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LEADERSHIP STYLES IN COMPANIES FROM REPUBLIC OF MACEDONIA

Abstract

The paper presents the results of survey of the characteristics of the leadership in the business sector in Republic of Macedonia. The predominant leadership style remains to be the autocratic, while the age, gender, training and experience abroad influence the choice. This research, despite its limitations, is expected to inspire deeper probes why the authoritarian style of management, despite being not suitable for the new industries, new times and new profiles of the work force, remains to be dominant and the most preferred in the practice of the Macedonian businesses and how it affects the competitiveness of the national economy.

Key words: management, leadership, leadership styles, organizational culture

JEL classification: M00, M10, M14

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Leadership versus management

While Adizes (2004) argues that the leadership is just a fancy name for the old lady known as management, others indicate their main different starting points: leader focuses on the vision, manager on the task (Crom and Levine, 1994); managers manage, leaders lead (Miller at al. 1996); management reacts, leadership transforms (Taffinder, 1995); manager controls, leader inspires (Hollingsworth, 1999); while manager is doing things right, leaders do right things (Drucker, 2003). For those who claim that the leadership is different than the management, it is a wider concept and much more focused on the communication, motivation, encouragement and involvement of the people (Crom and Levine, 1994). Leadership motivates people to carry out their tasks as leader wants and expects (Mullins, 2005). It is ability of a person to influence, motivate and enable others to contribute to the effectiveness and success of the organization (House, 1971). It is a vision, idea and direction and it requires ability to motivate people to complete their tasks without being closely supervised (Bennis, 2001). The effective leadership, while emphasizing the importance of the work the employees perform, positively affects the motivation (Fullan, 2001).

Leaders must be able to operate in complex and uncertain circumstances (Fullan, 2001). Since most of the people understand the change as a threat, leadership should help them to accept it as an exciting challenge (Hooper and Potter, 1999). Changing the culture of an organization is a difficult task, but the leaders are in the best position to implement such change (Jex at al., 2008). Finally, it mitigates the management of any dissatisfaction on the side of the employees (Crow at al., 1995).

Approaches to leadership

The development of the organizational behavior theories from their inception up to the present did not manage to solve the old dilemma whether leaders are born or trained (taught). There are confronting opinions also whether the leadership style should (can) adapt to the situation or not. Moreover, there are some new theories that streamline the leadership to a two-sided relationship of giving and taking, a series of business deals between the leader and his followers, one by one, and

there are some who select a particular talent, namely their charisma, as the key factor for the success of the leaders.

The so called qualitative approach to the leadership gives more attention to the selection process, since the leadership cannot be created or learned through training (Drucker, 1989). Thomas (2004) points seven qualities that the leaders must possess: enthusiasm, integrity, determination, equality, affection, modesty and confidence. Bennis compiled another set of features: challenger of the present state, inspirer, visionary, a role model. The main disadvantage of this approach is that such lists tend to be long and even divergent. Robbins (1997) while analyzing twenty different studies on the leadership discerned 80 various qualities, but only five of these qualities were listed in more than four studies. In some of the studies there were even contradicting traits listed. We can only add that the opinions obtained from the close associates of some of the much praised corporate leaders are opposed to their carefully built public image. For some of his co-workers Steve Jobs was utterly narcissistic. By some biographers, Henry Ford had nothing against the Nazism, Wald Disney was a racist. And for some managerial ethics watchdogs, Michael Eisner was opportunistically drafting various teachers of his children as they were progressing from the kindergarten to the universities, to be members of the Disney Corp. board. No wonder, for some Eisner is the acceptable, almost glorified, face of corporate waste and self-awareness, if not aggrandizement (Forbes and Watson, 2010).

