

ARTICLES

Econ Lit – J 530

THE LEADERSHIP OF THE HUMAN FACTOR – A STRATEGIC TASK FACING INDUSTRIAL ORGANIZATIONS

Prof. Dr. Ec. Sc. Yosif Iliev

Argumentation

Scientific literature in the field of leadership issues is an important part of the richness of human resources management today. Studying it shows that there are plenty of issues for discussion, as well as too abstract theoretical concepts and constructions. Another extremity of a broad scope of articles are “the ready-made recipes and slogans” about leadership and leaders in organizations. Yet, one cannot underestimate a number of essential arguments and approaches of leading foreign authors from the point of view of their significance and usefulness for the business practice.

The picture above, which is strongly generalized, results into serious difficulties for the management of organizations in forming a neat concept about leadership in them, its transformation into a policy towards leadership and mechanisms for realization.

The subject of leadership, mastering and applying it in the business practice became particularly significant in modern conditions. On the level of industrial organizations leadership in its human dimension is accepted as a factor that can form competition. At the same time, it determines the technological and innovative leadership of organizations to a significant degree.

It is indisputable that Bulgarian industry needs a long-term vision for development in order to have its proper and dignified place among the industries of the EU member countries. Together with this, it needs to enrich the potential for industrial growth as a prerequisite for its bigger contribution to the economic growth of the country. In the context of the challenges mentioned above, the subject of leadership and in particular mastering and affirming it in industrial organizations has a great scientific and applied significance. Achieving leadership consistently in its human dimensions through adequate policies and mechanisms in our industrial organizations deserves to be defined as a basic priority task in the efforts for increasing their competitiveness and generating industrial growth.

1. Counteractive factors for developing leadership

Our studies in the field of leadership in big industrial organizations in the country confirm incorrect ideas, long established in their practice, such as: accepting leadership and leaders as synonyms; complete domination of the idea that the first (supreme)

head of the organization is its (only) leader; the understanding in many organizations that leadership is a union of the whole management team and others.

The development of current and future leaders of medium and big industrial organization faces a number of counteractive factors and requires overcoming them:

- heads exercise authority and this empowerment is understandable. At the same time many of them have a mentality problem as a result of unwillingness, even a fear to lose power, lose control over the people they manage. In this respect the development of leadership is accepted to a considerable degree as threatening the power and control of senior management;
- big organizations are characterized by structures which are predominantly vertical and bureaucratic. Every head in the managerial hierarchy actually depends on the leader or leaders above him. The sense of dependence too often leads to a behaviour of the particular head that is oriented to “doing what is ordered from above”;
- as a rule managerial hierarchy in the organization is accepted by many heads (and employees with the potential for future heads) as hostile and fostering in them the sense of obedience and even fear of seniors;
- limited ideas for motivation in organizations, including the constant domination of sanctions and punishment, deform the working behaviour of heads in the managerial hierarchy as well – it becomes manipulative and they resort to what eliminates sanction – punishment;
- the philosophy of the “**carrot and stick**” used by many senior heads in interacting and influencing their employees is another serious issue that counteracts the development of leadership in industrial organizations. Actually, there arise motivation issues that often lead to demotivation for manifesting the leadership potential of the heads in the managerial hierarchy, including employees with potential for growth;
- the long-established belief of heads and employees in many organizations that leadership is a result of a managerial position, even the opinion that there is a single leader in the organization – its first director, respectively. Without denying the influence of the first director or head on the company’s activity and results, it is indisputable that the position “at the top” does not turn automatically the person there into a leader;
- the established and followed “myth” among and by many heads that by holding a high and the next high managerial position in the organization (including the one at the top) they become leaders without having learnt how to be such ones. In other words, seriously undermining the knowledge of leadership that is necessary before holding a managerial position and that turns into mastered knowledge in holding the position;
- automatic link between the influence on other people (employees in the business organization) and the managerial position that is held, in particular the naive belief and expectation that people will always follow the person who manages them;

- the incorrect outlook of many heads and employees in business organizations concerning the limitations of the position held and in particular their understanding that climbing the hierarchical ladder leads to less limitations. In other words, misunderstanding the idea that leadership does not abolish limitations (responsibilities, respectively), it puts them in harmony (accordance) with the individual's abilities, instead;
- the restriction, voluntarily self imposed by many heads and employees with potential for growth, to manifest inherent leadership qualities and tendencies for leadership behaviour. It results from lessons learnt from interacting with senior heads.

