

Policies and Mechanisms for Leadership Development at the Largest Companies Operating in Bulgaria

Yosif Iliev*

Summary:

Corporate leadership is a field in which abundant scientific research has been carried out. However, the transition from scientific concepts to company policies and mechanisms, which would ensure the big industrial firms in Bulgaria a leadership development, is accompanied by serious difficulties, including those posed by a number of counteracting factors. This article makes an overview of the main pillars of company policy in the leadership area and outlines the attendant mechanisms for the creation and development of leaders in the organizational hierarchy. The analysis is supported by arguments from a pragmatic point of view.

Key words: leadership, company policy to leadership, leaders, leadership skills, creation and development of leaders.

JEL: J29; M53; M54.

Introduction

My work as a consultant for big industrial companies in the recent years has shown that human resource management is lagging behind the achievements of contemporary research and

the best international practices. This fact has been confirmed by the significant research and the many research projects carried out by the Industrial Business Department under the author's guidance [1]. The most important "problem areas" that have been identified are as follows: the insufficient construction and unsatisfactory results of the HRM systems applied by the company; the problem of labour motivation, which has not been given due consideration and the companies' failure to raise the motivation of their staff; the serious discrepancy between the scientific achievements in the field of company leadership and its real state in the big industrial companies across the country.

The abovementioned problems that I have highlighted are typical of our business practice and are among the priorities in the development of human resource management in the 21st century. This is a relevant fact, as it exposes a serious discrepancy. On the one hand, this science, which has a history of more than 100 years, boasts of a considerable enrichment in terms of theory and methodology. On the other hand, the practical implementation and application of these achievements in our country has been underestimated and is seriously falling behind.

* Yosif Iliev is a D.Sc., professor at the Industrial Business Department of UNWE, e-mail: iosifiliev@abv.bg

This article aims to study two inter-related scientific problems - leadership as a company policy and the mechanisms that facilitate the formation and development of company leaders. This aim is directly related to the significant problems that the human resource management in the domestic industrial companies face.

The major thesis is that, despite the complexity and problems of the leadership topic (including the various theories, concepts, approaches, etc.), the separate firm can be provided the opportunity to consider, develop and pursue a policy and apply the respective mechanisms to facilitate the re-assertion of leadership.

The article has a practical orientation. It presents ideas that synthesize and further develop some theoretical postulates. These ideas do not provide "prescriptions that could readily be applied". Instead, they could be used by company management to reconsider leadership issues, promote leadership and attain ambitious business goals.

1. The Leadership As a Crucial Company Policy

The literature in the field of leadership can be characterized as abundant even though its review exposes a multitude of controversial issues and too abstract concepts and theoretical premises. Many publications in this field have overstated the relevance of "prescriptions and hackneyed messages" communicated to leadership and leaders. Against the backdrop of such literature, top company managers find it hard to formulate a coherent concept about company leadership, its transformation into a policy and the mechanism for its implementation.

My research in big industrial firms in the country reveals the fallacious use of concepts that companies have adopted in their policy such as: the assumption that leadership and leaders are synonymous notions; the strict adherence to the thesis that the top company manager is its sole leader; the interpretation of leadership as a notion involving the entire managerial staff, etc.

The development of present and future leaders in the big industrial companies undoubtedly requires that a spate of adverse factors is countered:

- directors exercise power and their empowerment is understandable. There is a mental problem which is caused by some leaders' unwillingness and even fears over the loss of authority and control of the people whom they manage. In this respect the expansion of leadership in the firms is perceived as a threat to the senior management's authority and control;
- Big companies typically have structures which are largely bureaucratic in nature. Every manager in the hierarchy depends on some leader who holds a superior position. Such a feeling of being dependent on somebody else quite often determines a behavior in which the leader focuses on "doing what he is ordered to do by his superior".
- The management hierarchy in the company is generally seen by many managers (and even by the employees with managerial potential) as hostile, evoking a feeling of obedience and even a fear from the superior authority;
- The limited views of motivation held by firms, including the blind subservience to sanctions and punishments, distort lead-

Articles

ers' conduct in the management hierarchy. Hence motivation becomes manipulative as people tend to do what is likely to be done to evade sanctions and punishment;

- The "carrot and stick" philosophy applied by many senior managers in their interaction with and influence over employees (this article defines as employees all people in employment contracts with the firm – author's note) is the next serious problem which hampers the development of leadership in the firms. In fact a motivation-related problem emerges which prevents the managers from the whole hierarchy from expressing their leadership potential.