Behavioral approach to the leadership shifts from the personal characteristics to the way how the leaders behave in certain situations. The Ohio State Leadership Studies first indicated to the two basic dimensions of the leadership: consideration (for the subordinates) and initiating the structure. Latter, in the Michigan Studies, those two mayor dimensions were personalized in the so called employee centered versus job centered leaders. Represents of the first group care to establish trust of the followers, respect their needs and evaluate their ideas. They try to help even with personal problems of their subordinates. Leaders focused on the initiation of the structure see subordinates not as valuable, but as easily replaceable resources. Blake and Mouton (1964), and Blake and McCause (1991) perceive the good leadership as a combination of two orientations: task and people. Juxtaposing these two dimensions on a grid they concluded that the best leader should have both high and balanced. Such leaders design the work to achieve the objectives of the organization concurrently meeting the needs of the subordinates for

growth, experience and participation (Blake at al., 1964). Heinrich von Pierer distinguishes between the transactional and transformational leadership. The transactional leader is concerned with the routine and standard transactions and checks (1) whether the employee understands the duties and (2) whether is motivated to do the work (Harris and Hartmann, 2002). In organizational terms, the transformational leadership means precisely transformation of the organization (Bass and Rizzo, 2005).

When analyzing the successful organizations in the United States, Likert (1961) noted that they were all persistent in pursuing same leadership style for a prolonged period of time. His findings are in striking opposite to the situational approach to the leadership that claims that there is no such a leadership style that would work always and be appropriate to every situation. Moreover, the ability of the leader to choose leadership style that best fits the situation is the main prerequisite of his success (Harris and Hartmann, 2002). The effectiveness of a given leadership style depends on the situation in which the leader is, thus the main task of a leader is to analyze the situation and to adapt his behavior to the demands of the situation (Jackson and Thomas, 2008). According to Fiedler, three variables determine the situation and affect which style is the right style: (1) the extent to which the group accepts the leader and is ready to follow him, (2) the extent to which the task can be structured with detailed instructions and procedures and (3) the power of the position (level of formal authority) that the leader has on the subordinates. Fiedler concluded that the leaders oriented to the relationships are most effective in situations of good leader - member relations, unstructured task and low positional power and in the cases of bad leader-member relations, unstructured task and low position power. The task oriented leaders are most effective in good leader - member relations and high structure of the task regardless of the power of the position; when the task is less structured, but the leader has strong position power and in the case of bad leader-member relations, low structured task and weak position power.

Vroom and Yetton in 1973, and together with Arthur Jago in 1988, proposed decision tree of possible behaviors of the leader depending on: (1) whether the decision must be of high quality, in other words what would be the consequences of possible mistake; (2) whether the acceptance of the decision by the team is necessary for the implementation; (3) whether the leader has enough information to make the decision independently; (4) the extent to which the problem is

structured; (5) whether the people will accept the decision even if it would come solely from the leader, (6) whether the subordinates feel the goals of the organization as their own; and (7) whether a conflict among the subordinates is possible regarding the “best” solution to the problem. The Path – Goal Theory was originally proposed by Evans and amended by House and Mitchell in 1970-s. is considered an extension of the Vroom’s theory of expectations. As explained by Northouse (2013) leaders select specific behaviors that are best suited to the employees' needs and the working environment so that they may best guide the employees through their *path* in the obtainment of their daily work activities (*goals*). Based on the leader’s assessment of the (1) employee, (2) the task and (3) the environment characteristics, he chooses between four styles of leadership: directive, supportive, participative and achievement oriented.

The contemporary discourses in understanding the leadership include a spectrum of insights starting from charismatic leadership and ending with the Leader –Member Exchange theory. Charismatic leaders induce strong emotions among the followers and create a sense of identification with them and with the organization. They know how to use their charisma to motivate the followers, who trust them unconditionally. They transform the personal needs of their followers into the collective values, preferences and aspirations. Followers of these leaders are fully dedicated to the mission of the collective and are ready to run many extra miles (Boas at al., 1993). However, excessively charismatic leader can bring his business in trouble faster than his rational counterpart. With his too-distant vision he "inspires" but disregards and even downplays the realities (challenges) of the present-argues Bloomfield (2003). Others claim that the organizational science in general is preoccupied with only the positive and the constructive aspects of the charismatic leadership, while in the practice it has a wide dark side. A Toxic Triangle could be easily made of a destructive leader, susceptible followers and poor social environment (Padilla at al., 2007). It is easy to see this triangle in almost all fraud scandals in the “two big to fail” companies from Enron, WorldCom, up to the Lehman Brothers.

