industrial Training 15(4), pp. 9-16.

Bass, B.M. and Avolio, B.J, 1993. Improving Organizational Effectiveness through Transformational Leadership. Thousand Oaks, CA: Sage.

Bass, B.M. and Avolio, B.J., 1993. Transformational Leadership and Organizational Culture. Public Administration Quarterly, 17(1), pp. 112 – 117.

Beer, M., Khurana, R. and Weber, J., 2005. Hewlett-Packard: Culture in Changing Times, Boston: Harvard Business Press, January 25.

Bromley, H. R., & Kirschner-Bromley V. A. (2007). Are You a Transformational Leader? The Physician Executive, 54-58.

Cameron K.S., Quinn R.E., 1999. Diagnosing and Changing Organizational Culture: Bases on the Competing Values Framework, Addison Wesley Publishing Company.

Chemers, M. M. , 1997. An integrative theory of leadership. Mahwah, NJ: Lawrence Erlbaum Associates.

Christensen, C. M., 2006. What Is an Organization's Culture, Boston: Harvard Business Press, August 2.

Dai, G., Tang, K.Y. and De Meuse, K.P., 2011. Leadership competencies across organizational levels: a test of the pipeline model. Journal of Management Development, 30(4).

Daulatram, B. L., 2003. Organizational culture and job satisfaction. Journal of Business & Industrial Marketing, 18(3), pp.219 – 236

Gardner, J. W. 1990.. On leadership. New York: The Free Press.

Jandaghi, G., Matin, H. Z. and Farjami, A., 2009. Comparing Transformational Leadership in Successful and Unsuccessful Companies. International Journal of Social Sciences, 4(3).

Kandil, M., 2011. Financial flows to developing and advanced countries: determinants and implications. International Journal of Development Issues, 10(1)

Kouzes, J. M., & Posner, B. Z. ,1997. The leadership challenge: How to keep getting extraordinary things done in organizations. (3rd ed.). San Francisco: Jossey-Bass

Mannarelli, T. , 2006. Accounting for Leadership: Charismatic, Transformational Leadership through Reflection and Self-Awareness. Accountancy Ireland, 38 (6), 46-48.

Masood, S.A., Dani, S.S., Burns, N. D. And Backhouse, C.J., 2006. Transformational leadership and organizational culture: the situational strength perspective, Wolfson School of Mechanical and Manufacturing Engineering, Loughborough University, Loughborough, UK.

McLagan, P. , 1989. Models for HRD practice. (4 volumes). Alexandria, VA: American Society for Training and Development.

O'Reilly III, C. A., Chatman, J. and Caldwell, D. F., 1991. People and Organizational Culture: A Profile Comparison Approach to Assessing Person-Organization Fit. The Academy of Management Journal 34(3), pp. 487 – 516

Ogbonna, E. and Haris, L.C., 2000. Leadership style, organizational culture and performance: empirical evidence from UK companies. The International Journal of Human Resource Management, 11(4), pp. 766 – 788

Rost, J.C., 1993.. Leadership for the twenty-first century. Westport, CT: Praeger.

Ulrich, D. and Smallwood, N., 2007. Leadership Brand, Boston: Harvard Business Press.