Though we should avoid making general conclusions, this is the real situation in which many of our big industrial firms find themselves in.

The problems thus roughly outlined expose serious flaws in our business practice with regard to testing and developing leadership and leaders at the corporate level. An initial conclusion may be drawn that the big firms (or at least the majority of the firms) in the country need a careful reconsideration of their leadership policy and, if deemed necessary, advice by a consultant so as to start the successful implementation of the policy.

With regard to the widely spread theory for the development of company leaders, Peter Drucker [2] focuses on two basic moments, which should not be underestimated. He points out that though company management cannot create leaders, it can create an environment in which both managers and employees will express their leadership qualities and skills. In the second

place Drucker argues that even though it is almost impossible to change the views of managers and employees, it is possible to set practices aimed at helping them use their leadership potential.

Thus summarized, Drucker's view is in line with the approach applied in the article. In my opinion the creation of an environment favorable for the expression of qualities and skills should be interpreted as the reconsideration of the company leadership policy and its implementation by the application of its attendant mechanisms. In my view, such a policy and mechanisms largely determine the company leadership potential.

An important understanding of leadership in the firm is its interpretation as a process of creating followers. In his article John Maxwell [3] thoroughly examines this essential aspect of leadership. From a pragmatic point of view at least two considerations can be made in this respect:

- The basic prerequisite for creating the "follower-leaders" is that the empowered top company manager should be a real leader;
- Other relevant prerequisites are the common values that the leader and the followers should share; the inspiring company vision and mission; abiding by standard relationships, which are based on mutual respect, frankness, adherence to principles, equal treatment, etc.

So why is company policy oriented to leadership at the heart of the development of leaders?

The company policy to leadership is an integral part of its human resource policy. It is based on an awareness of company

owners and highly placed managers that the employees are most valuable resource, which under specific conditions can ensure a sustainable competitive advantage for the company. The special aspects of this policy can be presented through a number of indicators, the basic one being the orientation to the selection of those employees whose professional and personal skills and leadership potential have been tested.

Leadership and the creation and development of leaders at every level in the management hierarchy should be regarded as an important priority by company owners and top management. Openly stating this priority is not end in itself but is based on the assumption that company is fully aware of the importance of the leadership issue and the benefits its reaffirmation brings. The contemporary interpretation of leadership focuses on two key inter-related issues:

- First, company policy and mechanisms provide the basis of and open up the opportunities for the creation of leaders at all levels in the hierarchy;
- Second, the individuals with their qualities and behavior and accordingly their reassertion as leaders.

The aforementioned key issues give reasons to make an important initial conclusion, namely that leadership is interpreted mostly as the company's potential and ability to find, create, motivate and develop leaders. Such an understanding is essential to the discussed policy and its attendant mechanisms.

The company policy of developing leaders reveals the willingness on the part of both owners and highly placed managers to create and maintain a favorable environ-

ment that fosters this process. Generally speaking, this environment encompasses a number of elements which aim to ensure that the firms act in compliance with the contemporary aspects of human resources management [4]. I will outline some of the essential aspects, such as:

- The maintenance of an atmosphere of frankness, mutual cooperation and support in the company;
- The acknowledgement and appreciation of the professional potential, personal assets and performance of managers and staff;
- The granting to the managers in the hierarchy special powers and responsibilities related to the functioning and management of the HRM system;
- The real and specific delegation of powers to leaders in the hierarchy and their inclusion in setting the company goals at all structural levels.

