Full Length Research Paper

Changes in leadership styles in a transitional economy: A Serbian case study

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The aim of this research was to analyze the existing leadership styles in organizations and develop an optimal leadership model in volatile economic conditions in Serbia. The research is included 64 managers from 5 different businesses. Leadership style was measured by a standardized questionnaire as a survey instrument consisting of 24 real situations and their subjective perceptions in the process of leadership. The purpose of this work is to search for the optimum leadership in the system and its surroundings, by using or combining the appropriate leadership skills and styles. The basic premise was that, leadership style can be considered in two independent dimensions; autocratic and/or democratic leadership and commitment to people and/or tasks. The subject of this study was the way managers cope with people in the company taking into account two situational factors; the level of authority, job satisfaction and years spent in managerial positions in specific organizations. Leadership styles were monitored in firms, differentiated by their ownership structure, activities and business functions, where there are different hierarchical structures and where leadership roles are defined differently.

Key words: Leadership, business environment, employees, customer relationship management.

INTRODUCTION

Contemporary business conditions are characterized by unstable economic conditions implying the need for development of new models which can provide the expansion of business processes in enterprise, as well as establish successful relations with the environment, users and consumers. The function of leadership is the one of the leading management functions which contributes business growth and development. Its importance is reflected primarily by human resources management and therefore, also in the management of working processes (Mitrovic, 2007).

Leadership is always a fascinating subject in any current job. In fact, it is the most important aspect of human behavior. It gives a positive direction to the use of human resources and brings out the best in a man (Shastri et al., 2010).

Leadership has been historically and typically defined and understood in terms of traits, qualities and situation in which the leader exists and behaves (Dotlich and Walker, 2004).

By definition, leadership is the ability to influence a group of people towards the achievement of goals (Robbins and Coulter, 2001; Lussier, 1990). A successful leader should be able to establish trust by giving employees more freedom to act autonomously and make decisions. In addition, leaders should clarify the direction towards the attainment of goals to the employees through communication and encourage them to feel confident and able to take risks in work completion.

Today, leadership skills are believed to imply assisting people to exploit their potential, develop their motives and emotions, directing them towards the goals and objectives of general benefit. The areas where leadership is showing its best effects are the creation of new values that is, creating and implementing changes, creating
Leadership style

The concept of leadership style is the result of the efforts to study the phenomenon of leadership in the context of groups and social climate. As Stogdill (1974) pointed out, there are almost as many definitions of leadership as there are people who have tried to define it. But successful managers must lead and manage effectively. Leadership styles can be identified by their style characteristics, an implicit leadership philosophy and a set of management skills typical of each style (Warrick, 1981).

In one of the few definitions (Likert, 1961), the style implies a set of appearing behaviors which predictably occur in response to specific situations. Thus, when people express a style, it means that, one can predict how they will react in a familiar situation. Leadership style is the way to establish relationships between leaders and followers, as well as among the other employees in the company, that is, the manner in which the leader directs the behavior of subordinates and the means used by him to win them over or consents to the desired behavior. It is commonly accepted that all managers have leadership and managerial functions (Robbins et al., and 2003).

Leadership style also has a significant impact on performance (Bycio et al., 1995; Avolio and Bass, 1993). In today’s dynamic world, leaders must be able to cope with the increasing volatility and turbulence of the environment due to the globalization era (Fiedler, 1996; Hennessey, 1998). Through the actions of top management as an effective leader and adequate training and skills (Kotter, 1990; Avolio and Bass, 1993; Bass, 1998), a successful culture could be developed and valued by the employees (Farid, 2000).

Leaders can be differentiated based on their leading orientation; whether and to what extent they are focused on the objectives and tasks of the group and/or on building the interpersonal relationships within the group. This type of management research was carried out in industries, healthcare and government in Michigan (Mondz et al., 1995); results indicate that regardless of where they work, leaders can be classified into two main groups: work/task-orientation and people/employee-orientation.

In addition to the authors who in the framework of specific categories, are starting from the similar viewpoint in defining the concept and criteria of differentiation of individual leadership styles, their models differ in terms of complexity, as well as whether they occur within a particular theory or they are the result of research conducted among small groups or organizations (Fiedler, 1976), where the following categories are highlighted:

The first distinct category consists of approach to the leadership style where the authors start from the basic function of the group. The functions which are fully attributed to the leader's role are the achievement of the objectives and maintenance of the group. The relative importance that leaders attach to the one or another function is seen as the criterion for differentiating leaders. Leaders can be differentiated by their leading orientation; whether and to what extent they are focused on the objectives and tasks of the group and/or building human relationships.

