

LEADERSHIP IN MODERN ORGANIZATIONS

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***Abstract:** The global development of world economy has led to the improvement and development of business and the emergence of people who with its innovative approach, intelligence, and its will rise business processes to a higher level. In recent decades, until now these people are almost identified with firms and companies in which they work, simply because the whole process of development is based on them, they willingly and using words motivate employees to identify with the companies in which they work. These people are leaders or the contemporary leaders of the development.*

Because of its extreme importance, leadership has become a subject of intensive and detailed study, particularly in recent years. Unfortunately, the conclusions of these studies are disjointed and often contradictory. The continuous development of leadership and leaders creates new theories and definitions. Modern business development, technology and industry leads to a "mutation" of a classic leader and gives rise to contemporary leaders, enriched with greater knowledge, experience and practicality in relation to its predecessors. Some of these conclusions, however, deserve attention, so I will in future work try to answer the question of what makes good leaders, which are the approaches to leadership and the challenges faced by leaders today.

Keywords: Leadership, modern bussines, organization.

1. INTRODUCTION

Today's managers nobody needs to remind that we are living in a global economic environment that is more complicated and subject to changes. Every year, new technologies, markets and competitors in an increasing extent appear. The emerging threats and opportunities are more difficult to guess. In addition, we live in an extremely complex and interdependent world in which for the business success is extremely important quality of relationship with strategic partners, external and internal customers and other stakeholders. While the future development is extremely difficult to predict, there are two trends to be predicted with great care. The pace of change continues to grow as well as their complexity and interdependence. Nearly a decade experts have been aware of upcoming trends and even talked about creating an agile company, i.e. organizations that anticipate and react to

changing business conditions by harmonizing of highly productive internal and external relations.

To ensure success, companies must develop a more agile way of organization that is in line with the increasing level of complexity of the business environment, although for most companies this is still just more aspiration than a reality. It is therefore necessary to develop leaders that are more agile and something like that includes the ability of effective leadership in the complex conditions of constant changes. The survey showed that only 10% of managers have a satisfactory degree of agility that is required to operate in turbulent economic times.¹

2. LEADERSHIP

The phenomenon of leadership for a long time attracted the attention of the general public. Since ancient times, the focus was concentrated to great diplomats, generals, philosophers, thinkers, or artists² and the like. With the development of industry, transport, trade and finance, the concept of leadership is more often related to economic activity and organization. Nowadays, this area is much more important and attractive.

Leadership can be defined as the process by which the activities of the group members are directed towards achieving the task. This definition has four meanings:³

- First, leadership involves other people - employees (subordinates) or followers. With their willingness to accept guidance and direction of leaders, group members make it possible to define the status of a leader, and the process of leadership; when there would be no other people, all the qualities of leadership as a manager would be insignificant.
- Second, leadership means unequal distribution of power between leaders and group members. Group members aren't powerless: they can influence the activity of groups in different ways.
- The third element of leadership is the ability of using different forms of power in different ways to influence the behavior of followers. Leaders can really affect the workers to sacrifice personally for the good of the company.
- The fourth element is the combination of the previous three elements. At the same time, this element confirms that the leadership is issue of values.

Leaders have an important role in every organization. All the researchers of leadership highlight that. In doing so, they differ in a number of defining and describing the role of leader. Thus, for example, Kavej discuss on three main roles of a leader⁴:

1. Finding the target
2. Inflow
3. Training

¹ Jossey- Bass, Leadership Agility, www.leadershipagility.com

² Erić, D. *Uvod u menadžment*, Ekonomski fakultet Beograd, Beograd, 2000, str. 408

³ Stoner, A. F., Freeman, R.E., Gilbet, D.R., *Menadžment* (Prevod sa engleskog), Želnid, Beograd, 1997, str. 431

⁴ Wright, P.M., Noe, R.A., *Management of Organizations*, Irwin/McGrawn—Hill, Boston, Massachusettes (1996) str. 571 – 572

The literature often uses the classification made by the Kauzes and Posner. The fact is that they promote the view that leaders perform the following roles:⁵

