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LEADERSHIP STYLES AND ORGANIZATIONAL CULTURE IN MACEDONIAN COMPANIES

Ninko KOSTOVSKI, PhD[1]
Marjan BOJADJIEV, PhD[2]
Katerina BULDIOSKA, MBA[3]

ABSTRACT

Although in a position to shape the organization in terms of the architecture or the team construction, the leadership is bound with the prevailing corporate culture that cannot be changed easily. Moreover, these two concepts seem inherently interdependent: to change the culture we need visionary, capable leadership that can only be created in a culture that values these traits.

Our paper presents the results of the survey of selected managers of business organizations in Republic of Macedonia in terms of the organizational culture they praise and nurture. The conservative organizational culture, based on rigid authoritarian management, prevails with some exceptions in the case of female entrepreneurs, leaders with higher education degrees and those with management training and work experience in established foreign companies. Promotion of various on the job training programs, drafting younger and educated managers, gender balanced boards and strategic drafting of foreigners in them, will positively influence the desired change of the organizational culture. However, perhaps the greatest contribution of such change will be growth of the innovativeness that will increase currently low competitiveness index of our economy.

KEYWORDS: organizational culture, management, leadership, change management, strategy,

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[1] Professor, University American College Skopje, kostovski@uacs.edu.mk
[2] Professor, University American College Skopje, provost@uacs.edu.mk
[3] Consultant, Global Impact Ltd. Skopje, Macedonia, buldioska@gmail.com

LEADERSHIP AND THE ORGANIZATIONAL CULTURE

The topics of leadership and organizational culture continue to attract considerable interest from academics and practitioners all over the world. This mainly because the widely accepted premise that these two concepts are linked to the organizational performance. However, little research is dedicated to the relationship between the leadership and the organizational culture.[4] Today, organizations depend upon capable leadership to guide them through unprecedented changes. Numerous surveys of the CEOs show that they believe that the key factor that will determine the future of their organizations is the quality of their leadership talent they will manage to grow or acquire. However, it is not simply the number or the quality of individual leaders that determine the organizational success, but their ability to understand the collective values, actions and endeavors communicated by the formal and informal artifacts and relationships in the organization. Thus, leadership and the corporate culture seem inherently interdependent: to change the culture we need a visionary, capable leadership that can only be created in a culture that values and fosters precisely those traits.

Leadership

Leadership means communication, motivation, encouragement and involvement of the people.[5] Leadership is a vision, idea and direction and requires ability to motivate people to complete their tasks without being closely supervised.[6] The effective leadership, while emphasizing the importance of the work the employees perform, positively affects the motivation and drives people to carry out the tasks as leader expects.[7] Leadership is about the ability to influence, to motivate and to allow others

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[4] Ogbonna, E., Harris, L. (2000) *A Conceptual Model for Organizational Citizenship Behavior towards Sustainability pages,* The International Journal of Human Resource Management, 11 (4). pp. 766-788.
[5] Levine, S., Crom, M. (1994) "The Leader in You", Simon and Schuster
[6] Bennis, W. (2001) The New Leadership in Crainer, S. and Dearlove, D. Financial Times Handbook of Management, Pearson.
[7] Mullins, J. (2005) Management and Organizational Behavior, Prentice Hall.

to contribute to the effectiveness and success of the organization.[8] Good leaders inspire others.[9] They are comfortable to function in complex and uncertain circumstances.[10] They help their followers to accept the change and to understand it as a challenge.[11] They are in the best position to implement the change in the organization that run.[12] Consequently, good leaders are those who can transform their organizations.[13] For Blake, Mouton and McCanse a good leadership is balanced combination of task and people concern and orientation.[14] Others claim that there is no one fits all set of leadership traits suitable to all possible situations. Therefore, the ability of a leader to choose the style that best fits the situation is the most desired trait.[15] Many researchers believe that good leader cannot be created or educated and that they are all natural born.[16]

Organizational Culture

Culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs and habits. It is a product of such factors as product, market, technology, and strategy, type of employees, management style, history, national culture.[17] A strong organizational culture may affect how much employees identify with an organization.[18] For Schein, the culture is composed of three levels

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[8] House, J. (1971) '*A Path–Goal Theory of Leadership Effectiveness*`, Administrative Science Quarterly, 16.
[9] Hollingsworth, J. (1999) 'Squadron Leader, Purpose and values`, The British Journal of Administrative Management
[10] Fullan, M. (2001) *Leading in a Culture of Change,* Jossey-Bass.
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[18] Schrodt, P. (2002) *The relationship between organizational identification and organizational culture: Employee perceptions of culture and identification in a retail sales organization,* Communication Studies 53, pp. 189–202.