Without generalising, these are examples from the reality in many Bulgarian industrial organizations and the vaguely outlined issues indicate serious weaknesses in the practice of affirming and developing leadership and leaders in them. One can make the initial conclusion that the predominant part of industrial organizations need to reconsider seriously the subject of leadership and, if necessary, with the help of a consultant to lay the basics for its successful application. Actually, a number of studies of renown foreign authors in the field of leadership give the ground to point out that the issues, systematised above, are characteristic (typical) for foreign organisations as well.

2. About framework issues and argumentation concerning leadership in its human dimensions

The richness and variety of the subject of leadership presupposes the necessity to make basic argumentation and understanding, from the point of view of usefulness for the business practice, at that.

The studies of leading authors in the field of leadership (P. Drucker, S. Cooper, D. Maxwell, Ulrich and Smallwood, D. Georges, D. Nicholas, H. Levinson and others) give grounds to distinguish a number of generalizations that are useful for practice:

- What is basic and shared by authors as a whole, is interpreting leadership in its human dimensions as an opportunity to create leaders for all hierarchical levels of the organization.
- An important emphasis is placed on the organization leadership abilities which are elaborated as its capacity to affirm future leaders.
- A significant generalization is that in the centre of leadership is the creation of conditions, environment and prerequisites for the manifestation of leadership qualities and skills on behalf of heads and employees.
- Valuable and useful for the practice is the argumentation about leadership as a process of influencing and creating followers of the real (affirmed) leaders in the organization.
- And last – the important emphasis on the cause-and-effect principle in the relation “**leadership – leaders**”, as well as the necessity not to accept the two key concepts as synonyms.

My understanding and definition of leadership of the human factor, which I present here in the article, is as follows:

Leadership in its human dimensions, namely leadership of the human factor, is actually the ability and potential of the industrial organization to discover, build, motivate and develop leaders on (for) all hierarchical (managerial and other) levels of the organization.

The understanding above of leadership in organizations focuses the attention of their management on the necessary policy and mechanisms for giving vistas and being at the base of building leaders on (for) all hierarchical levels. In other words, it is about a necessary transition from the essence of leadership to a policy and mechanisms for its development in the organizations.

The second focus is on separate personalities, their qualities and behavior as a prerequisite for affirming them as leaders in the organization, i.e. this argumentation gives directions how to develop company leaders.

The third focus is that the company potential for leadership concerns the creation and maintenance of a favorable (appropriate) environment for discovering and mainly for affirming company leaders – a thesis that can reach organizations and their management in an easy and understandable way.

In the article, among the most important prerequisites for providing leadership of the human factor in industrial organizations I distinguish the following:

- Owners and top managers have a conscious understanding and conviction about the **benefits** from affirming leadership of the human factor – including benefits for the organization itself concerning the opportunities for increasing the company competitiveness; benefits for the staff ensuing from the vistas for manifesting its labor potential and gaining recognition for better performance; benefits for the economy of the country through a bigger contribution of industrial organizations to the industrial and, hence, economic growth.
- Knowledge in the field of the leadership subject in the top management and availability of the particularly important prerequisite – **the empowered first head of the organization is a real leader**. In the context of interpreting leadership as a process of creating followers one can define this stage as exceptionally significant.
- Availability of (or reaching) an inspiring **vision** and **mission** of the industrial organization; affirming company values, company culture and organizational culture in it; applying standards in relationships that are based on mutual respect, openness, principles, justice and trust. This prerequisite is a serious challenge to the top management, but it lies in the base of sharing values between the leaders and their followers.
- Real accession of human-resources management in organizations to the modern achievements of the science and its requirements. Vistas before leadership in our companies require to have priority tasks in the field of human-resources management, namely:
 - ✓ building (or perfecting) systems for managing human resources in them, whose functioning can summon up and increase their labor potential and thus labor productivity;

- ✓ enriching the motivation policy with mechanisms for increased labor motivation of all employees;
- ✓ actions for making teamwork and teams in accordance with scientific principles and requirements.