1. **Cause process.** Leaders are people who are able to recognize good ideas, to support them and are willing to accept the challenges to implement these ideas. In short, leaders are those that encourage innovation processes at the same time they are ready to embrace innovation.
2. **Inspire the desired vision.** Besides the fact that leaders have a vision, it is important that they are figures who enthusiastically take all necessary actions through which inspire its partners with vision.
3. **Allow others to act.** Leadership involves "team effort". That is why, as the authors say, "exemplary leaders" provide support and assist those who must implement a work project.
4. **Model the path.** Leaders set an example and gain loyalty through simple examples of everyday behavior that creates momentum and progress. In a word, "leaders models way through personal example and dedication to performance."
5. **"Encourage the heart."** the introduction of emotions that allow the creation of "winning atmosphere" is characteristics of leadership. Therefore, leaders celebrate victory and encourage self-esteem.

The six constants of leadership, according to Gardner, are⁶:

1. **STORY:** The leader must have a central story or message. It must be effective for a large and heterogeneous group. In crises, the story has to be fast, which has the effect of simplification of the central messages.
2. **AUDIENCE:** Any, even the most eloquent story is ineffective in the absence of the audience.
3. **ORGANIZATION:** At the beginning, the leader addresses the audience directly and achieves initial success. For steady leadership, the institution based on the organizational basis is required.
4. **EMBODIMENT:** The creator of the story must in some sense to be the embodiment of its stories. This does not mean it has to be a saint, but not to contradict its basic message.
5. **ADDRESSING:** Most creative leaders addressed indirectly through symbolic product that is created, while most of the political leaders addressing the audience directly. Direct addressing the riskier, but can be efficiently and effectively, especially in the short term.
6. **SKILLS:** Only those who attain a high degree of expert knowledge in their work and credibility in its life have a chance to be successful as leaders. Direct leaders generally have a lack of technical knowledge, while the indirect power of leaders is based on their knowledge about specific things.

The leader is one who can lead the organization in today's turbulent environment, the one who can successfully cope with changes. Therefore, *leadership and changes are synonymous* when we think about business leadership. It is primary. It is not necessary to be a superman to be a leader because *the leader is not born, but one becomes leader thanks to its education along with the existence of a predisposition*. It is the following axiom. The

⁵ Robbinson, S. P.; Coulter, M., *Management*, Prentice-Hall, Upper Saddle River, New Jersey, (2003), str. 399

⁶ Gardner Howard, Laskin Emma, *Leading Minds*, Basic Books, USA, 1996, str. 291-195

last thing: the key to a good leader is in the relationship with people, the emotional role of the leader is primary. To simplify, the task of a leader is as follows:⁷

- Consideration of the situation, and
- Taking action

2.1 Leader vs. Manager

Management and leadership are different but both are important. The challenges faced by modern organizations include the full reality of management and the commitment to modern management towards the attractive vision.⁸

In American literature is very popular definition of the difference between a leader and manager who is a pun: the leaders are doing the right things, and managers do things right. Although popular, this definition is certainly not sufficient and complete, because it assumes that the positions of leaders and managers are at the opposite sides, but that certainly is not the case in organizations, given that any business environment needs the work of leader and manager. They are not competitive but complementary. Organization requires both in order to prosper. Strong leadership and weak management and vice versa, can easily lead the organization at risk.

The consequences of strong leadership and weak management in a complex organization are:⁹

1. Strong long-term vision with no short-term planning and budgeting
2. Almost cult culture in the organization without a lot of the specialization, the structure and rules
3. Inspired people who rarely or never use the control systems and solving problems discipline

The situation in these organizations often goes beyond control. When there is no respecting the limits of work, approved budgets and promises given to consumers, the real threat to the organization grow.

The consequences of a strong management and a poor leadership in a complex organization are:

1. Insisting on short-term period, details, eliminating the risk, and ordinary rationality, with small focus on the long term, large scale strategies that involve risks, as well as human values
2. A strong focus on specialization, the work is much more important than people, while they are slaves to the rules, with a minimal insisting on the integration, alignment and personal involvement of people.
3. Control and prediction are in the foreground, growth, training and inspiration are not.

The situation in these organizations is a rigid, non-innovative, and therefore the organization is unable to cope with changes in market or technology. If a company has a strong market position, performance is deteriorating slowly, if does not - very quickly.