(visible artifacts, values and underlying assumptions) and it is the most difficult organizational attribute to change, including the leadership and the artifacts (the physical attributes of an organization). There are three stages in the corporate culture development:

- Birth and early growth — the culture is dominated by the founder. He is regarded as a primary source of the company identity, a bonding agent and a protector against the outside forces;

- Mid-life — the original founder's culture starts to be gradually diluted and new cultures emerge. The organization is much more formal and much more market oriented;

- Maturity — People are addicted to the usual way of how the things are done and are unwilling even to contemplate change. The culture is strong but it is transformed from a source of competitive advantage and distinctiveness to a obstruction.[19]

Culture as Strategy

For Edgar Schein, the creator of the concept, organizational culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with problems of external adaptation and internal integration. This pattern is also culture since it has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. Schein highlights that espoused values (strategy) have an impact on underlying assumptions (culture) in a process of double-loop learning. Considering that organizations might need to change over time, it may become necessary to restructure certain parts of the structure to align with a pre-defined

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[19] Schein, E. (2007) Organizational Culture and Leadership. Bloomsbury Business Library - Management Library.

strategy and missing to change the structures or operations would threaten the economic survivability of an organization, concluded.[20]

Also for Mintzberg, the strategy considered as "character" of an organization is another word for its culture. The development of an organizational culture sets a framework for the desired intentions (or strategy) to be achieved. In addition, the culture serves as a strategy because a better outcome is produced when individuals in the firm share common motivations, intentions and behavior, he stressed.[21]

For Ravasi and Schultz, the organizational culture defines the appropriate behavior for various situations.[22] Thus, organizational culture affects the way people and groups interact with each other, with clients and with the stakeholders.

Types of organizational culture

Cameron and Quinn distinguish four culture types, based on the attitude towards the flexibility versus stability and internal versus external focus. (1) The clan culture (internal focus and flexible) results in a friendly workplace where leaders act like father figures. (2) The adhocracy culture (external focus and flexible) creates a dynamic workplace with leaders that stimulate innovation. (3) The market culture (external focus and stabile) leads to very competitive workplace with leaders like hard drivers. (4) The hierarchy culture (internal focus and stabile) resulting in structured and formalized workplace where leaders act like coordinators and controllers.[23]

While analyzing the Macedonian companies, Popovski founds three distinct types of organizational culture labeling them as conservative, entrepreneurial and flexible. According to him, the businesses characterized by their conservative organizational

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[20] Schein, E. (1992) Organizational Culture and Leadership: A Dynamic View. San Francisco, Jossey-Bass.

[21] Mintzberg, H. (2001) *The Strategy Concept*, California Management Review, p.16.

[22] Ravasi, D., Schultz, M. (2006) *Responding to organizational identity threats: Exploring the role of organizational culture*, Academy of Management Journal 49 (3), pp. 433–458.

[23] Cameron, K, Quinn, R. (2011) "Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework", Jossey – Bass

culture have vertical hierarchy and strict division of labor. Decisions in these companies are centralized; the communication is top-down using orders and directives. A mentality of subordination prevails and the applied leadership style is autocratic. Popovski's definition of this culture is close to the Cameron and Quinn's hierarchical culture.[24]

The entrepreneurial organizations of Popovski are better adapted to the changes in the environment, but in terms of the leadership, they are also prone to some sort of an authoritarian leader. A characteristic of the organizational culture of an entrepreneurial organization is the strong influence of the founder. The owner nurtures a culture of informal roles and relationships. Formal rules and procedures do not exist, but the control is at the discretion of the owner.[25] These organizations are much more market oriented and are able to adjust to the changed market situation faster. In terms of the Cameron and Quinn's taxonomy, this entrepreneurial culture could eider match the clan culture with a friendly workplace or the market culture with dynamic, yet very competitive workplace and leaders who almost exploit the team members.

In the organizations that nurture the flexible model of culture, people are valued based on their expertise and competence. The leadership is participatory. The flexible model of organizational culture encourages the employees to adjust their behavior to the requirements for the implementation of development goals, new production methods, technology and/or the changes in the external environment, but the relations between the members of the organization are cooperative and there is a high cohesion in the groups. This culture is the key to success and continuous growth of the company in the new knowledge based economies. Hierarchy is of little meaning and people are respected for their technical ability and competence.[26] With its external focus and flexible structures, the dynamic workplace with leaders that stimulate innovation, the flexible culture is closest to the adhocracy culture of Cameron and Quinn.

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[24] Поповски, В. (2001) "Влијанието на организациската култура врз деловноста на претпријатијата", Економски институт Скопје.
[25] Поповски, В., Ibid
[26] Поповски, В., Ibid

FINDINGS OF THE STUDY

In order to explore the situation with the leadership styles and the organizational culture in Macedonian companies we developed and administered a survey that followed the classification of Popovski. The survey questionnaire included demographic questions related to data about the participants: age, gender, work experience, education and questions intended to explore the preferred organizational culture that they, as owners or managers, nurture. The later part of the questionnaire consisted statements to which respondents were choosing between "almost never" and "almost always" depending on the extent to which the particular statement corresponds to their comprehension of the most appropriate leadership and the architecture, values, believes, artifacts and the overall climate that they want to build and actively nurture in their organizations. The structure of the respondents in terms of the management level to which they belong is 24% top level, 34% middle level and 42% line mangers. In terms of the gender structure, men are 56%, women 44%.