The second category consists of the definitions, where the leadership style is described according to the way the leader's role is defined in dealing with the group. Leadership style is seen through the interaction of leaders and subordinates. The differentiation of the style is based on the way in which leaders influence and stimulate the activity of the group members. The third category consists of the models whose authors isolate the decision-making process within the leadership framework. They single out a very narrow aspect of leadership as the basis of the description and differentiation of specific leadership styles. The fourth category consists of the perceptions where leadership styles are considered in relation to the leader's role in the group. In the related references, there are several opinions and listing of roles and tasks of leaders in the group (Spence, 1996). According to them, the important roles and the tasks of the leaders are:

1. Fourteen roles of the leader in the group that are classified as major (planning, expertise, controlling the internal relationships, etc.) and minor (the leader as the group's external symbol, the ideologue father figure, a sacrificial lamb, etc.) roles.
2. Ten roles of the leader, which are classified into three categories: interpersonal, informational functions and functions related to decision-making.
3. Twelve tasks of leaders, including the initiation of ideas, integration, organization and communication.

Activities that define the role of leaders in the group are distinguished and classified by the stated views and attitudes, while the issue of criteria and factors of individual differences in the way of managing people are less important. The leadership style is directly linked to the success of the organization. Thus, the style should not be linked to the manager's self-image.
The manager’s task is to identify and remove the obstacles on the way of company’s success and avoid the obstacles themselves. Likert’s “four systems of management”, are developing approaches which are important for understanding the leader’s behaviour. The manager’s effectiveness is considered strongly subordinate-oriented, using communication as a means of coordinating all parts of the organization. All the group members, including managers, develop a support system, by which they realize their common goals, values, aspirations and expectations. Due to the outdated and static model of leadership in Serbia, the Likert (1961) system was taken as a starting point, which considers four management systems in the decision making process.

The first system is referred to as “the exploitation and use of power.” This system is characterized by an autocratic leadership style where managers lack confidence in their subordinate co-workers, motivating them by penalties; decisions are made solely on the highest hierarchical levels. Autocratic leadership styles were more common in the 1970s (and earlier). Gradually, this made room for more democratic styles. The autocratic style feeds high staff turnover and low employee morale.

The leader has a direct impact on staff performance, productivity, satisfaction and turnover (Rondeau and Wagar, 2002). The second system is referred to as “benign authority.” Leaders have a patronizing attitude and confidence towards their co-workers, motivating them through rewards, providing subordinates with feedback and a highly controlled participation in decision-making.

The third system is called "consultative". Leaders lack complete confidence in their co-workers, using their ideas and attitudes; decisions are usually made independently, allowing only occasional consultation and decision making at lower hierarchical levels. The fourth system is known as the system of "participation in leadership." Leaders have complete confidence in their co-workers, appreciating their constructive ideas and opinions in decision-making.

In addition, it should be noted that, one of the new models which exists in business and which is one of the leadership style moderator, are the elements allowing managers to accept or adjust their leadership styles in order to establish the environment for implementation of principles and practices of customer relationship management into organizations (Galbreath et al., 1999).

In formulating the research questionnaire, the Likert leadership styles have been used among the others, which is presented next.

**RESEARCH MATERIAL, METHODS AND INSTRUMENTS**

Dynamic environment generates the need for constant adjustment in the management of working processes. Therefore, the research subject is defined in that direction, with the aim to introduce innovations into the organization’s management style. For the successful operation of organizations, their management functions are required to be aligned both with the external environment, represented by the competition and customer relations and the internal environment.

The purpose of this research is to describe the leadership styles in volatile economic conditions of Serbia and to suggest a model based on these results that would allow effective management. To achieve such a clear goal, a permanent analysis of leadership style needs to be developed in order to detect and diagnose the possible deviations, creating thereby, conditions for taking remedial measures.

The problem of this study was to assess the relationship between leadership style and situational factors; the level of authority, the number of service years in a managerial job and job satisfaction in the company. The following hypotheses were tested:

1. The leadership style is moderated by the level of authority (autocratic/democratic leadership and people/task-oriented leadership), orientation towards people or towards the tasks.
2. The leadership style is moderated by the length of service on managerial job (autocratic/democratic leadership and people/task-oriented leadership).
3. The leadership style is moderated by job satisfaction (autocratic/democratic leadership and people/task-oriented leadership).