⁷ Depree Max, *Leadership is an Art*, DTP, USA, 1990, str. 11

⁸ Avdagić M. et al., The role of management in realization of economic, social and human rights, International journal of economics and law, No. 1, 2011

⁹ Kotter John P., *A Power for Change*, The Free Press, USA, 1990, str. 141 – 42

2.2 The role of power in leadership

One of the explanations why people accept the influence of leaders consists in the fact that the leader has the power¹⁰. That is the reason why the study of power and its analysis of certain aspects of leadership is extremely important.

The power can be explained as the ability to do things the way you want. The study of power in leadership is very important because it implies its unequal distribution between leaders and followers, i.e. subordinated.

There are six¹¹ different sources of power:

1. Reward power
2. Coercive power
3. Legitimate power
4. The power of control over the information
5. The reference power
6. Expert power

The above resources can be systematized into two large groups. One consists of those sources where the power is based on position, and the things that managers can do for others, such as the reward power, coercion power, and legitimate power. The other three sources of power are based on the personality of leaders.

Stimulation encourages employees to work, better results, greater responsibility and obligations.¹²

There are many ways that leaders can increase their power. Some of them are image building, using and developing a coalition of associations with powerful individuals, the orientation towards individuals who are more susceptible to power, etc.

3. THE CHALLENGES OF 21ST CENTURY

In today's globalized society, leaders are faced with the challenges of a changed environment and with completely new and important issues of leadership. Some of these issues relate primarily to the leadership in the areas in which completely different culture, gender differences in leadership, online leadership, empowerment of employees, etc. cross each other.

3.1 Development of trust

Leaders in today's environment are faced with an increasing effort to develop confidence with their subordinates to effectively perform the task. Trust is defined as the belief in the integrity, character and leadership ability. The followers who believe leader are vulnerable when it comes to actions of the leader because they believe their rights and interests will not be abused. Studies have confirmed there are five dimensions that make up the concept of trust:

- Integrity: honesty and sincerity

¹⁰ Ivančević, M.J., Lorenzi, P., Skinner, I.P., Crosby, B.P., *Management: Quality and Competitiveness*, Irwin-McGraw-Hill, Boston, 1997, 341

¹¹ Erić D., *Uvod u menadžment*, Ekonomski fakultet Beograd, Beograd, 2000, 416

¹² Simić M. et al., Motivation of the Post Employees as a Segment of the Management Process, International journal of economics and law, No. 2, 2011

- Competence: professional and inter-personal skills and knowledge
- Consistency: reliability, predictability and good assessment when it comes to managing the situation
- Loyalty: the desire to protect people, physically and emotionally
- Openness: the desire to share ideas and information freely¹³

3.2 Moral Leadership

Leadership is not free of value system so moral leadership includes means the leader is using in an attempt to achieve the objectives and content of these goals. Only recently have researchers and ethics of leadership began to consider the ethical implications of leadership. One of the main reasons may be a growing interest in ethics in all areas of management. Many corporate financial scandals have greatly contributed to the issue of ethics put into focus the issues of management and leadership. Thus, before assessing whether a leader is effective, it is necessary to consider the moral code of its objectives and means used to achieve these goals.

3.3 Leadership Online

Online leadership area has been studied very little, but in today's global environment, it is present. According to some researches, the most common problems that arise in the provision of online leadership are communication, management of performance and confidence¹⁴. In a virtual environment, leaders need to learn new communication skills to be effective. In order to convey online leadership effectively, managers must understand they have choices when it comes to words, structure, tone and style of their digital communications, and be willing to express emotions.

An important aspect of leadership is the online performance management, by definition, facilitating and encouraging. It is therefore important to ensure that all virtual team members understand the goals of the team, their responsibilities in achieving these goals and how to evaluate the achievement of goals. While these are important responsibilities of leaders valid for all situations, they are particularly important in a virtual working environment with no direct interaction that transmits expectations or points to problems related to performance.

The biggest challenge regarding online leadership is a matter of trust, because virtually Leadership provides numerous opportunities for the violation of trust.