Why in the context of the leadership subject in the article do I place an emphasis on the necessity of a significant perfection of human-resources management in organizations?

In answering this question there are several important arguments:

- strong influence of the quality and performance of human resources on the net added value of organizations and the added value of manufactured products while at present products have **low added value**;
- in a close perspective one cannot expect intensified (desirable, necessary) investment activity in the industry and this needs to be compensated mainly through an increased potential of the human factor;
- possible lasting sustainable competitive advantage of the human factor in view of its increased **usefulness, worth and value**. This potential is created and used through successfully solving the priority tasks pointed out above, together with affirming the leadership of the human factor.

Without elaborating on the plentiful definitions of the leader (leaders), further in the article I accept the following working concept:

The leader is a personality who, with his qualities and behavior, exerts strong influence on other people – an impact which turns them into his followers.

This understanding of the leader allows me to distinguish two important initial stages:

- **first**, the strong influence on other people is a result of the personal qualities and the ensuing behavior;
- **second**, the leader's influence is predominantly on the interpersonal relations, it is oriented to achieving general goals and defending the interests of his followers (respectively supporters).

From the point of view of the subject of the article, of interest is the **integration of two roles in the organization, namely: that of the head in the management hierarchy and the organization and that of the leader!**

In this sense the next working concept of mine is **«head – leader»**.

What I mean is the officialy empowered personalities in the organization hierarchy who have power over people and resources in a way that is significantly different from the so called **«management of the boss»**. In this respect in scientific literature there are plenty of characteristics of the head-leader compared to the **non-leader** (manager, superior, boss).

As a rule, when particular leaders do not have and do not show leadership qualities and behavior the “niche” is taken by the so called **“informal leaders”** (of or in the teams).

Informal leaders through their qualities and behavior take key positions in the system of human relations. These relations are not formed in the way the management

«prescribes». Instead, they are the result of spontaneous liking, respect, trust and so on on behalf of the people to particular personalities outside the management team. Their leadership has nothing to do with their working positions, instead it is accepted by employees (or teams) as a result of the people's judgement that these personalities embody qualities and behavior that inspire respect, trust and recognition. This presupposes the influence of the informal leader on the team members and brings forth a sustainable tendency for creating followers.

The outlined “picture” is a phenomenon that is frequent in our industrial organizations, and assessing it implies several viewpoints. The presence of informal leaders leads to complex relations between them and the officially empowered heads, which can be grouped into three basic types: **cooperation, conflict, mixed**. Without expressing extreme positions or giving “**ready-made recipes**” for decisions, one needs to point out that there are “**pitfalls**” in each of the three types of relations.

Industrial organizations (respectively their top management) therefore need to be ready and have the will to integrate successfully informal leaders, including the likelihood for the informal leader to take the post of the empowered head (non-leader); without the informal leader taking a managerial position, instead by empowering him to exert his influence on other people for the benefit of the organization.

3. The model of leadership qualities and the opportunities for assessing the qualities that heads have

A wide scope of leadership qualities and leadership behavior forms the **model of the ideal leader**. It is completely understandable that real people (heads and future heads in the organization) do not have simultaneously and completely the qualities that are introduced by the model. The particular head objectively cannot “cover” the idea of the ideal leader, whom Levinson successfully compares to “a diamond with finely cut qualities, but with shortcomings, too». For the particular personality certain qualities (including leadership ones) are more important than others and this depends on the individual value system, motivation inclination and even the environment (in the company and outside) in which the individual's living and professional activity takes place.

The real issue in the large scope of leadership qualities lies in the necessity of purposefully parametering this type of managerial behavior that is characterised as leadership. A number of current reference sources offer approaches and decisions for solving the problem. In this article the emphasis is placed on significant personal qualities that are interpreted as leadership ones and the idea is that they underpin the managerial behavior of the particular head, together with this they can be enriched systematically.