According to the defined hypotheses, the situational factors were decomposed as follows: The level of authority is divided into four categories: the first category includes the executives having the highest authority. In this study, these are: the managing director, his deputy, assistant managing directors for specific functions, directors of parts of the company, their deputies and technical directors; the second category includes executives of sectors (or departments, depending on the organizational structure of the specific part of the company) and managers of business offices; the third category consists of the departments and/or section and agencies (depending on the organizational structure of the part of the enterprise); the fourth category consists of first-line managers, having the most direct contact with the employees, the headmen.

As a continuous variable, the years spent in a leadership position were transformed into a categorical variable, so that participants were classified into two categories: The first category includes the executives with less than 15 years of experience in a managerial job (junior executives); the second category includes the executives with above 15 years of experience in a managerial job (senior executives).

Job satisfaction is categorized into three categories: The first category consists of the executives who are satisfied with their jobs; the second category consists of the executives who are moderately satisfied with their jobs; the third category consists of the executives who are highly satisfied with their jobs.

The sample consisted of 64 respondents working at different levels of various organizations in Serbia. The leadership style was monitored in 5 different companies, differentiated by their ownership structure, activities and business functions, with different hierarchical structures and differently defined leadership roles.

The survey covered executives of all ages. The average age of managers as measured by median was 46 years; the youngest is 25, the oldest is 65. The survey included respondents working as leaders only for 1 month, as well as those having extensive experience in this job, spending 36 years in the leadership position. The average number of years spent in the leadership position was 10.5. As to the gender structure of respondents, 45 of them were male managers and 19 female.

Leadership style was measured by a standardized questionnaire (Francesco, 2000) as a research instrument, by which it is possible to identify and categorize the respondents into two aforementioned dimensions of leadership style. It consisted of twenty-four real
real situations and the perceptions of these in the process of leadership. The questionnaire is designed as semi-di-rective technique of data collection, where respondents are in a position to evaluate the significance of each of the four behaviors listed earlier through fine-leveling of the degree of agreement with the offered statements. Thereby, the possibility of forced choice of response has been reduced, enabling more precise definition of the importance attributed to individual statements of the participants.

The collected data were subjected to the following statistical methods: Chi-quadrate test; variance analysis; cluster analysis; Pearson's coefficient of correlation; measures of central tendency and the dispersion of quantitative data. Specific methods are discussed in the following section.

RESULTS AND DISCUSSION

The first step in data processing was to identify the location of the respondent in the space defined by two dimensions of management style. The profile of the leadership style is indicated by data on the degree of preference for autocratic or democratic way of leadership and the degree to which the leader is people- or task-oriented.

In terms of dimensions of autocratic and/ or democratic leadership, the following results were obtained:

23.4% of the leaders show strongly democratic leadership style; 20.3% of the leaders show moderate democratic leadership style; 25% of the leaders show mixed autocratic-democratic type; 10.9% of the leaders show moderate autocratic style; 20.3% of the leaders show highly autocratic leadership.

When looking at the aspects of people and/or task-oriented leadership, the following results were obtained: 21.9% exclusive task-orientation; 14.1% exclusive people-orientation; 18.8% shared people/task-orientation; 25% moderate task-orientation; 20% moderate people-orientation.

In the present matrix, 25 groups of respondents were isolated (Table 1). Each group consists of a certain number of leaders. As confirmed by this example, there are no statistically significant differences (chi-square test = 0.92 and variance analysis in Tables 2, 3 and 4) among these groups, that is, the two leadership style dimensions were independent. With a larger sample of respondents the results would possibly indicate correlation between the two styles.

The data obtained by the analysis indicate that, leaders of highly democratic leadership style and those of mixed autocratic/democratic style are more task-oriented and less people-oriented, while leaders of autocratic style are somewhat task-oriented but for the most part people-oriented, which does not confirm the theory dealing with the mentioned relations. As there were no statistically significant differences between these styles, the Pearson's correlation for these dimensions of leadership and situational factors has been calculated (Table 5).

Correlations between dimensions of leadership and other variables are shown in tabular form (Table 5). Based on the correlation, the following conclusions are drawn:

There is a correlation between the dimension of the respondents' people/tasks-orientation and the dimension of their age (with a negative value -0.0294), that is, the younger the respondents are, they are more task-oriented; with increasing ages, the orientation towards people is naturally growing.