The results show that the majority of respondents (39%) incline towards or prefer and practice the conservative (traditional) organizational culture, 33% to the entrepreneurial and 28% to the flexible culture. Indicative is the difference between the preferred (practiced) cultures in the case of the male vis-à-vis the female respondents. While among the former, the dominant and most preferred is the conservative culture (39%), the majority of the later (women) prefer the entrepreneurial culture and style (41%).

Table 1. Preferred organizational culture by Macedonian business leaders

Organizational Culture Preferred	Respondents Overall		Male Respondents		Female Respondents	
Conservative (traditional)	19	39%	11	39%	8	36%
Entrepreneurial	17	33%	8	29%	9	41%
Flexible	14	28%	9	32%	5	23%

Total	50	100%	28	100%	22	100%

Regarding the level of the management, the conservative culture prevails in the cases of the leaders at the lowest and that of the highest level of management, while the more participatory and flexible culture is the most preferred by the middle management.

Table 2. Preferred organizational culture by the level of management

Managerial level	Preferred style					
	Conservative (traditional)		Entrepreneurial		Flexible	
Top level managers	7	58%	3	25%	2	17%
Middle level managers	5	24%	7	33%	9	43%
Line managers	8	47%	6	35%	3	18%

Our results show that the age of the leader influences the preferences, too. In the group of the leaders between 21 and 30 years of age, 55% of the respondents prefer flexible culture, and then comes the entrepreneurial culture with 27%; while the conservative (traditional) culture and autocratic management are preferred by 18% of the respondents. In the group between 41 and 50 years of age, the most frequent is the (traditional) culture (50%), followed by the flexible with 29% and the entrepreneurial culture with 21%. In the group over 50 years of age, the (traditional) culture is dominant with high 63%, followed by the entrepreneurial culture (37%), while the flexible culture is not present at all.

Table 3. Preferred organizational culture and the age of the respondent

Age	Preferred style					
	Conservative (traditional)		Entrepreneurial		Flexible	
21 - 30	2	18%	3	27%	6	55%

31 - 40	5	29%	8	47%	4	24%
41 - 50	7	50%	3	21%	4	29%
50 +	5	63%	3	37%	0	0%

With the respondents with higher education prevails the entrepreneurial culture (41%), while with those with a master's degree prevails the flexible culture. This is even more emphasized when it comes to women entrepreneurs. Among them, the entrepreneurial culture is nurtured by 55%, compared to the modest 31% of the men entrepreneurs with higher education. Among the respondents from the lower levels of education, they almost exclusively prefer conservative - traditional organizational culture. Generally, the higher level of education positively affects the acceptance of the entrepreneurial and flexible organizational cultures.

In addition, managers from the local subsidiaries of some FDIs or with some career experience abroad are more inclined towards the entrepreneurial culture (44%). Similar is the situation with the leaders who had a chance to be trained abroad (52%) and with the leaders who are members of some professional business associations. On the other hand, the conservative (traditional) culture is dominant among the leaders who have not attended any management training program (50%).

CONCLUSIONS

Following the survey and the analysis of the results, having in mind all limitations of the survey in terms of the small sample or the actual e-form submission, we can still offer several conclusions regarding the applied organizational culture nurtured by the entrepreneurs in the country:

- Generally, conservative - traditional organizational culture prevails, except in the case of women entrepreneurs who seem value and build entrepreneurial and flexible organizational culture;
- In terms of the age structure, the conservative traditional culture is prevalent in companies led by senior leaders who have over 40 years of age;
- The training of the leaders, especially if it is out of the country, positively influences the choice of the preferred organizational culture;
- In terms of the managerial experience, it can be concluded that the dominance of the conservative and traditional culture decreases with increasing the managerial experience;
- The previous work experience of the leader in some foreign company has positive impact on the selection of organizational culture;
- Education plays positive role in the selection of the organizational culture that will be pursuit by the entrepreneur. Leaders who have graduate degrees foster entrepreneurial culture and tend to choose participatory leadership while those with lower education usually apply autocratic leadership and develop traditional organizational culture;
- Macedonian companies with foreign strategic investors and multicultural management teams have more flexible culture and the change of the behavior and way of thinking of the Macedonian managers in these companies is evident.

Having all this in mind, we can only add that the organizational culture nurtured by the majority of the corporate leaders in the country, is not the preferred one. The

conservative - traditional organizational culture and strict entrepreneurial culture dominate, induced by the autocratic or by the market driven, result oriented and dehumanized leadership. While these two cultures and styles of leadership could be beneficial in the early stages of an organization, or in the special market situations, generally both are considered out-dated and not appropriate for knowledge based industries of the new age.

While the organizational culture affects the style of the leadership, the leaders can also greatly affect and shape the creation of desired organizational culture in their companies. Promotion of various on the job training programs, drafting younger and educated managers, gender balanced boards and strategic drafting of foreigners in them, will positively influence the desired change of the organizational culture. However, perhaps the greatest contribution of such change will be growth of the innovativeness and the initiative of the employees, which will speed up the product to market time, streamline the processes and all that will gradually increase, currently low competitiveness index of our businesses of our national economy.

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