The Leader - Member Exchange Theory (LME) sees the leadership as a process of personalized one to one relationship between the leader and his followers. They both, affecting each other, agree on the subordinate’s role. However, in time, the subordinates are gradually classified by the leader into two groups: people “in the leader’s group” and people "in the outer group". People "in the leader’s group" are

trusted; enjoy greater discretion on how to perform the work and various other benefits. People from the “outer group” are estranged from the leader as he thinks that they are bad employees and not loyal to him. Consequently, they do not get any attention from the leader, do not get assignments that would be challenging for them and practically are not used enough. If we agree on the mayor arguments of this theory, the advice to the followers would be to try to get into the "leader's group" by voluntarily engaging in more activities, while the leaders are advised to try to rebuild the relationship, to use more "wandering around management" throughout the organization and to offer more opportunities for career development (Maslyn and Uhl-Bien, 2001). The major objection to this theory is the notion that the people out of the attention of the leader might be there because they are refusing to be blind followers, while the members of the leader's group might be nothing but an opportunistic clique that systematically undermines any attempt of the leader to see the whole picture and thus to reestablish his relationship with the others in the organization. In other words, managers who pursue this sort of leadership could intentionally or not, but easily help drawing of the lines of their own toxic triangle. Examples include situations like that of Parmalat when the inner group of managers was betting on their own company default, Siemens where a small group of managers entered a mega bribery scheme to boost the faltering sales, the Volkswagen managers who in order to obtain support from the worker bribed their union leaders and many similar.

Findings of the Study

Our Study involved 50 leaders at various levels of management in selected business entities in the Republic of Macedonia. The *questions* related to their style of leadership were in form of statements. The respondents were giving chance to choose between "almost never" and “almost always" depending on the extent to which the particular statement corresponds to their comprehension of the most appropriate to the given situation, leadership style.

Likert (1961) discerned four different types of leadership: exploitive, benevolent, consultative and participative. Hersey and Blanchard also talk about four specific leadership behaviors: directive, "sale" when the leader tries "selling" his decision, participatory and delegating. However, for the purposes of our research we choose Clark's

questionnaire from 2004, that follows the three basic styles of leadership, originally defined by Kurt Lewin as autocratic, democratic (we adopted it as a participatory) and Laissez-faire.

The results show that the majority of respondents (40%) incline towards the autocratic leadership, 32% towards participatory and 28% to the Laissez-faire style. In other words, the most preferred style of leadership is, or remains to be the autocratic.

Table 1. Preferred leadership Styles of the Macedonian business leaders

Style of Leadership	Respondents	Percent
Autocratic	20	40%
Participatory	16	32%
Laissez-faire	14	28%
Total	50	100%

Indicative is the difference between the preferred (practiced) leadership styles in the case of the male vis-à-vis the female respondents. While among the former, the dominant style is the autocratic (43%), the majority of the latter (women) prefer the participatory style (41%).

Table 2. Preferred leadership styles and the gender of the respondents

Style of Leadership	Male Respondents		Female Respondents	
	Count	Percent	Count	Percent
Autocratic	12	43%	8	36%
Participatory	7	25%	9	41%
Laissez-faire	9	32%	5	23%
Total	28	100%	22	100%

Regarding the level of the management, the autocratic leadership style prevails both in the case of the leaders at the lowest and that of the highest level of management, while the Laissez-faire style is the most preferred by the middle management.