Also, there is a correlation between the dimension of autocratic/democratic leadership and the dimension of job satisfaction (with a positive value 0.0297), that is, managers who are more satisfied...
Table 2. Chi-square test (autocratic/democratic dimension of leadership: dimensions of leadership style: people/task orientation).

<table>
<thead>
<tr>
<th>Test</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square test</td>
<td>23.906</td>
<td>16</td>
<td>0.092</td>
</tr>
<tr>
<td>The number of valid cases</td>
<td>64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Variance analysis of the people/task orientation dimension along the variable of leadership dimension.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sum of squares</th>
<th>Degree of freedom</th>
<th>Main square</th>
<th>F</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among the groups</td>
<td>2146.122</td>
<td>4</td>
<td>536.530</td>
<td>0.904</td>
<td>0.467</td>
</tr>
<tr>
<td>Within the groups</td>
<td>35004.316</td>
<td>59</td>
<td>593.293</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37150.438</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Variance analysis of the autocratic/democratic dimension of leadership along the variable of leadership dimension.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sum of squares</th>
<th>Degree of freedom</th>
<th>Main square</th>
<th>F</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among the groups</td>
<td>4168.740</td>
<td>4</td>
<td>1042.185</td>
<td>1.190</td>
<td>.325</td>
</tr>
<tr>
<td>Within the groups</td>
<td>51665.697</td>
<td>59</td>
<td>875.690</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>55834</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

with their jobs and are also more prone to autocratic type of leadership. Job satisfaction is an important factor of dimensions of leadership style, that of autocratic/democratic. In order to produce the desired behavior of its members, organization must set the appropriate targets or instruments which meet their needs and simultaneously fulfill the organization's goals or those related to them. If the goal is to increase performance, then this must be accompanied by appropriate rewards which are attractive to the workers. If the goals fail or they are not much valued or attractive, the motivated behavior will also fail. Therefore, the organization must relate the desired behavior of their members with their needs satisfaction.

When defining the hypothesis about the relationship between the lengths of leading the company and the orientation towards people or towards the tasks, we had in mind the process of building personal leadership style. It was presumed that, executives at the outset of their leadership functions are primarily focused on building the relationship with their workers. Once the employees are acquainted, roles defined and a favorable climate built, the leaders can focus on setting more complex tasks to their subordinates. Since the results disagree with this, it can be concluded that, the individual stages in building personal leadership style in enterprises is not directly affected by people- or task-orientation.