Such a policy presumably connects the creation of the potential and ability for leadership in the company and the successful and effective human resource management. The results of the system's functioning will prove whether there are managers and staff with leadership qualities and behavior. Special attention to this aspect of company policy with regard to leadership development is paid by Simon Cooper [5], who justifies the place, role and responsibilities of managers at all levels with regard to the functioning HRM system.

A serious challenge that the management of our big industrial companies face is the need to shift from static to dynamic job descriptions. Also, in staff appraisal priority should be given to the reasons for certain results, which means that staff behavior at

work should be assessed. Such an understanding applies to managers, in particular to current and future company leaders and is to be further elaborated.

Logically, some basic concepts related to teamwork and teams in the firm are also part of the organizational policy for leadership development. The company leadership potential, albeit developed and established through the respective mechanisms, is to be sought at the level of the team. The failure to observe a number of teamwork principles and the serious insufficiencies in the setting up of teams and the empowerment are adverse factors that hamper leadership creation and development.

2. Methodology in Establishment and Development of Company Leaders

A number of authors [6,7,3] advance scientific arguments in outlining a broad range of leadership qualities and behavior. If we assume that this range largely presents the idea of the perfect leader, or more precisely the model and standard for such a leader, then understandably we should as well assume that the real people (leaders and future company leaders) do not possess at once this entire spectrum of qualities and behaviors. For objective reasons an individual leader can never "cover" the idea of the perfect leader. Levinson makes a successful attempt to compare the real leader to "a diamond with grinding qualities but also with shortcomings" [6].

There is no doubt that in an individual some qualities are more important than others. This largely depends on the individual system of values and motivation attitudes, as well as the environment (inside and out-

side the company) in which an individual normally carries out his professional and personal activities throughout life.

The management position in the company hierarchy does not automatically suggest that the respective manager is also leader. The assignment of managerial positions and promotion in the company is based, as a rule, on some professional and personal qualities, specified in advance, that the employees should allegedly possess. In his performance of the HRM-related functions and tasks laid down in the job description, the real manager gives evidence (overall or partial) to whether he is coping with his job well. This evidence is suggested by certain aspects of his behavior as manager. In this sense the respective manager can display the qualities of a good or not so good leader, or those of the manager-leader. Such general evaluations of the manager should be based on the aims and tasks accomplished by the managed team.

The conclusions made thus far are typical of our business life. The essential problem is that this scheme lacks the sufficient number of indicators for the evaluation of leaders. In other words, even though descriptions such as "poor leader", "good leader", "manager-leader" are easily labeled, often they are controversial, as they are not proved by solid evidence.

Hence there is need to specify the indicators of managerial behavior in order to provide clear-cut benchmarks to judge whether some behavior can be characterized as leadership. A number of contemporary literary sources are attempts to search for an answer to the problem described

above. Their analysis gives reason to group these attempts under two major headings:

- The first heading encompasses theories of aggregate behavioral models of managers;
- The second group encompasses theories that focus on establishing and justifying a broad range of personal qualities, considered as leadership.

The managers' aggregate behavioral models are dependent on their orientation to tasks and results, on the one hand, and to people (employees, team members), on the other.

The basic factors that are believed to determine the orientation towards leadership behavior are the manager's personal characteristics (personal assets), taking account of the opportunities for their enrichment and reassertion. The author of this article generally shares this view, though there are some considerations about its validity in principle. These considerations are prompted by the fact that the two leader orientations are basically extreme and fail to cover some possible and actual modes or their combined effect in real life, or the priorities with regard to this combined effect. This is confirmed by the leadership model of McKee and Carlson [8]. The two authors apply an original and mostly a pragmatic method of analysis and advance arguments in favor of distinguishing between seven styles as models of the leadership behavior. The ideal leader style is presented in Grid's style number 9.9.

Style 9.9 is typical of a manager who attaches an equally high (the highest) importance to both people (team members) and their performance. This style does not oppose the two orientations nor does it make a clear distinction between them.