Table 3. Styles of the leadership by the level of management

Managerial level	Preferred style					
	Autocratic		Participatory		Laissez-faire	
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%

The 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 Laissez-faire style, and then comes the participatory style with 27%, while the autocratic style is preferred by only 18% of the respondents. In the group between 41 and 50 years of age, the most frequent is the autocratic style (53%), followed by the Laissez-faire style with 26.67% and the participatory style with only 20%. In the group of the respondents over 50 years of age, the autocratic style is dominant with high 62.5%, followed by the participatory style (37.5%), while the Laissez-faire style is not present at all.

Table 4. Styles of the leadership and the age of the respondent

Age	Preferred style					
	Autocratic		Participative		Laissez-faire	
21 - 30	2	18%	3	27%	6	55%
31 - 40	5	31%	7	44%	4	25%
41 - 50	8	53%	3	20%	4	27%
50 +	5	63%	3	37%	0	0%

In addition, managers with some foreign career experience are more inclined towards the participatory style (42%). Similar is the situation with the leaders who had a chance to be trained abroad (50%) and with those who are members of some professional business associations. On the other hand, the autocratic style is dominant among the leaders who have not attended any management training program (52%).

Conclusion

Despite the reservations in relation with the limited representativeness of the sample, with the impossibility to control the interview environment and the influence of the current mood of the participants during the interview, the findings of our survey are consistent with similar research done by some other analysts like that of Popovski (2001) who in Macedonian companies finds three distinct types of organizational culture: conservative, entrepreneurial and flexible. According to him, the businesses characterized by conservative organizational culture have vertical hierarchy and strict division of labor, decisions are made at the top, there is no teamwork and the communication is primarily top-down, slow and inefficient. In such organizations a mentality of subordination prevails and the applied leadership style is autocratic. The entrepreneurial organizations are adaptable to the changes in the environment, but in terms of leadership the authoritarian style dominates, too. In the organizations that nurture the flexible model of culture people are respected based on their expertise and competence and thus the most appropriate leadership styles is participatory, or even the Laissez-faire style (Popovski, 2001).

It must be stressed that during the early stage of the growth, when the direct involvement of the founder is instrumental and when the directing of the subordinates and frequent communication of the vision is needed, the autocratic style is the most practical style to use. Moreover, by swiftly mobilizing and redirecting the organization towards the changed situation and the new priorities, the autocratic style can be helpful in the situations of financial or any other crisis, too. However, in all other situations, the autocratic style leads to managers overloaded with trivial and routine tasks, who are lost in the details. Leaders who practice the participatory style have much more time to devote to the analysis of the environment, monitoring of the changes and to the timely preparation of their organizations to respond to these challenges, either with seizing the opportunities or avoiding the threats or both simultaneously. Moreover, these leaders grow talent internally and the leadership transition in these organizations is not a difficult exercise. The Laissez-faire leadership is suitable for organizations based on strong decentralization, self-managed teams, that work on projects that require highly creative people such as that in software or in the creative industries. For the sake of the truth, this style is much less present in the

“brick and mortar” manufacturing even in the developed parts of the world.

The results of our survey offer certain guidelines on how to improve the leadership in the Macedonian business sector. A better gender balance, rejuvenation of the management teams, planned gradual withdrawal of the founder of the entrepreneurial businesses could prove useful recommendations. In the larger enterprises: strengthening the human resources departments, development of training plans for the management in soft skills, internships for young managers in selected companies abroad, formal business education of the technical staff on the MBA programs with concentration on the organizational sciences. Advice is also to educate the current leaders to realize the link between the old-fashion leadership and the overall competitiveness of the country and to be motivated to cut that vicious circle. This research is expected to inspire more probes into the broader social and cultural reasons why the authoritarian style, despite being not suitable for the new industries, new times and new profiles of the work force, still remains to be dominant and the most preferred style in the practice of the Macedonian businesses leaders.

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