Having this orientation to leadership qualities and the ensuing leadership behavior, one can use two approaches:

The **first** one is actually the introduction of criteria and scales for assessment using defined leadership qualities that are accepted as a model.

The **second**, without being totally different from the first one, emphasizes on the variety of working situations when the head demonstrates ways of handling them and certain ways are interpreted as leadership.

In both approaches the final scores are expert, approximate and should not be taken as ultimate. They should not be undervalued especially if the underpinning ideas find a successful relevance in an adequate methodical approach and a set of tools for discovering leadership qualities and behavior in heads and employees with leadership potential.

One has to emphasise that the characteristics through which desired leadership qualities are scientifically described, are important but we should bear in mind that people are more complex than similar characteristics. It is difficult to fix human behavior into desired categories. In this sense even a neatly formulated methodics and its subsequent successful application in organizations will ensure results for having leadership qualities that need to be accepted as approximate and above all as good guidelines for actions aimed at enriching these qualities.

The necessity to “start” from the personal qualities of the head-leader finds arguments in the following:

- they result into the head’s personal attachment to a particular management style (authoritarian, democratic, liberal);
- they result into a priority in the head’s orientation to one of the two types of behavior: to duties and tasks or to people and interpersonal relations;
- personal qualities are the phenomenon which to a considerable degree defines the head’s own motivation and his skill to motivate the team members.

The methodical framework in discovering and affirming leaders in the industrial organization presupposes the necessity of working out a model of leadership qualities. This model underpins the assessment of the leadership qualities that heads in the industrial organization really have. The challenging task is “grounding” to and in the industrial organizations an acceptable narrowed model of leadership qualities out of their rich variety.

When applying the model of leadership qualities I offer to the large industrial organizations, one has to bear in mind purposefulness and thus my recommendation that the model renders an account of the level of the management position. It is indisputable that part of the leadership qualities have different significance for the heads on high, medium and low level of the organization and part of them are relevant irrespective of the management level. D. Maxwell pays attention to this circumstance and places an emphasis on leadership qualities that are specific for the different managerial positions. In other words, in the presence of a number of qualities, interpreted as leadership, creative and convincing one can and has to work out models of qualities that are differentiated for the three management levels and need to be the ground for appropriate methodical notions.

In its analogy the approach accepted and suggested in this article is close both to the argumentation of indicators for assessing the working performance of the management team and the method of competence models. I mean a clear and understandable definition of certain leadership qualities in the model by judging which of them have to be completed with characteristic signs. This completion is in view of not making difficult the subsequent discovery whether a particular real head has or doesn’t have leadership qualities.

In compliance with the argumentation that the vista before the leadership in the organization requires for **its first head to be a real leader**, further in the article the model is directed to a scope of leadership qualities that are natural and typical for first heads.

The list of the ten leadership qualities suggested in the article is as follows:

- | | |
|--------------------------------|---|
| 1. Being influential; | 6. Communicativeness; |
| 2. Vision; | 7. Dedication and trust; |
| 3. Experience and empathy; | 8. “Eternal student” |
| 4. Consistence; | 9. Orientation to prospects; |
| 5. Responsibility and fulness. | 10. Flexibility and thought-decisiveness. |

A couple of considerations concerning how the list of leadership qualities in the model was made:

First, a large part of the authors define a much broader scope of leadership qualities, without differentiating them according to the separate management levels.

Second, D. Maxwell marks out a number of leadership qualities (more accurately, an exemplary scope) for the first heads of the organization and the leaders as a whole.

Third, the list of leadership qualities I suggest, is a result of a questionnaire with twenty executive directors of large Bulgarian industrial companies. The questionnaire covers twenty significant leadership qualities from which the respondents have formed their own ranking list of the ten most important qualities. The list sums up the ten qualities of the model.

Forth, the leadership qualities above, as well as the remaining ten, have been “deciphered” beforehand according to their basic features (characteristics).