The reason that I define leader style 9.9 as "ideal" is my understanding that:

- Firstly, in real life the manager cannot possibly display in his work the seven interaction elements in Grid's theory. In other words, in real life the manager presumably displays a high level of some of the abovementioned elements, while a significantly lower level other elements. This does not undermine the quality and relevance of the ideal model as a standard;
- Secondly, it is my opinion that the specified ideal model of leadership behavior is strongly dependent on the qualities of team members. When a team does not give evidence for the personal qualities of every single member that should correspond to what the ideal model has highlighted, it is questionable whether this model will work, or at least its effectiveness will decrease.

The manager's leadership behavior is expressed through exercising power over other people. His interaction with his subordinates through power instruments has been the topic of a number of publications. A number of general requirements about exercising power by the manager-leader may be summarized as follows:

- Transparent and fair use of power instruments;
- Use of power based upon respect and trust toward the managers in the company hierarchy;
- Use of power instruments only within the scope of the manager's powers and responsibilities;
- Lawful use of authority by the manager;
- Using authority instruments not to the effect of "possessing people" but for the

sake of reaching their common goals and the protection of the common interests;

- Adjustment for "sharing" the power, i.e. successful delegation of power rights to the team members, who should show that they can perform their rights, etc.

The second heading is directed towards leadership qualities and behavioral modes, which includes mainly two methods:

- The first one involves setting criteria and evaluation scales based on the leadership qualities and behavioral modes which are identified as standard (model).
- The second one, which is not basically different from the first one, emphasizes on the diversity of situations at work in which the manager displays ways of coping with various cases, some of which are interpreted or, more precisely, defined as leadership.

Both methods present expert estimates which are approximate and should not be regarded as absolute category. At the same time they should not be ignored, especially if the embedded ideas are successfully implemented by applying an adequate methodological approach and instruments for the establishment of leadership qualities and behavioral modes.

The abovementioned requires that the following conclusion be made. The evaluation used to describe in academic terms the desirable leadership qualities and behavioral modes are important. However, we should always take into account the fact the people are more complex in nature than such evaluations. It is hard to restrict human behavior at work to a set of desirable categories. In this context even a perfectly developed methodology and its subsequent

successful implementation in the company will yield results with respect to the development of leadership qualities, which should be regarded as approximate estimates and mostly as a good reference point for action.

3. Transition towards methodological issues in setting parameters in the mechanism for the establishment and development of company leaders.

First, the model (standard) of leadership qualities will provide grounds for a subsequent comparison and evaluation of the qualities that company managers possess in effect.

The aforementioned considerations related to reservations about the standard for leadership qualities should not be ignored, which does not imply that the method of elaborating of such a standard should be rejected. Considering the broad range of leadership qualities which have been substantiated through scientific arguments, the essential problem in this case is that a standard reasonably narrow in scope should be determined, which comprises qualities which are practically relevant and useful. Applied to big industrial firms it is recommendable that the standard should take into account the managerial position (high, middle, low level) because of the different weight of the leadership qualities or, in particular, of some qualities at specific levels.

The differentiated standards (models) of leadership qualities should be targeted at establishing leaders' personal dimensions and a basic point is that the selected personal dimensions should be further "deciphered". The unambiguous definition of a separate

personal dimension without specifying its additional characteristics will seriously hamper the subsequent definition of the leadership qualities in real managers. In this respect, two possible approaches can be applied:

- The **first one** involves defining a range of behavioral modes along each personal dimension to describe the various degrees of possessing the respective leadership quality (it is like a scale for possible evaluation of the actual leadership quality);
- The **second one** involves a sufficiently comprehensive description of leadership qualities through their essential features.

In the development of standards in the company a number of specific problems should be resolved:

- What is the most appropriate range of leadership qualities for the behavioral modes, required for a managerial position?
- Are there grounds to arrange by priority the leader qualities in the standard?
- In which cases should a scale be developed for the evaluation of the possessed leadership qualities that are an integral part of the standard, with a view to facilitating their identification in real managers and employees?