3.4 Authorizing staff

In modern organizations, there is the increasingly common phenomenon in terms of authorizing employees. Therefore, leaders, in addition to power and authority, transfer a portion of responsibility to employees. One of the main reasons for the transfer of the mode of liability is a more frequent need to make decisions quickly, and those people, who know most about certain issues - often to those at lower organizational levels, can do this in the best way. If the organizations need to compete successfully in a dynamic global economy, they must be able to make decisions and make changes quickly.

3.5 Cross-cultural leadership

The conclusion from the study of leadership is that effective leaders do not use only one style. They adapt their style to a particular situation, and a national culture is certainly an

¹³ P.L.Schindler, C.C.Thomas, The Structure of Interpersonal Trust in the Workplace, str. 563-73

¹⁴ Stephen P. Robbins, Mary Coulter, *Management*, osmo izdanje, str 441

important variable in determining the component, which will be the most effective style of leadership in modern organizations. National culture affects leadership style because it affects how followers will react, and therefore leaders cannot randomly choose their own style. From today's leaders primarily is expected to learn the business culture of the country where they are located.

3.6 Differences in gender and leadership

More women are now in managerial positions, and many will continue to take the positions of senior management. Due to the increasing influence of the tendency of women to high positions, in recent years a number of studies on gender and leadership styles have been conducted. The general conclusion is that men and women really apply different styles. Specifically, women tend to implement more democratic and partipale style. Women encourages participation, share power and information, strengthen self-evaluation of followers. They guide through inclusion and rely on their charisma, expertise, contacts, and interpersonal skills to influence others. Women tend to apply transformational leadership to transform others through the transformation of self-interest in organizational goals. Men are more inclined to use commanding and control style. They rely on the formal position of authority when it is necessary to influence someone.

4. LEADERS OF THE NEW AGE

Many current theories of leadership are difficult to implement in today's environment, as many theorists agree in their assessment that these theories cannot relate to the leaders of the modern environment. Theories that have appeared the 80's and 90's of last century are unified by the theory that emotional intelligences by Daniel Goleman¹⁵ did not provide answer to the question how the leader of a new era should be. These theories of leadership by Daniel Goleman, a psychologist and a doctor of Harvard University, puts the emotional intelligence (EQ) over the rational (IQ) in the analysis of the preconditions for success and happiness of man in contemporary society. What is missing in this theory of leadership is neglecting the fact that different personality types behave differently in different areas of business. A successful leader cannot be viewed separately from the context and circumstances in which it operates. Emotional intelligence does not guarantee success and in many cases undermine the effectiveness of leadership, especially in cases where a leader must make difficult decisions that may harm some individuals.¹⁶ Namely, there is no single formula for successful leadership, but innovative and changing business environment required a different kind of leader.

4.1 Narcissistic leaders/leaders of a new era

In mid 90's took a dramatic turn that it was impossible to ignore. The traditional concept of leadership that improves productivity, profitability, and reduces costs has been replaced by a new approach to leadership that looks leader like a visionary. Visionaries, as people who want to change the world, became more of eccentric and extreme anomalies dominant players in the business environment, the absolute star of that time.

¹⁵ cit. *Emocionalna inteligencija*, Daniel Goleman, Geopoetika, 2005

¹⁶ Michael Maccoby, *Narcissistic leaders*, Harvard Business School Press, 2007, str. 11

In an effort to discover what caused the rise of certain personalities in the top hierarchy of the business, Michael Maccoby, one of the greatest scholars of leadership and advisor of many of today's leaders came to the incredible conclusion. Starting from Freud's and Fromm's theories of personality concluded that the psychological profile of today's leaders is closest to Freud's concept of "narcissism." This term is most often a synonym for egotism, egocentrism. However, Maccoby believes that this term is misunderstood ever since it was introduced by Freud in his theory and gave a radically new definition of the term that describes today's leaders.

Describing a new kind of leaders, Maccoby seeks to liberate the concept of narcissism of the negative connotations, citing that it does not mean only the negative behavior, but the fact that type of personality, as any other can be productive or unproductive. The narcissist is a person who gives himself the answers to the questions of what is right and what is not, he does not seek approval from others, they recruit people to subscribe to their view of the world, vision, and for this reason, these people can be very inspiring, charming and attractive. Narcissistic find answers to existential questions and instead of asking, "How to do the right thing?" they asks himself the question, "Why do something and is it worth the effort?". The only voice they hear is the voice in their head, because unlike other types of personality (Freud: erotic, obsessive, and narcissistic personality type; Fromm adds a marketing type) productive narcissist is not restricted to specific areas of business or social life; they are present in all spheres of society. They cannot change the whole world, but can influence their own environment.