The leadership qualities with their characteristic features are as follows:

1. **Being influential**: the ability to persuade not necessarily with “the power of one’s position”. There are proofs that the members of the leadership team have been influenced by way of persuasion. The person creates the leadership team as one made of his supporters and followers in achieving both strategic and tactic company goals and tasks.

2. **Vision**: the person shares and affirms in the organization the concept of **collective leadership** (respectively leaders on all hierarchical levels are necessary). He establishes his leadership team “under him” and has an important contribution in building it. He selects real leaders for the team, even ones that are better than him in certain activities.

3. **Experience and empathy**: He is good at listening and especially listening to the leadership-team members and proves it all the time. He understands and shows sensitive insight in the positions, opinions and needs of the team members. Leading the leadership team **is preceded** by listening to what the remaining team members think and this guarantees their readiness to follow him.

4. **Consistence**: he accepts the creation of followers as one of his basic responsibilities. He encourages leadership initiatives and provides the accumulation of leadership experience in potential leaders. He takes care of discovering future leaders, affirming and developing them in the organization. He evaluates the successful leadership

of certain heads on a hierarchical level as a competence and prerequisite for their leadership and managerial position on a next hierarchical level.

5. **Responsibility and decisiveness.** The individual takes the personal responsibility appropriate for the first head of the organization. He takes also reasonable risks; has the will and courage to make unpopular decisions, including ones in complicated (extreme) situations. He has the skill to delegate rights and responsibilities to members of the team.

6. **Communicativeness:** The person shares the idea about the members of the leadership team as people who increase both the common and his own opportunities for successful management of the organization. On this ground his communication is understandable and sincere, with an emphasis on «important things». Through communication he gives proofs for building and developing interpersonal relations in the team and even in the organization. He communicates with people in a tolerant way and wins them through guidance and encouragement. He takes into account the individual differences and peculiarities of the character of separate personalities. He communicates with respect to people which is a prerequisite for an atmosphere in which everybody can manifest his abilities.

7. **Dedication and trust:** the person shares the idea about necessary mutual empathy of the leadership team to the strategic and tactic outlook and decisions for functioning and development of the organization. On this ground he creates and develops the leadership team as people who trust each other and believe in the team. The person finds the balance in being dedicated to the people (in the team and in the organization), the processes and activities, the achieved results. He can motivate the team members through fair judgement of their contribution and adequate forms of recognition. He has real contribution to and dedication in providing that the goals and interests of the organization converge with those of the staff. His behavior and actions inspire trust both on behalf of the leadership team and the staff.

8. **«Eternal student»:** he is aware of the necessity of always enriching his own professional competences and especially his leadership qualities, style and line of managerial behavior. He proves to have business knowledge in various trends (acquiring scientific innovations, studying and considering good practices of others; learning lessons from one's own experience and that of other people and so on).

9. **Orientation to prospects:** he shares the idea about a necessary vision for development of the organization. Following it, therefore, has to increase competitiveness. The person gives proofs for his own significant contribution to creating and following a vision for development of the organization. He demonstrates abilities to “see far and ahead”. Together with his team he identifies the necessary changes and “plays” the role of an engine in managing the changes in the organization. He makes the changes and the development of the organization in unity with the development of the people in it and especially the development of the leadership team.

10. **Flexibility and resourcefulness:** the person shares the idea that when the organization functions, together with the strict rules and mechanisms for carrying out processes and activities, there always occur situations that require relevant decisions. On this ground he gives proofs for successful adjustment to changes in the internal

and external environment. He relies on the leadership team too and demonstrates abilities for achieving the best possible results by optimal use of resources. In many cases he rearranges activities and people not only adequately to influential external factors but also having “reserves” (preliminary readiness) for making this rearrangement successful. He comes up with accompanying activities that are the potential for the organization and “the buffer” when problems in the basic activities occur.

The comparison between the leadership qualities in the model and the ones that particular first heads of organizations really own brings forth several problems for solving:

- choosing appropriate methods whose use ensures enough proofs that heads have or don't have leadership qualities;
- correct use of the methods, also because of the circumstance that to a considerable degree they are based on expert judgement;
- in judging whether the head of an organization has leadership qualities one should also take into account the results from the evaluation of the performance of the head's team.