Second, about the opportunities to establish whether the managers at all levels of the company hierarchy possess leadership qualities and behavioral modes.

The comparison of the leadership qualities which are included in the standard and the leadership qualities possessed by the individual company managers raises several problems which should be addressed:

- The selection of the appropriate methods, the use of which provides sufficient

evidence about that the managers possess and/or do not possess leadership qualities;

- The methods should be adequately applied, taking into account that they are largely based on expert assessment, among other things they are based upon expert evaluations;
- The assessment of managers' leadership qualities and their performance should be well grounded.

Quite understandably this article does not elaborate in detail the formulated problems (the overall set of methodological instruments is confidential in nature to some extent, so it is excluded from the article). I deem it necessary to make a few remarks:

➤ *Concerning the diversity of appropriate methods that could be applied to achieve the aforementioned goals:*

Without underestimating the observation method and the results of managers' annual performance appraisal, the firms should apply a number of other methods. To assess the leadership qualities possessed by managers, a variety of methods could be applied such as purposefully developed tests, portrait (psychological) questionnaires, the methods of motivation profiles, case studies, 360 degrees feedback, and others. A practical obstacle that could be pointed out in this respect is that human resources experts in big industrial companies lack the necessary competence to apply these methods. This obstacle can be overcome by organizing a training of these experts and hiring a competent consulting team to develop the leadership quality standard and define the methods' content and scope in a specific company;

Articles

- Concerning the organization of the assessment of managers' leadership qualities:

Even though there are a number of possible organization schemes, several general recommendations can be made. A typical feature of the observation method is that it is applied on a regular basis by the superior manager. As a rule the appraisal results are retrieved in November of the current year (appraisal period). Hence other methods used to establish whether managers possess/do not possess leadership qualities are not applied on a regular basis but just once or twice a year, for instance, at specially organized seminars attended by the company managerial staff. In organizational terms these considerations are just possible remarks which should be specified in the effective application of the methods. Other organizational issues are: who is to assess whether a manager possesses/does not possess leadership qualities; should all the members of a management team participate in the appraisal of their manager (supervisor), etc.

In summary it is important that the following consideration be taken into account. If we assume that managers' leadership qualities are assessed in a responsible manner in compliance with the scientific requirements, this appraisal should not be considered as fetish or an absolute measure. This assessment is not made to "pull the ears" of the managers who fail to display sufficiently broad in range leadership qualities and behavioral modes. The purpose is to arrive at a realistic idea about the real leaders in the

company. Furthermore, it is essential that certain discrepancies are identified so that managers are supported in the development of their leadership qualities. This support provided by high level managers should definitely be accompanied by an enhanced personal responsibility of every manager.

Third, about the opportunity that the incumbent leaders and staff members with the leadership potential are further motivated to develop their leadership qualities.

A key issue in this respect is whether there are sufficient grounds and needs for the company to reconsider and introduce a specific motivation policy ensuring a tool for raising the motivation of the current and future leaders in the management hierarchy. The answer to this question is provided by the wealth of motivation theories and models and mechanisms for human resources' motivation:

- The ideas and postulates they rest on are not directly oriented to leaders' motivation but have a potential which can be successfully extracted, adapted and applied to the individual company manager-leaders;
- postulates from specific models can be highlighted which can possibly provide a basis for the motivation policy and mechanism with regard to current and future company manager-leaders;
- Even though the fundamental assumption in work motivation, namely "providing conformity between employee's motivation attitudes (internal motivation) and motivation factors (external motivation)" applies to manager-leaders, it should be convincingly applied to the specific object – developing managers and future company leaders;

- the corporate dimension of labor motivation is expressed in a specific way in company leaders and this specificity should be well outlined.

An important moment of motivating the current and future leaders is that managers who have either given, or are giving, evidence that they possess leadership qualities are personalities with a high internal motivation. In effect there are real risks of undermining their high internal motivation, including a risk of demotivation. The phenomenon 'demotivation' is applicable to each employee, but manager-leaders' demotivation may have dire implications for the company.