Five key characteristics of productivity are:

1. Freedom (to be independent)
2. The reason (to be guided by specific reason)
3. Activity (own experience)
4. Understanding (self-knowledge)
5. The Purpose (where to direct efforts)

However, what Maccoby wishes to point out is that the productive narcissist may not always be successful. For example, Vincent Van Gogh was a productive narcissist, but he did not sell any of his images for life. Their advantages make them productive, and disadvantages unproductive leaders.

Benefits of productive narcissist:

- The vision of "changing the world" - they see the world as a place to change.
- Independence and risk taking - a productive narcissist is free of external and internal pressures and is prepared to take risks in order to achieve the vision.
- Passion – when he finds the purpose of its ideas, narcissist follow his vision passionately by complementing it with the incredible energy and determination.
- Charisma - an immense influence on other people, they may seem cold, but as soon as they needed something, they become very charming and charismatic.
- Perseverance - of today's leader is expected to be even stronger than ever and with more experience. This is one of the essential features of the leaders of today, where for the most part can be shown their productiveness or unproductiveness.
- Constant learning - this does not mean that the leaders are usually the best students, that are most prominent in learning, on the contrary, they were superior in those areas that interest them the most.
- Sensitivity to the threats - a former director of General Electric, Jack Welch said that "business is a game"¹⁷, but a very serious game in which he did not hesitate to

¹⁷ Jack Welch, *Straight from the Gut*, Warner Business Books, 2001, str. 267

destroy employees or competition in order to contribute to the progress of the company.

- Humor - one of the most positive features of productive leaders is a sense of humor, especially to make fun with themselves. This type of offensive tactics may confound critics and competition.

5. STRATEGIC INTELLIGENCE

The five elements of strategic thinking:

1. Prediction; - in today's changing environment it is very important to set a clear strategy of action and set the key parameters that shape the future. The business involves a sense of anticipation for the upcoming changes.¹⁸
2. Systems thinking means a completely different way of looking at things, the ability to synthesize, integrate, conceptualize information prior of collecting different parts of the whole.
3. The vision involves a combination of prediction and systemic thinking in a holistic vision, and then creating a realistic vision of the world of business.
4. The motivation is the ability to get interest the employees to accept your goals and implement the vision. Many leaders have so-called hard skills, but sometimes it is important to have soft skills and to motivate your employees. Most leaders seem to improve the system, reward or punishment. Modern leaders must possess the ability to recognize what it is the thing that motivates individual employees.
5. Partnership, involves the creation of strategic alliances.

Given the enormous financial and social changes, it is very important to understand the personality of today's leaders. Looking back at the twentieth century, it can teach us much about what caused the successes or failures of the leaders of that time.

6. RESUME

Determination of the direction, managing, can be a static feature, because upon the determination of the direction is not necessary that one who determined direction is moving towards the goal. The movement toward a goal, leading, necessarily has a dynamic form, because the one that leads to the goal must be at the forefront of such changes. Of the leaders of modern enterprise is expected to perceive resources in gaining competitive advantage, create a vision and find a winning combination of routes, methods and pace of business conduct, and to formulate a strategy whose implementation will provide a sustainable competitive advantage through the anticipation of future events. That and the provision of relevant conditions for its implementation are the most important components of the leader strategist. It does this by taking into account the competition, consumer preferences and possibilities of the company, marking and capitalizing the sources of competitive advantage and achieves the objectives of the company as a whole, and thus makes it a primary factor of the business success, without which the strategic directions of the company would not be effectively determined.

¹⁸ Ibid, str. 162

Standard in today's organizations is that they were not guided enough and that they are managed too much. Today's turbulent changes in the everyday environment are synonymous with the need for greater influence of leadership in management.

The position of the "heroic leadership" in the 21st century has led to greed and arrogance. They do not have all the answers, but they must be open and honest regarding the fact which business practice is acceptable and appropriate. They must be willing to take decisive actions in case when they detects something is wrong.

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