Understandably, the article does not go into particularities of the issues, only several important ones are pointed out.

In order to assess the leadership qualities of first heads of organizations one can successfully use a variety of methods such as purposefully made tests, profile (psychological) questionnaires, questionnaires, the method of motivational profiles, the method of competence profiles, case-studies, the method of the 360-degree feedback and others.

By principle the set of profiles mentioned above is applicable (not necessarily all of them) for heads in the hierarchy of industrial organizations. Yet, when one needs to assess the leadership qualities of first heads, undoubtedly he has to take into account a number of considerations concerning and resulting from their position. Thus at least two issues are pointed out in the article:

- **First**, indisputably there is a need to discern the attitude of the staff and especially that of the management team to the first head of the organization, they should admit how they accept him as a leader (or non-leader) of the organization. This sensitive task presupposes working out a specific contents of methods used for this purpose;
- **Second**, naturally, assessing the leadership potential of the first heads of organizations has to be based also on proofs for the results of the organization functioning. This task is much more difficult, having in mind that it is exceptionally difficult to distinguish the contribution of the first heads to the end results of the organization functioning. It is relevant to point out that a research team from the Department of Industrial business in UNWE also works on this important issue in the context of a larger research project. What I can point out in this article is:
 - orientation to contribution to results in the context of competitiveness – including the acquiring and/or enriching with competitive advantages of the organization; a tendency for increasing the competitiveness of the

produced products and their added value; entering new market niches and increasing the export potential of the organization;

- strive for limiting factors outside the organization that counteract the results and tendencies above, i.e. for the first head taking into account the unfavorable influence of factors from outside the organization which he cannot influence objectively;
- giving a priority to the first head's influence on the abilities and potential of the organization when assessing his contribution including management of changes that adapt the organization to the external environment and decrease its unfavorable impact;
- searching for and grounding on indicators for pointing out the contribution of the first head of the organization to end results of its functioning mainly in the scope of his influence on heads, top specialists, employees that has resulted into a motivating environment for full manifestation of their potential in the working activity.

It is indisputable that the type of the suggested consideration and ideas are mainly general on this stage, i.e. the task ahead is to work them out scientifically and on this ground apply them in a number of large industrial organizations in the country.

Conclusion

It is indisputable that currently Bulgarian industry has complex problems and faces serious challenges. Its unenviable place among the industries of the EU countries is a consequence of a number of factors and reasons. Most of them are known, moreover – at forums of the Association of lecturers in economics and management of industry our community discuss them systematically and from a scholar's point of view, we also make well-grounded suggestions for solving these issues. These conferences, the articles and discussions can be our common contribution to providing a dignified place for the industry, for industrial and hence economic growth of the country.

The subject of leadership in its various dimensions is a challenge both for our specialized community and the representatives of our industrial practice in the strive for achieving industrial growth. Without any unnecessary optimism we can summarize that the symbiosis between "scientific community and industrial organizations" is an important step on the complex and difficult road to achieving industrial growth.

THE LEADERSHIP OF THE HUMAN FACTOR – A STRATEGIC TASK FACING INDUSTRIAL ORGANIZATIONS

Prof. Dr Ec. Sc. Yosif Iliev

Abstract

The leadership issues and particularly the leadership of the human factor is among the current priorities of the science of human resources management. The scientific literature in this field contains a wealth of theoretical concepts, formulations, views and recommendations

towards the business practice. There is the indisputable need for our industrial organizations - including support on the part of consultancies - to give scope to leadership in its human dimensions. This scope calls for an adequate policy towards leadership and mechanisms for its implementation. It is in the context of what has been said above that the subject and the content of the present article lie. The content of the article constitutes a symbiosis between contemporary scientific formulations in the area of leadership and methodological issues with partial approbation in industrial organizations. The achievement of results on the part of our industrial organizations in mastering leadership issues can be their strategic task in the effort to raise competitiveness and generate industrial growth.

Keywords: *leadership of the human factor, leaders, managers-leaders, leadership qualities, leader's behaviour.*