The prevention or the overcoming of a possible demotivation is an important aspect of the specific motivation policy towards company leaders. However, far more important is the mechanism that ensures their high or growing motivation.

The evidence suggesting the possession, and particularly the lack, of leadership qualities and the behavioral modes displayed by managers are a pillar in this mechanism. The analysis of the reasons and factors that determine a manager's lack of leadership qualities should also suggest ways to reassert some qualities.

An important moment in the discussed mechanism is finding the 'intersection' between the motivation attitudes of a specific manager and the possible lack of leadership qualities. In this case a basic assumption is that the motivational tools for the reassertion and development of a manager's leadership qualities should be in harmony with his inner motivation (mo-

tivation attitudes). The harmony between the internal and external motivation is essential for 'arousing' the individual manager's aspirations, ambitions, and desires to improve his personal and professional characteristics, so that he could thus reach those typical of leaders.

A significant motivation potential in this mechanism is ensured by managers' adopting an approach to the drafting and implementation of annual individual plans, which set the general aims with a view to the reassertion of their leadership qualities. If we assume that managers' value can be recognized by comparing the existing leadership characteristics and the standard ones, then motivating these managers through development plans should presumably raise their value and utility for the company.

The review of motivation qualities gives sufficient grounds to argue that managers tend to expose their leadership behavioral modes in their interaction with both subordinates and higher level managers. This consideration should be taken account of in the motivation mechanism. There is a stronger motivation potential in the second case, when managers interact with superiors. In this case the manager is likely to feel his superior managers' impact that can boost his labor motivation. The interaction with higher-level leaders has two aspects:

- The first aspect is presented in the form of rules and mechanisms and largely concerns the company internal rules governing its HRM system.
- The second aspect involves the manager's informal communication with his superiors.

Articles

In fact in this case we can also argue that there are options for the so called 'soft regulation' (for instance through company documents such as "The Manager's Charter", 'Ethical Code', etc.).

- The above considerations give us grounds to conclude that the manager is subject to diverse motivation factors and that "things" that are seemingly not directly related to motivation should not be ignored.

Conclusion

The general issues relating to leadership and leaders in big industrial enterprises, which have been highlighted in this paper, are relevant in the performance and decision making of both company owners and top management. There is no doubt that company policy in the field of leadership development and its attendant mechanism should be reconsidered. HRM-related policies in the big industrial enterprises should be the engine that prompts the initiation and development of rules and mechanisms governing the reassertion and development of leadership in the company. In case there is an inadequate professional expertise in the debated field it is expedient to resort to consulting services. Such services will be extremely useful in the elaboration of the standard (model) of leadership qualities and their deciphering through specific features and appropriate methods for establishing that managers in the hierarchy possess leadership qualities and motivation attitudes. It must definitely

be emphasized that the companies should organize training to this effect of both managers and staff members with a potential for future managers on the policy and mechanism for the leadership development elaborated in the separate companies to meet their specific needs. At the discretion of the company top management the rules and regulations governing leadership may be an integral part of the overall system of HRM.

References

- Cooper, S., Brilyantniyat lider. Izdatelstvo "Amat-AH".
- Druker, P., 2009. Uspeshniat lider. Sofia: Izdatelstvo "Klasika I stil".
- Iliev, Y., and col., 2005. Konkurentosposobnostta na bulgarskite industrialni kompanii. Sofia: Universitetsko izdatelstvo "Stopanstvo".
- Iliev, Y., 2005. Upravlennie na choveshkite resursi. Izdatelstvo "Abagar".
- Levinson, H., 2008. Psihologiya na lidera. Sofia: "Klasika i stil".
- Maxwell, J., 2008. Build the Leaders around You, Publishing House New People, Sofia.
- McKee, R., Carlson, B., 2009. The Power to Change. Grid. Publishing House "Chernorizec Hrabar", Varna.
- Ulrich, D., Smallwood, N., 2009. Leadership Brand: Developing Customer-Focused Leaders to Drive Performance and Build Lasting Value, Publishing House "Yakov", Sofia.