The results support the hypothesis that, the level of authority is an important factor of the 'leaders' people- or task-orientation and the autocratic/democratic leadership style. Leaders at higher levels in the organizational structure are more task-oriented, while those at lower levels of authority are oriented towards building interpersonal relationships in the enterprise. The results of many previous studies have shown that in companies, as complex structures where the roles and working activities of employees are formally defined, the development of business strategy, organization of working tasks and achievement of production results are ranked higher by leaders at higher levels in the hierarchy of leadership, while building interpersonal relationships, the employees' problems and satisfaction are ranked higher by leaders in lower positions in the hierarchical structure. This means that, the way in which leaders define this aspect of their role in the company, is largely determined by the formal job requirements. Namely, the responsibility of leaders with higher authorities is to create the company's vision and business policy. Also, they are responsible for the results which were achieved and the organization of work, so it is expected that they give higher importance to these aspects of management in defining their own role in the company. Executives at lower levels of authority are in a position to create preconditions so that decisions could be made applicable, indicating the need to build good communication network with immediate operators. Therefore, they should give higher importance to building friendly environment, employees' satisfaction and tackle their problems as well.
Table 5. Correlation analysis of leadership style and of specific situational factors.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Dimension: Autocratic/democratic leadership</th>
<th>Leadership style dimension: People/task orientation</th>
<th>The age of respondents</th>
<th>No. of service years of respondents</th>
<th>Years spent on leadership position</th>
<th>Assessment of job satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension: autocratic/democratic</td>
<td>Correlation</td>
<td>0.188</td>
<td>0.093</td>
<td>0.105</td>
<td>0.114</td>
<td>0.297*</td>
</tr>
<tr>
<td>leadership</td>
<td>significance</td>
<td>0.137</td>
<td>0.471</td>
<td>0.415</td>
<td>0.383</td>
<td>0.017</td>
</tr>
<tr>
<td>number</td>
<td></td>
<td>64</td>
<td>64</td>
<td>63</td>
<td>62</td>
<td>61</td>
</tr>
<tr>
<td>Leadership style dimension:</td>
<td>Correlation</td>
<td>0.188</td>
<td>-0.294</td>
<td>-0.225</td>
<td>-0.003</td>
<td>0.051</td>
</tr>
<tr>
<td>People/task orientation</td>
<td>significance</td>
<td>0.137</td>
<td>0.019</td>
<td>0.079</td>
<td>0.979</td>
<td>0.688</td>
</tr>
<tr>
<td>number</td>
<td></td>
<td>64</td>
<td>64</td>
<td>63</td>
<td>62</td>
<td>61</td>
</tr>
<tr>
<td>The age of respondents</td>
<td>Correlation</td>
<td>0.093</td>
<td>-0.294*</td>
<td>1</td>
<td>0.870**</td>
<td>0.688**</td>
</tr>
<tr>
<td>number</td>
<td>significance</td>
<td>0.471</td>
<td>0.019</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>63</td>
<td>63</td>
<td></td>
<td>62</td>
<td>60</td>
</tr>
<tr>
<td>No. of service years of respondents</td>
<td>Correlation</td>
<td>0.105</td>
<td>-0.225</td>
<td>0.870**</td>
<td>1</td>
<td>0.582**</td>
</tr>
<tr>
<td>number</td>
<td>significance</td>
<td>0.415</td>
<td>0.079</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>62</td>
<td>62</td>
<td></td>
<td>62</td>
<td>60</td>
</tr>
<tr>
<td>Years spent on a leadership position</td>
<td>Correlation</td>
<td>0.114</td>
<td>-0.003</td>
<td>0.688**</td>
<td>0.582**</td>
<td>1</td>
</tr>
<tr>
<td>number</td>
<td>significance</td>
<td>0.383</td>
<td>0.979</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61</td>
<td>61</td>
<td></td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Assessment of job satisfaction</td>
<td>Correlation</td>
<td>0.297*</td>
<td>0.051</td>
<td>-0.081</td>
<td>-0.073</td>
<td>0.013</td>
</tr>
<tr>
<td></td>
<td>significance</td>
<td>0.017</td>
<td>0.688</td>
<td>0.526</td>
<td>0.571</td>
<td>0.922</td>
</tr>
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<td></td>
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<td>64</td>
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<td>62</td>
<td>61</td>
</tr>
</tbody>
</table>

Correlation is important at the *0.05 and **0.01 levels.

Differences in the orientation of leaders of different levels of authority can be explained by the existing social distance between the leaders and the workers. The higher the leaders are positioned on hierarchical level in the company, the more they are distanced from the workers. By the nature of their job, leaders at higher hierarchical levels of authority are seldom in immediate contact with employees. Regarding leadership, this is reflected in increased task-orientation.

Conclusions

The business world today is in the process of very rapid and numerous changes (globalization of the Economy, the swift growth of electronic commerce, the increasing pace of business operations, rapid obsolescence of technological novelties, the rapid expansion of new companies in the world market), which inevitably imposes the need for the development of new models and forms of leadership.

The application of participative style is conditioned
by willingness of the staff to act independently, use their knowledge and skills and take responsibility for their decisions and their implementation within the boundaries of their authority. Furthermore, practice has shown that managers do not lose to their authority by accepting the problem-solving ideas of subordinates.

The obtained results regarding the relationship between the leaders' characteristics and leadership style can be summarized as the following: from the set of social and demographic characteristics, the years spent in the leadership position and job satisfaction are distinguished as significant factors of leadership style. This research study has confirmed the importance of leadership functions in contemporary business operations, emphasizing the directions of further development regarding a model of effective corporate management in volatile economic conditions, which should be verified and further developed.

The adequate leadership style in a volatile business environment of Serbia includes an adequate combination of management principles, methods and functions. A higher level of consistency in their implementation is a prerequisite for successful adoption of work processes and their results. Leadership style, dominated by a consultative and participative approach, with a strong presence of planning and control functions, supported by adequate information content, are essential features of the leadership model in unstable conditions of operation, as shown by the example of the economy of Japan (Hoffman, 1988). In addition, teamwork and frequent measurement of the results and their reporting to senior business and management bodies is essential for successful leadership in volatile economic conditions.

REFERENCES
